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This is an English translation of the securities report in Japanese. The original version has been disclosed in Japan in accordance with Japanese accounting standards and the Financial Instruments and Exchange Act. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damage arising from the translation.

Annual Securities Report

The 109th Business Term (Fiscal 2024)
From April 1, 2024 to December 31, 2024

DAIFUKU

DAIFUKU CO., LTD.

Contents

[Cover page]

[Document title]	Annual Securities Report
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[Place of filing]	Director-General of the Kanto Local Finance Bureau
[Filing date]	March 31, 2025
[Fiscal year]	The 109th fiscal year (from April 1, 2024 to December 31, 2024)
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[Company name in English]	Daifuku Co., Ltd.
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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	109th
Fiscal year ended		March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024	December 31, 2024
Net sales	(million yen)	443,694	473,902	512,268	601,922	611,477	563,228
Ordinary income	(million yen)	40,976	45,846	51,253	59,759	64,207	74,498
Net income attributable to shareholders of the parent company	(million yen)	28,063	32,390	35,877	41,248	45,461	57,086
Comprehensive income	(million yen)	25,627	33,345	46,368	53,556	60,409	67,817
Net assets	(million yen)	237,356	262,012	292,059	332,323	358,755	398,424
Total assets	(million yen)	410,887	445,456	483,322	551,552	646,154	688,707
Net assets per share	(yen)	616.76	680.02	769.13	878.24	966.98	1,082.71
Net income per share	(yen)	74.32	85.71	94.90	109.11	121.63	154.21
Diluted net income per share	(yen)	–	–	–	–	118.45	147.11
Equity ratio	(%)	56.7	57.7	60.2	60.2	55.5	57.8
Return on equity	(%)	12.4	13.2	13.1	13.2	13.2	15.1
Price-earnings ratio	(times)	30.7	42.2	30.9	22.4	29.5	21.4
Cash flows from operating activities	(million yen)	13,706	38,229	56,691	20,034	37,117	116,129
Cash flows from investing activities	(million yen)	(14,791)	(6,132)	(9,828)	(11,874)	(29,582)	(2,393)
Cash flows from financing activities	(million yen)	(18,354)	(8,932)	(27,550)	(30,187)	22,732	(36,820)
Cash and cash equivalents at end of year	(million yen)	70,883	94,079	118,672	102,389	136,445	220,395
Number of employees	(persons)	10,863	11,697	12,436	13,020	13,071	11,042

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.
5. Effective with the resolution passed at the 108th Ordinary General Meeting of Shareholders held on June 21, 2024, the fiscal year-end of the Company has been changed from March 31 to December 31. Accordingly, the 109th fiscal year ran for nine months from April 1, 2024 to December 31, 2024.

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

Fiscal year		104th	105th	106th	107th	108th	109th
Fiscal year ended		March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024	December 31, 2024
Net sales	(million yen)	243,400	239,592	266,460	290,278	274,535	216,785
Ordinary income	(million yen)	30,400	36,811	39,831	45,543	47,246	34,879
Net income	(million yen)	18,699	26,039	28,652	34,053	33,223	29,250
Common stock	(million yen)	31,865	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	379,830
Net assets	(million yen)	186,021	204,574	221,919	244,570	247,446	246,588
Total assets	(million yen)	277,107	301,560	330,068	349,892	400,580	396,926
Net assets per share	(yen)	492.49	541.18	587.01	646.91	667.60	670.65
Dividend per share	(yen)	75.00	80.00	90.00	110.00	40.00	55.00
[Interim dividend per share included above]	(yen)	[30.00]	[30.00]	[35.00]	[40.00]	[14.00]	[23.00]
Net income per share	(yen)	49.52	68.91	75.79	90.08	88.89	79.02
Diluted net income per share	(yen)	–	–	–	–	86.51	75.24
Equity ratio	(%)	67.1	67.8	67.2	69.9	61.8	62.1
Return on equity	(%)	10.2	13.3	13.4	14.6	13.5	11.8
Price-earnings ratio	(times)	46.1	52.4	38.7	27.1	40.3	41.8
Payout ratio	(%)	50.5	38.7	39.6	40.7	45.0	69.6
Number of employees	(persons)	2,928	3,042	3,202	3,375	3,509	3,691
[Average number of temporary employees not included above]	(persons)	[428]	[449]	[432]	[381]	[335]	[263]
Total shareholder return	(%)	120.2	190.9	156.9	133.4	194.9	183.0
[Benchmark: TOPIX Total Return Index]	(%)	[90.5]	[128.6]	[131.2]	[138.8]	[196.2]	[200.0]
Highest share price	(yen)	7,300	13,500	11,550	2,459 [8,820]	3,678	3,630
Lowest share price	(yen)	4,560	6,340	7,410	2,412 [6,090]	2,349	1,954.5

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.
6. Effective with the resolution passed at the 108th Ordinary General Meeting of Shareholders held on June 21, 2024, the fiscal year-end of the Company has been changed from March 31 to December 31. Accordingly, the 109th fiscal year ran for nine months from April 1, 2024 to December 31, 2024.

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) (now Taiwan Daifuku Co., Ltd.) 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 Co., Ltd.
	Acquires shares of Osaka Machinery Works Co., Ltd. to make it a subsidiary (absorbed by Daifuku Manufacturing Technology Co., Ltd. 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 United States 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 Co., Ltd. and Osaka Machinery Works Co., Ltd.
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.
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 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.
June 2024	Changes its accounting period from April 1 to March 31 to January 1 to December 31 of every year. The fiscal year ended December 2024, a transitional period to implement the change in the fiscal year-end, ran for nine months.

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 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 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)

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)

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.

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.

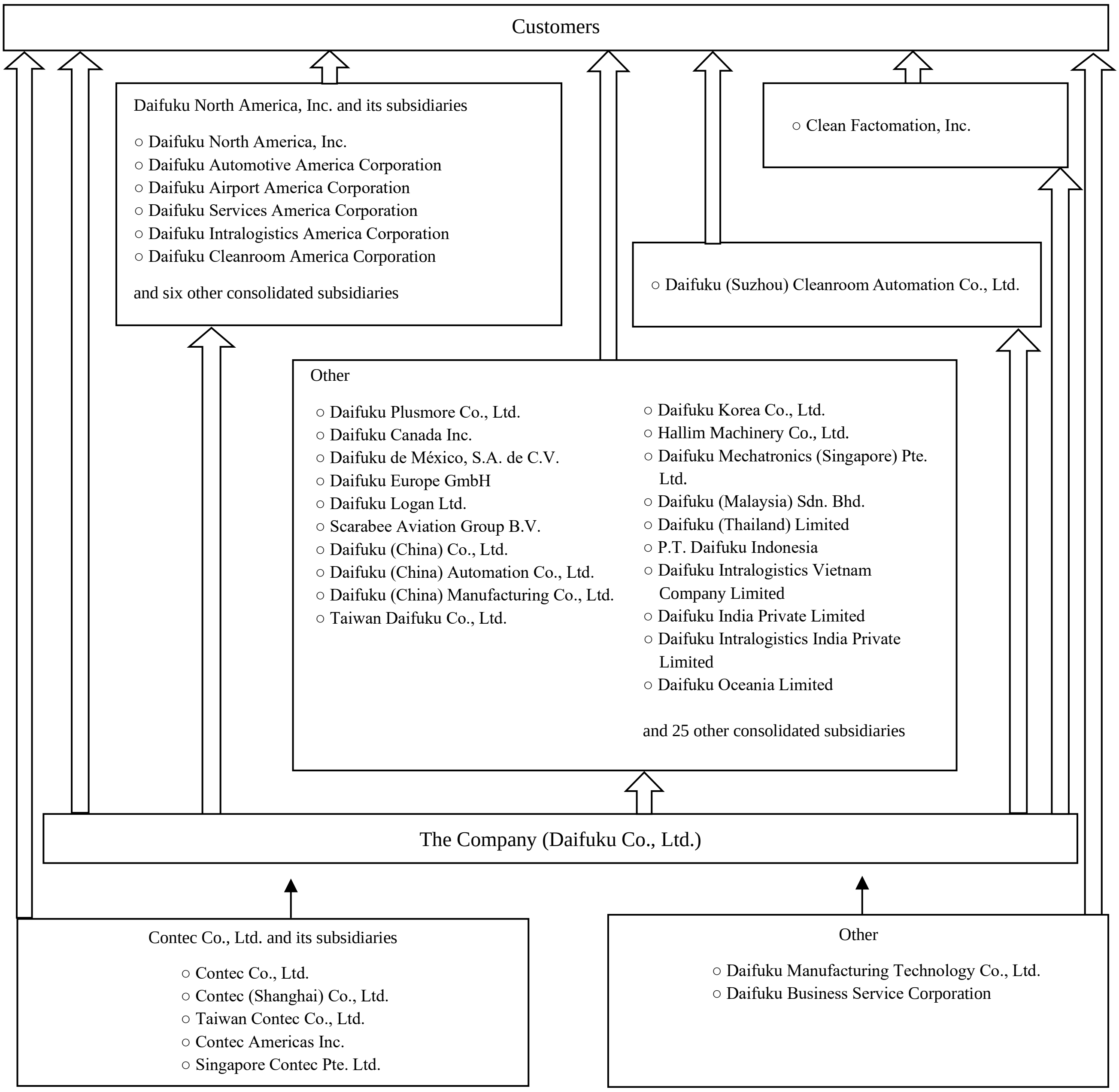
Daifuku (Suzhou) Cleanroom Automation Co., Ltd. manufactures and sells cleanroom transport systems mainly to semiconductor manufacturers in China and provides after-sales services for them.

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



→ Flow of consignment (e. g. installation, production, and manufacturing)

⇨ Flow of products

○ Consolidated subsidiaries

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 of 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	
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	–	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	1	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 1 and 2
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 1
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	
52 other companies								

Notes: 1. The figure in brackets in the "Daifuku's percentage of voting rights (%)" column shows the percentage of the voting rights the Company holds indirectly, which is included in the figure without brackets.

2. Is a specified subsidiary.

5. Employees

(1) Information about consolidated companies

As of December 31, 2024

Segment	Number of employees
Daifuku Co., Ltd.	3,691
Contec Co., Ltd. and its subsidiaries	477
Daifuku North America, Inc. and its subsidiaries	2,848
Clean Factomation, Inc.	904
Daifuku (Suzhou) Cleanroom Automation Co., Ltd.	266
Other	2,856
Total	11,042

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

2. The number of employees of the Group in the fiscal year ended December 31, 2024 decreased by 2,029 persons from the end of the previous fiscal year to 11,042 persons, mainly due to the downsizing of business in the U.S.

(2) Information about reporting company

As of December 31, 2024

Number of employees	Average age	Average years of service	Average annual salary (yen)
3,691[263]	41.6	14.7	8,228,038

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 branches outside of Japan. Thus, they are excluded from the population for the calculation of average age.
6. While the fiscal year ended December 31, 2024 is a nine-month period due to the change in the fiscal year-end, the average annual salary stated is the average amount taken over a one-year period (12 months from January 1, 2024 to December 31, 2024).

(3) Labor union

The Group has Daifuku Union that was organized in February 1948. As of December 31, 2024, the union has 2,952 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

		Fiscal year ended December 31, 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.	5.4%	65%	73.1%	77.6%	56.9%
ii. Consolidated subsidiary	Contec Co., Ltd.	5.4%	100%	67.4%	77.4%	57.0%

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. The disparity in wages between men and women in management positions for the fiscal year ended December 31, 2024 is 91.4%.

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 philosophy

Led by the company creed, "Hini Arata," which represents our stance of constant daily evolution, and our management philosophy, "Automation that Inspires," we engage in business activities, aiming to inspire society, deliver prosperity and enhance well-being through our core competence—automated material handling technology. We have established the following set of Corporate Policies, including our Group Code of Conduct, that defines the fundamental principles officers and employees of the Group should follow.

Corporate Policies

<table>
<tr><th colspan="2">Company Creed</th></tr>
<tr><td>日新
Hini Arata</td><td>Today we are doing better
than we were yesterday.
Tomorrow we will be growing
ahead of where we are today.</td></tr>
<tr><th colspan="2">Management Philosophy</th></tr>
<tr><td colspan="2">Automation that Inspires

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

We will
1. strive to realize a sustainable society that minimizes burdens on people and the environment, respects human rights, and encourages responsible manufacturing.
2. work together with customers around the world to create optimal smart logistics solutions that incorporate innovative technologies.
3. ensure a fair and open corporate culture that respects diversity and allows each individual to excel. Further, we will strengthen our fundamental management practices globally to have a high level of transparency.</td></tr>
<tr><th colspan="2">Group Code of Conduct</th></tr>
<tr><td colspan="2">Basic Stance
We will act in accordance with applicable laws, rules, regulations, social norms and ethics.
We will place safety as a major premise in all aspects of our business activities.
We will remain committed to the creed of "Hini Arata" as we take on new challenges and make changes for the better.</td></tr>
</table>

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 (hereinafter referred to as the "2030 Long-Term Vision"), and the "four-year business plan for 2027," a business plan whose final year is the fiscal year ending December 31, 2027, which also serves as a midpoint of our overall goals for 2030 (hereinafter referred to as the "2027 Plan"). Initiatives are underway for the achievement of these targets.

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 ended December 31, 2024. For more information, please refer to the following section, "VI. Outline of Share-Related Administration of Reporting Company."

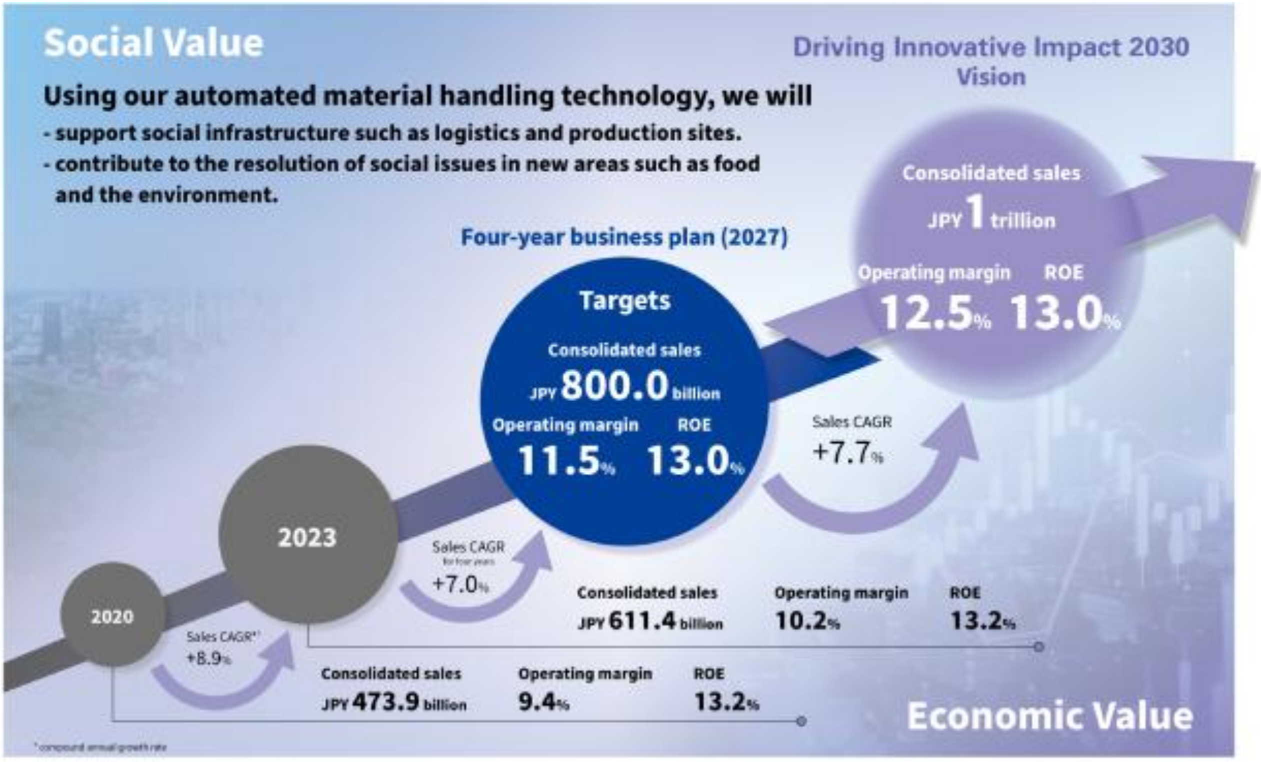
Driving Innovative Impact 2030

Our 2030 Long-Term Vision 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 2030 Long-Term Vision. Then, we set the 2027 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



Priority domains, frameworks, and topics

To achieve the enhancement of economic and social value, we established priority frameworks and topics for the following domains, taking into consideration the challenges from Value Transformation 2023, the previous business plan (from the fiscal year ended March 31, 2022 to the fiscal year ended March 31, 2024), the business environment, and social sustainability, and we are implementing various measures accordingly.

For more information on the 2030 Long-Term Vision and the 2027 Plan, please refer to "Notice of Formulation of Driving Innovative Impact 2030 and Four-Year Business Plan for 2027," announced on May 10, 2024:

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

For details about the initiatives for priority topics, please refer to "Priority Topics and KPIs in the Four-Year Business Plan for 2027" or our website:

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

Status of progress for the fiscal year ended December 31, 2024

	Initial forecasts for the fiscal year ended December 31, 2024	Results for the fiscal year ended December 31, 2024	Targets for the final fiscal year of the 2027 Plan
Consolidated net sales	550.0 billion yen	563.2 billion yen	800.0 billion yen
Operating margin	9.5%	12.7%	11.5%
ROE	–	15.1%	13.0%

Consolidated net sales exceeded initial forecasts due to sales underpinned by an extensive order backlog. Operating margin greatly exceeded initial forecasts, as income benefited from cost reduction efforts such as production efficiency improvements initiated during the period of the previous business plan, and sales in legacy semiconductors in China also increased. ROE also exceeded the target for the final fiscal year of the 2027 Plan, as a result of factors such as significant profitability improvements and the purchase of 10.0 billion yen in treasury stock in order to improve our capital efficiency, despite the irregular nine-month accounting period within Japan.

Outcome for the fiscal year ended December 31, 2024 and next challenges

Outcome
- Improved profitability through cost reduction efforts such as production efficiency improvements - Acquired orders that accurately met the needs of the market, such as increases in generative AI semiconductor-related investment and investment demand for production lines in conjunction with the shift from gasoline-powered vehicles to xEVs* - Carried out capital investments in Japan, the United States, and India with the aim of realizing our growth strategies - Appointed a new Representative Director and COO to build our next-generation management structure

* A generic term for electric vehicles, including BEVs, HEVs, PHEVs, and FCEVs

Next challenges
- Further improving profitability through more sophisticated project management outside of Japan - Steadily implementing our global growth strategies, including M&As - Responding to trade policies in the United States - Fleshing out newly created business domains - Accelerating development utilizing advanced technologies - Expanding human capital such as DX/AI human resources

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

Framework: Evolving existing businesses, expanding into new areas, developing next-generation solutions

We are strengthening the development of products and solutions that incorporate advanced technologies as well as our proposals aimed at new markets and meeting customer needs. We are making steady progress toward achieving the targets set for each business unit.

Priority Topics	Key Performance Indicators (KPIs)	Scope	Fiscal year ended December 31, 2024	
			Targets	Results
Development utilizing advanced technologies including AI	Introduction of cutting-edge technology to products and services	Global	- Improve system efficiency and energy-saving performance using AI and battery technologies - Establish predictive maintenance using AI and IoT technologies	- Developed and delivered XY-picking robots - Continued to develop a predictive maintenance system utilizing AI - Developed an environmentally-friendly storage system by making effective use of regenerative energy - Improved transport efficiency through AI-driven operation control - Made proposals for next-generation assembly lines for EV production plants - Developed new devices incorporating image recognition technology - Provided transport systems equipped with high-efficiency motors - Started developing an automatic baggage loading machine for aircraft containers - Started basic development of a car wash machine that utilizes image recognition technology
Expansion of service business	Service sales	Global	150.0 billion yen	149.7 billion yen
Development of new domains and creation of new businesses	Penetration into new markets and new business areas; commercialization of new products	Global	- Develop systems for new areas - Cultivate new customers and expand business areas globally - Develop next-generation solutions	- Continued development of picking robots and automated guided vehicles - Made proposals for further automation solutions for refrigerated warehouses - Expanded the scope of target processes for rechargeable battery and semiconductor manufacturing, and made proposals for automation solutions - Provided automation solutions for back-end processes in semiconductor manufacturing, such as wafer stacking and direct bonding - Developed solutions for cargo transportation and transfer utilizing various forms of mobility - Constructed transport and automation equipment for next-generation car manufacturing - Delivered TSA*[1] certified Smart Security Lanes to airports in North America - Started delivery of digital airport systems to the Japanese market - Delivered products for airport systems to the African market - Launched and received orders for interior cleaning equipment for garbage trucks

Framework: Establishing a system to bolster growth

We are taking steps for the cultivation of human resources who will lead further growth of the Group and future-oriented technical development. We are also maintaining capital investments in Japan, the United States, and India, as well as investments for digitalization and expansion of our human capital.

Priority Topics	Key Performance Indicators (KPIs)	Scope	Fiscal year ended December 31, 2024	
			Targets	Results
Investment and platform fortification for innovation creation	Investments in areas of growth*2	Global	- Invest approximately 160.0 billion yen (cumulative total from the fiscal year ended December 31, 2024, to the fiscal year ending December 31, 2027)	- Invested in areas of growth: 26.4 billion yen
	Cultivation of human resources proficient in AI and other digital skills		- Implement company-wide training, including e-learning (rolled out incrementally to all employees) - Cultivate data scientists and other specialized human resources (cumulative from the fiscal year ended December 31, 2024, to the fiscal year ending December 31, 2027: 180 people)	- Implemented an e-learning course on AI and DX, with 2,400 employees having begun (the course is being rolled out over three terms; 800 employees have completed the course so far). - Implemented a training program for data scientists and data engineers with 62 participants (rolled out in Shiga, Tokyo, and Osaka; 13 participants in Shiga completed the program)
	Promotion of industry-government-academia collaboration, M&A, alliances, etc.		- Continue consideration of M&A and alliances - Carry out development through joint research and collaboration with universities and companies	- Considered and conducted research and development on next-generation technologies with multiple universities, research institutes, and companies - Participated in the Semiconductor Assembly Test Automation and Standardization Research Association (SATAS)

Framework: Financial strategies to bolster our business

For details, please refer to the section, "4. Management's Discussion and Analysis of Financial Position, Operating Results, and Cash Flows, (4) Capital resources and liquidity of funds, i. Basic views of financial strategy."

Framework: Revamping overall business operations

In order to disseminate the Group's Sustainable Procurement Guidelines and to understand and mitigate risks in the supply chain, we started implementing a self-assessment questionnaire (SAQ) for suppliers in Japan based on these guidelines. We are strengthening our management of procurement risks through audits based on the results of responses to this questionnaire and interviews with subsidiaries outside of Japan among other measures.

Priority Topics	Key Performance Indicators (KPIs)	Scope	Fiscal year ended December 31, 2024	
			Targets	Results
Social responsibility in the supply chain	Strengthening of supply chain management	Global	- Japan: identify supplier risks and implement audits - Group companies outside of Japan: conduct visits, assess conditions, and address risks	- Conducted a questionnaire for 66 domestic suppliers based on the Sustainable Procurement Guidelines and audited them based on the results - Visited four global Group companies (in South Korea and Taiwan) to conduct interviews on procurement
Pursuit of product quality and product safety	Number of serious accidents*3 related to product and system safety	Global	0 occurrences	0 occurrences

Framework: Safety reinforcement

Within and outside of Japan, the number of accidents resulting in lost time remained at the same level as the previous fiscal year. In order to prevent the recurrence of similar accidents, we will strengthen safety training within and outside of Japan, such as by sharing examples of past accidents.

Priority Topics	Key Performance Indicators (KPIs)	Scope	Fiscal year ended December 31, 2024	
			Targets	Results
Ensure occupational safety and health	Frequency rate: Japan (outside of Japan)*4	Global	0.261 (0.6)	0.460 (0.7)
	Severity rate: Japan (outside of Japan)*4		0.006 (0.020)	0.026 (0.009)
	Number of serious accidents*4 *5		0 occurrences	1 occurrence

Framework: Eliminating environmental impact

To achieve the Daifuku Environmental Vision 2050, we are working to reduce the CO_2 emissions generated throughout our supply chain and introduce electricity derived from renewable energy sources, and we are globally expanding our activities related to biodiversity conservation.

Priority Topics	Key Performance Indicators (KPIs)	Scope	Fiscal year ended December 31, 2024	
			Targets	Results
Addressing climate change	Daifuku CO_2 emissions reduction rate (compared to the fiscal year ended March 31, 2019) (Scopes 1+2)	Global	51%	56.4% This is a preliminary figure prior to third-party verification to improve data reliability. Verified results will be disclosed on our website in May 2025.
	Percentage of electricity derived from renewable energy sources		60%	66.6% This is a preliminary figure prior to third-party verification to improve data reliability. Verified results will be disclosed on our website in May 2025.
	Reduction rate of CO_2 emissions from purchased goods and services*6 (Scope 3 Category 1)		- Expand and disseminate CO_2 emissions reduction programs*7 throughout the supply chain	- Held online briefings aimed at reducing CO_2 emissions for 150 major suppliers in Japan and started collecting CO_2 emissions data from suppliers
	Reduction rate of CO_2 emissions from the use of sold products*6 (Scope 3 Category 11)		- Improve energy-saving performance of products and systems	- Implemented LCAs (Life Cycle Assessments) for all new product and system development - Considered methods to investigate the status of introduction of renewable energy sources at customer sites
Promoting resource recycling	Landfill disposal rate	Global	Domestic: less than 1% Outside of Japan: less than 5%	Domestic: 0.9% Outside of Japan: 8.7%
	Reduction rate of waste emissions per unit sales*8 (compared to the fiscal year ended March 31, 2024)		4%	6.8%
	Reduction rate of water consumption per unit sales*9 (compared to the fiscal year ended March 31, 2019)		40%	37.6%

Priority Topics	Key Performance Indicators (KPIs)	Scope	Fiscal year ended December 31, 2024	
			Targets	Results
Coexisting with nature	Rate of implementation of biodiversity conservation activities at major sites*10	Global	10%	36.4%
	Global expansion of Sustainability Action*11		- Expand and raise awareness of the program	- Held two types of events to raise environmental awareness at all Group sites with a total of 557 participants

Framework: Strengthening management structure and refining business management

In addition to strengthening our management structure by improving the effectiveness of the Board of Directors, we are working to disseminate the management philosophy, Group policies, management strategies, etc., and to strengthen our response to critical risks with a view to refining business management on a global scale. We will also continue to engage in dialogue with all stakeholders and reflect the findings into our measures.

Priority Topics	Key Performance Indicators (KPIs)	Scope	Fiscal year ended December 31, 2024	
			Targets	Results
Strengthening governance	Improvement of the effectiveness of the Board of Directors	Daifuku Co., Ltd.	- Conduct evaluations of the effectiveness of the Board of Directors and address issues	- Implemented initiatives to refine the business management by the Board of Directors (held review meetings on capital cost management, promoted initiatives for the application of IFRS, etc.) - For the development of prospective successors for the CEO and other positions, we enhanced training for officers and executives in accordance with management strategies, and we intensively discussed succession plans for the CEO and other positions at the Advisory Committee
	Dissemination of management philosophy and strategies	Global	- Continue to implement awareness activities for officers and employees	- Conducted e-learning on the long-term vision and four-year business plan for all employees within and outside of Japan - Expanded video content and delivered messages from C-suite roles
	Ensuring compliance		- Implement education and training on key compliance risks	- Held lectures on business-to-business transactions and customer harassment during the Compliance Awareness Month - Implemented compliance training (total of 15 sessions, including three video training sessions) tailored to the needs of various ranks - Established an organizational structure to promote compliance
	Implementation of countermeasures against major risks		- Implement risk assessments and monitoring - Collect information on risk indicators, including emerging risks, and analyze their impact - Review crisis management systems and strengthen emergency response capabilities	- Conducted management interviews, discussed recognized critical risks (themes: cybersecurity, human resource-related risks, etc.) at the Risk Management Committee, and determined how to address them - Began refining each risk item and formulating potential scenarios - Discussed BCM and BCP at the Risk Management Committee again, and began consideration of restructuring the crisis management systems

<table>
<tr><th rowspan="2">Priority Topics</th><th rowspan="2">Key Performance Indicators
(KPIs)</th><th rowspan="2">Scope</th><th colspan="2">Fiscal year ended December 31, 2024</th></tr>
<tr><th>Targets</th><th>Results</th></tr>
<tr><td rowspan="3">Fulfillment of stakeholder communication</td><td>Number of dialogue meetings held with shareholders and investors (non-unique)</td><td rowspan="3">Global</td><td>More than 900 companies</td><td>1,190 companies</td></tr>
<tr><td>Enhancement of communication with stakeholders</td><td>- Enhance information disclosure (financial and non-financial)
- Ascertain management issues through dialogue with stakeholders
- Implement measures to increase brand awareness across a broad spectrum
- Actively participate in social contribution activities</td><td>- Promoted our growth story aimed at realizing our long-term vision through the Daifuku Report and other media
- Continuously created engagement opportunities by holding IR events for shareholders and institutional investors within and outside of Japan
- Ran YouTube ads to raise awareness among young people
- Promoted our business and philosophy via TV commercials and advertisements in newspapers and on trains
- Promoted our brand by participating in exhibitions such as Logis-Tech Tokyo
- Held press conferences to spread awareness through the media
- Continued to donate used clothing and books and conducted cleanup activities in the areas surrounding our business sites</td></tr>
<tr><td>Maintenance and improvement of evaluations from external rating agencies</td><td>- CDP climate change: A- or higher
- Continue as a constituent in FTSE4Good
- MSCI ESG rating: AA or higher</td><td>- Received an A rating (the highest rating) for climate change from CDP
- Continued to be included in FTSE4Good
- Achieved an AA rating in the MSCI ESG Rating</td></tr>
</table>

Framework: Organizational strengthening

We are working to expand the human capital necessary to achieve further growth, and to create an environment where each employee is able to realize a sense of job satisfaction and ease of work. Moreover, we are increasing our efforts to respect human rights, including by continuing to conduct human rights due diligence and beginning to consider the introduction of grievance mechanisms to support this process.

Priority Topics	Key Performance Indicators (KPIs)	Scope	Fiscal year ended December 31, 2024	
			Targets	Results
Staff recruitment, retention, and training	Rate of sufficiency of number of prospective successors for key positions	Global	- Develop a pool of human resources (visualize experience and skills) - Prospective successor sufficiency rate of 100%: by the fiscal year ending December 31, 2027 (the fiscal year ended March 31, 2024: 68%)	- Considered items and methods for collecting experience and skills (begin collecting from the fiscal year ending December 31, 2025) - Group's Human Resources Committee: held twice; Business Unit Human Resources Committee: held 11 times - Prospective successor sufficiency rate for key positions: 73%
	Compounding of the human resources system in response to securement of specialized human resources	Daifuku Co., Ltd.	- Consider and implement new systems and measures (compensation, work systems, work locations, and recruitment measures for highly specialized personnel) - Improve adopted systems	- Formed a project to establish a new base for securing technical personnel - Began consideration of a region-specific employee system for certain job categories
Respect for human rights	Establishment of a human rights due diligence system	Global	- Implement the human rights due diligence PDCA cycle - Implement risk assessments within and outside of Japan - Build grievance mechanisms	- Continued to investigate the employment status of foreign national workers (technical intern trainees, specified skilled workers) in the supply chain - Conducted impact assessments on three suppliers in Japan - Launched the Grievance Mechanism Introduction Project under the Sustainability Promotion Committee to consider the introduction of a grievance mechanism system
	Implementation of human rights training		- Establish education and training systems on human rights - Develop educational content for Group employees	- Held lectures and conducted group work on human rights and harassment in rank-based training in Japan - Considered content for Group human rights training

Priority Topics	Key Performance Indicators (KPIs)	Scope	Fiscal year ended December 31, 2024	
			Targets	Results
Diversity and inclusion	Number of female managers (ratio)	Daifuku Co., Ltd.	- 60 female managers (7.6%) by the fiscal year ending December 31, 2027	40 female managers (5.4%)
	Creation of an environment where diverse personnel can work effectively		- Promote internal awareness of diversity - Create a work environment considerate of minorities	- Received the two-star Eruboshi certification (level two) from the Ministry of Health, Labour and Welfare as a company that promotes women's participation and advancement in the workplace - The D&I Subcommittee and Labor-Management Special Committee identified a need for childcare-related improvements, and we plan to revise our systems in accordance with amendments to the Child Care and Family Care Leave Act (April 2025)
Improvement of employee engagement	Engagement survey score	Global	- Score above the national average in each respective country	In Japan - Job satisfaction 56% (Japan average 58%) - Ease of work 51% (Japan average 58%)
	Implementation of engagement survey and issue response		- Identify issues from survey results and implement countermeasures	- Visited subsidiaries outside of Japan that conducted surveys in the previous fiscal year and followed up on the measures implemented (13 companies)

*1 Transportation Security Administration

*2 Capital investment, R&D expenses, investment in human capital, etc.

*3 Accidents caused by the malfunction of the Group's products or systems leading to death or serious illness and/or injury during operations (injury and/or illness requiring 30 or more days of treatment)

*4 Calculations include installation contractors

*5 Accidents resulting in death or permanent injury during work at Daifuku

*6 For Scope 3 Category 1 and Category 11, pursue qualitative targets with the aim of a 30% reduction (compared to the fiscal year ended March 31, 2019) by the fiscal year ending December 31, 2030

*7 Daifuku's own framework on efforts (sharing of goals and supporting measures to reduce emissions, etc.) to reduce CO_2 emissions at suppliers

*8 Waste generated (tons) divided by net sales (100 million yen)

*9 Water consumption (1,000 m^3) divided by net sales (100 million yen)

*10 Sites with 100 or more employees

*11 Daifuku's unique program for sustainability awareness and training

(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, and the need for automation and unattended operations at production and logistic 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 the securing of production infrastructure within their own countries from the perspective of economic security, resulting in accelerating semiconductor investment in various regions.

In the automotive industry, which is in the midst of a mobility revolution, investment related to xEVs is expected to continue, with the aim of establishing a more flexible production system.

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 companies outside of Japan.

We will strengthen our development capabilities with an emphasis on next-generation technologies, while focusing on human resources development to improve DX/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

In the fiscal year ending December 31, 2025, the second year of the 2027 Plan, we plan to address the following as challenges of primary importance.

Further improving profitability through more sophisticated project management outside of Japan

To achieve the sustained growth and high profitability set forth in the 2030 Long-Term Vision, it is important that we further improve profitability outside of Japan. Since the period of the previous business plan, we have been reviewing all processes, such as procurement and production, taking into consideration the characteristics of individual regions, and working to reduce costs. While these efforts have begun producing results in some areas, primarily in North America, there is still room for further improvement in some subsidiaries outside of Japan. We will therefore steadily implement cost reduction plans for individual subsidiaries outside of Japan. Furthermore, as the projects we are receiving orders for are growing in scale, and the project periods are becoming longer, project management outside Japan is becoming increasingly important. We will establish systems that will enable us to assess the progress of ongoing projects in real time and achieve a higher level of project management.

Steadily implementing our global growth strategies, including M&As

For business expansion outside of Japan, which we have positioned as a growth driver, we are expanding the plants to double their production capacity at Daifuku Intralogistics America Corporation, a production site for intralogistics systems in the United States, while also working to rapidly start up Daifuku Intralogistics India Private Limited, a production site in India whose construction is scheduled to be completed in April 2025. Furthermore, we will accelerate our growth strategies, taking into consideration the potential for M&As.

Responding to trade policies in the United States

There is a need to keep a close eye on the impact that the trade policies in the United States, which is primarily focused on raising tariffs, will have on customer investment trends. In particular, for the automobile and semiconductor industries, there is a possibility that investment plans in various countries will be revised. We will deepen our communications with customers and work to provide optimized proposals in the event of plan revisions.

Our basic strategy is "local self-sufficiency," that is, procurement and manufacturing close to customers. We will promote "local self-sufficiency" in every country, including the United States, and create a system that is not affected by trade policies.

Fleshing out newly created business domains

Achieving our 2030 Long-Term Vision target of 1 trillion yen in consolidated net sales will require us to go beyond just expanding our existing businesses to also create new business domains. To accomplish this, we will pursue growth opportunities by utilizing initiatives such as open innovation in joint creation activities with new partners, inorganic strategies including M&As, and our internal job posting system for new businesses. Our 2030 Long-Term Vision designates areas such as food and the environment as new areas for challenges, and we will aim to provide value that helps resolve social issues in these areas.

Accelerating development utilizing advanced technologies

To continue supplying material handling systems that offer greater productivity, it is vital that we develop products and services that utilize advanced technologies such as generative AI. In addition to the efforts by each of our business units, we will accelerate our efforts led by the Business Innovation Division, which is responsible for the technology development across the Group's business units and its application to new businesses. As our future vision of material handling, we aim to achieve complete automation of logistics by 2030.

Expanding human capital such as DX/AI human resources

In the area of material handling, our strengths lie in our capability to provide integrated services ranging from customer consultation to technology development, manufacturing, engineering, and after-sales services. To continue to provide high added value in each of these processes, it is essential that we recruit and develop human resources with highly specialized skills. In particular, technology development using advanced technologies such as AI, and the expansion and reinforcement of our human resources in after-sales services, who take on the role of building long-term relationships of trust with customers, are important elements for maintaining and enhancing our competitiveness. We will also carry out comprehensive measures to further expand our human capital, such as rebuilding various systems and increasing employee engagement.

Comprehensive approach to compliance and full enforcement of safety

We view compliance and safety as the foundations that support all of the Group's business activities, and strive to implement them thoroughly throughout the Group.

(Comprehensive approach to compliance)

We have defined our approach to compliance as complying not only with internal and external rules, such as laws, regulations, and company rules, but also with social norms, and acting with integrity in all aspects of our business activities. We promote sharing values throughout the Group through various types of education and training. Our goal is to continue to live up to the expectations and trust vested in us by society by having each and every member of the Group maintain high ethical standards and continue to act responsibly.

(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.

All forward-looking statements herein represent the Group's views as of December 31, 2024.

(1) General sustainability disclosure

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 (hereinafter referred to as the "2030 Long-Term Vision"), and our four-year business plan for 2027 (hereinafter referred to as the "2027 Plan"), the final year of which is the fiscal year ending December 31, 2027, a midpoint of our overall goals for 2030, and 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 executives and employees. Based on this policy, the entire Group is working together to promote sustainability. For more information on our activities related to sustainability, please refer to the following webpage:

Sustainability
https://www.daifuku.com/sustainability/

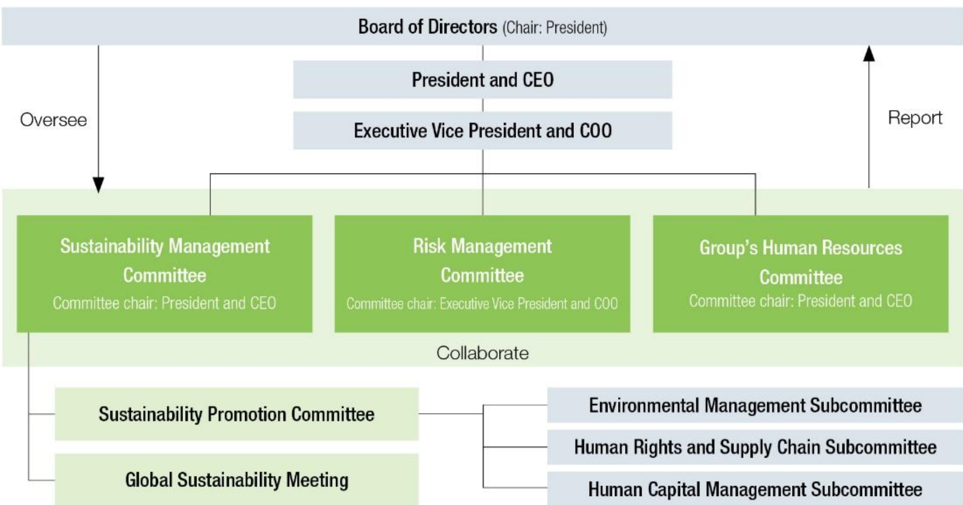
i. Governance

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 ended December 31, 2024, the Company revised the structure of committees related to sustainability and established the Sustainability Management Committee. 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.

Structure of sustainability-related committees (fiscal year ending December 31, 2025)



Role of each organization

	Members	Role
Board of Directors	Chair: President and CEO Members: 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: Executive Vice President and COO, 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.
Risk Management Committee	Chair: Executive Vice President and COO 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.
Group's Human Resources Committee	Chair: President and CEO Members: Executive Vice President and COO, Corporate Functions Head, Global Business Heads, etc.	· Promote visualization of the experience and skills of the Group's human resources, develop prospective successor plans for key positions, and systematically train and promote prospective successors.
Sustainability Promotion Committee	Chair: Executive Vice President and COO 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 (ESG) initiatives on a working level based on management strategy.
Global Sustainability Meeting	Leader: Corporate Functions Head Members: Managers of subsidiaries outside of Japan, Sustainability Management Committee members, etc.	· Discuss and share information about ESG issues with our subsidiaries outside of Japan in order to promote sustainability management throughout the entire Group.

2) Monitoring of and incentives for sustainability-related targets

Plans and targets for sustainability issues are managed by the Sustainability Management Committee and monitored by the Board of Directors within the framework of the 2027 Plan.

Additionally, the executive remuneration system for inside directors has been revised from the fiscal year ended 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, "IV. Information about Reporting Company, 4. Corporate Governance, (4) Executive remuneration."

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

Board of Directors

- Disclosure of the 2030 Long-Term Vision and 2027 Plan (April, May)
- Revision of targets in the Daifuku Environmental Vision 2050 (April, August)
- Status of dialogue meetings held with shareholders and investors (April, October)
- Revision of disclosure based on the TCFD recommendations (May)
- Revision of the Daifuku Group Basic Policy for Corporate Governance (June)

Sustainability Management Committee (held once)

- Growth strategy for achieving the 2030 Long-Term Vision
- Sharing of issues faced by subsidiaries outside of Japan (including ESG-related issues)

Sustainability Promotion Committee (held twice)

- Sustainability Action Plan Results Report
- ESG evaluation from outside the Company
- Revision of the Daifuku Environmental Vision 2050
- Report on the progress of initiatives for achievement of carbon neutrality
- Report on human rights due diligence initiatives

Risk Management Committee (held three times)

- Report on response plans for severe risks and the results thereof
- Decision on response policies for human resources-related risks and cybersecurity risks
- Discussion on strengthening business continuity management

Group's Human Resources Committee (held twice)

- Confirmation of the sufficiency status of prospective successor for key positions
- Consideration of prospective successor for key positions with insufficient number of candidates
- Confirmation of prospective successor development programs

ii. Strategy

We have integrated and promoted sustainability initiatives into the framework of the 2030 Long-Term Vision and the 2027 Plan. In formulating the 2030 Long-Term Vision and the 2027 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 2030 Long-Term Vision and the 2027 Plan, and we have specified strategies, measures, and action plans based on these topics. For more information on the 2027 Plan, please refer to the following section, "II. Overview of Business, 1. Management Policy, Management Environment, and Issues to Address, (1) Management philosophy."

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, "II. Overview of Business, 3. Business Risks."

In the formulation of the 2027 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 the 2030 Long-Term Vision, after which priority topics were identified.

The Sustainability Management Committee, the Sustainability Promotion Committee, the Risk Management Committee, and the Group's Human Resources Committee will coordinate as necessary to monitor and appropriately respond to sustainability-related risks and opportunities that must be prioritized.

iv. Metrics and targets

Under the 2027 Plan, we have set KPIs and targets for each priority topic. For the results for the fiscal year ended December 31, 2024, the first year of the 2027 Plan, please refer to the following section, "II. Overview of Business, 1. Management Policy, Management Environment, and Issues to Address, (1) Management philosophy."

(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.

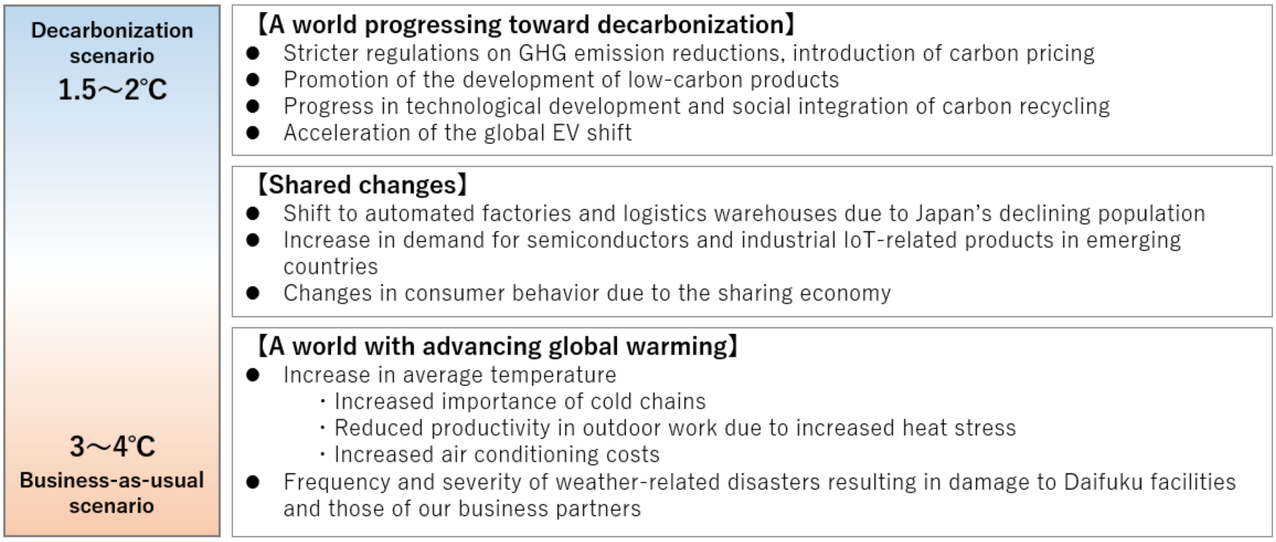
ii. Strategy

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. The analysis of transition risks covers the entire scope of our businesses, while the analysis of physical risks covers major business and production sites.

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.

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		Small	Medium	Large
	Sales	Less than 6 billion yen	6 to 60 billion yen	More than 60 billion yen
	Profit and costs	Less than 600 million yen	600 million to 6 billion yen	More than 6 billion yen

For more information on main responses to risks and opportunities, please refer to our website.

Climate Change

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

Significant risks and opportunities for the Group

Category		Climate change drivers	Major risks and opportunities	Time period	Likelihood	Impact	Main responses to risks and opportunities
Transition risks (1.5°C scenario)	Policy regulations	Tighter GHG emission regulations, introduction of carbon pricing	Increase in operating costs due to the introduction of a carbon tax on GHG emissions from factories and business sites	Long term	High	Medium	Group-wide Scope 1 and Scope 2 reductions
			Increase in procurement costs due to the introduction of a carbon tax or GHG reduction measures for material procurement and transport	Long term	Medium	Medium	Reduction of environmental impact in the supply chain
	Market	Progress in decarbonization technology development	Increase in parts procurement costs due to higher demand for metal materials and rare metals	Medium to long term	Low	Medium	
	Reputation	Increasing stringency in the evaluation of initiatives to address climate change issues, rising demand for information disclosure	Decline in stock price due to deterioration of the company's image and increase in financing costs due to exclusion from investment opportunities	Long term	Low	Medium to large	Enhancement of climate-related information disclosure
Physical risks (4°C scenario)	Acute	Increase and intensification of weather-related disasters such as floods, typhoons, and storm surges	Site damage and operation stoppages, operation stoppages due to supply chain disruptions, and procurement of substitute parts	Short to long term	High	Medium to large*	Risk assessments and implementation of risk mitigation measures
	Chronic	Chronic rise in sea level	Relocation of sites due to rise in sea level	Long term	Low	Small	
		Heat waves and chronic temperature increases	Increased air conditioning costs and maintenance due to rising temperatures and reduced productivity due to heat stress	Short to long term	High	Medium	Maintenance and improvement of working environment
		Increasing water risk due to droughts	Decreased capacity utilization due to droughts	Short to long term	Medium	Small	Reduction of water use

Category		Climate change drivers	Major risks and opportunities	Time period	Likelihood	Impact	Main responses to risks and opportunities
Opportunities (1.5°C scenario)	Products and services	Increasing demand for power savings in electronic equipment due to tighter environmental regulations	Increase in sales of products for semiconductor lines due to higher demand for semiconductors	Medium term	High	Medium	Strategic response to semiconductor demand
		Shift to EVs (spread of EVs and FCVs)	Increase in sales of the Company's products due to the expansion of automobile production lines accompanying the shift to EVs	Medium to long term	Medium	Small	Adaptation to the shift to EVs
		Progress in low-carbon technologies using IoT	Increase in sales due to higher demand for AI and IoT-related products and cost reductions through their utilization	Medium to long term	Medium	Medium	Utilization of IoT, ICT, AI, and other advanced technologies in our business
		Growing demand for waste reduction including food loss	Increase in sales of products for logistics and warehouse facilities related to cold chain	Medium to long term	High	Medium	Response to cold chain and e-commerce demand
		Increasing demand for more efficient, labor-saving, and energy-saving operations to achieve low carbon emissions	Increase in sales of products and services that contribute to more efficient and automated production and logistics	Medium to long term	High	Medium	Balance between environmental and social value in material handling systems

* In the Annual Securities Report for the fiscal year ended March 31, 2024, we assessed the impact as "small." However, in light of the increasing frequency of weather disasters worldwide and intensification of the damage caused by climate change in recent years, we have revised our assessment of the impact.

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.

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 the carbon tax and energy costs amounting to 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.

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)

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 ended December 31, 2024. We identify significant 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

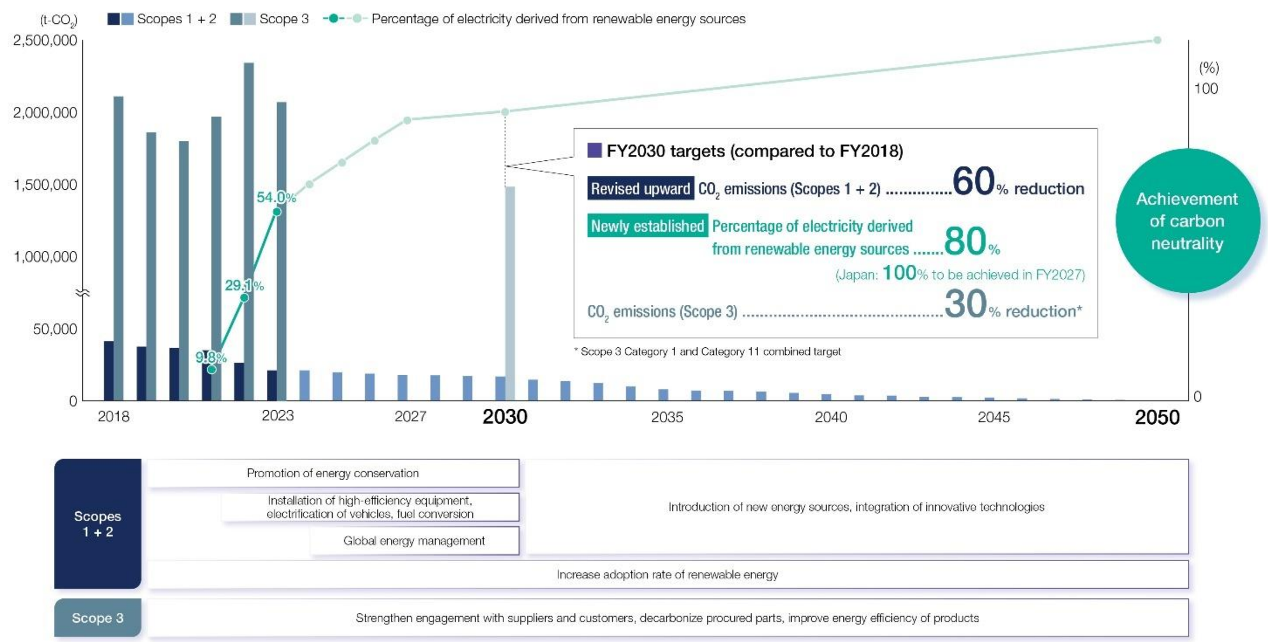
The Group has identified addressing climate change as a priority topic in the Daifuku Environmental Vision 2050 and the 2027 Plan and has set the following targets. The targets for the fiscal year ending December 31, 2030, received official approval from the Science Based Targets initiative (SBTi) in 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. The Sustainability Promotion Committee reviews the progress and appropriateness of these targets, and if the targets need to be revised, a report on the matter is submitted to the Board of Directors for resolution.

We are currently making steady progress toward achieving our reduction targets for Scope 1 and Scope 2 by introducing electricity derived from renewable energy sources within and outside of Japan. Since Scope 3 emissions are indirect, we are steadily working to reduce our emissions, starting from the implementation of practical initiatives, while taking the external environment into account.

KPIs	Targets for the fiscal year ending December 31, 2030	Results for the fiscal year ended December 31, 2024
Daifuku CO_2 emissions (Scope 1 and Scope 2)	60% reduction (compared to the fiscal year ended March 31, 2019)	56.4% reduction (compared to the fiscal year ended March 31, 2019) This is a preliminary figure prior to third-party verification to improve data reliability. Verified results will be disclosed on our website in May 2025.
Percentage of electricity derived from renewable energy sources	80% (Daifuku Japan is expected to achieve 100% by the fiscal year ending December 31, 2027)	66.6% This is a preliminary figure prior to third-party verification to improve data reliability. Verified results will be disclosed on our website in May 2025.
CO_2 emissions from purchased goods and services (Scope 3 Category 1)	30% reduction* (compared to the fiscal year ended March 31, 2019)	- Held online briefings aimed at reducing CO_2 emissions for 150 major suppliers in Japan and started collecting CO_2 emissions data from suppliers
CO_2 emissions from the use of sold products (Scope 3 Category 11)		- Implemented LCAs (Life Cycle Assessments) for all new product and system development - Considered methods to investigate the status of introduction of renewable energy sources by customers

* Scope 3 Category 1 and Category 11 combined target

Reference: Roadmap toward carbon neutrality



(Note) CO_2 emissions are calculated for each fiscal year in accordance with the GHG Protocol. The scope of calculations for Scope 1 and Scope 2 emissions is based on the operational control criteria under the control approach, and as such includes emissions from all consolidated subsidiaries

(3) Human capital strategies, metrics, and targets

i. Strategy

Employees are a source of value creation for the Group. With an open and active corporate culture, we have cultivated extensive experience and expertise over many years. We have also been seeking cutting-edge technologies in response to customers' needs with sincerity. This spirit, or corporate DNA, is a driving force for carrying out human capital management.

We will work to create an environment that allows every single employee to display their potential to the fullest degree and to feel job satisfaction, while ensuring that our expertise will be passed down to future generations without interruption.

In addition, to achieve the goals set out in the 2030 Long-Term Vision, we will enhance and strengthen our human capital through various measures centered on the following three priority topics: staff recruitment, retention, and training; diversity and inclusion; and improvement of employee engagement.

ii. Metrics and targets

1) Staff recruitment, retention, and training: establishing a Group human resources management platform

Based on our global business unit structure, the Group has achieved sustained growth by adopting systems and personnel management tailored to each individual business unit, taking the operational characteristics of each unit into consideration. Going forward, we need a system for increasing the mobility of staff between business units and for efficiently sharing and expanding our in-house know-how in order to create innovation in response to rapidly changing business conditions. We aim to build a foundation for managing human resources across the entire Group from a more company-wide perspective.

First, we will specify key positions that will support the Group in the future. Then, while clearly defining the personnel requirements for these positions, we will systematically promote successors who possess the appropriate competencies. It is imperative to systematically train successors for the CEO and other executive positions, but we will also specify key positions for department heads and other managers at the Group level and, focused on the future, systematically train successors for these positions. In the fiscal year ended December 31, 2024, we established the Group's Human Resources Committee. The human resources committees of the Group and each business unit hold discussions with the CEO and top management of each business unit to identify and cultivate human resources for key positions, and we are working to secure prospective successors throughout the Group.

We have set the rate of sufficiency of the number of prospective successors for key positions as a KPI for the corresponding priority topic in the 2027 Plan, and our target for the fiscal year ending December 31, 2027, is 100% (the ratio was 73% for the fiscal year ended December 31, 2024). We will carry out these efforts looking forward the future, and, while working to visualize the experience and skills of human resources within the Group, we will promote the assignment of the right personnel to the right positions across the Group.

2) Diversity and inclusion

Under the 2027 Plan, we will continue creating an environment where diverse personnel can work effectively. To increase the number (ratio) of female managers, we will bolster our programs aimed at cultivating future female managers, including assistant managers who are candidates for managerial positions, and we will support career building. In doing so, we aim to increase the number of female managers from 40 people (5.4%), the current figure, to 60 people (7.6%) by the final year of the 2027 Plan.

When we have staff with diverse values, experience, and ideas in our organization, we can anticipate the creation of innovation, which in turn leads to the sustainable growth of the Group. The level of diversity differs depending on the country or region. In Japan, for example, the promotion of women's active participation in the workplace and employment of personnel regardless of nationality or disability is expected, we are working to create work environments where such people can work comfortably. Over the medium to long term, we will actively utilize human resources with more diverse values and backgrounds.

In addition, we are actively hiring citizens of other countries. We recruit these personnel directly from leading technical universities outside of Japan, and we have hired staff members from India, Thailand, Malaysia, Indonesia, Vietnam, and other countries. We will continue to improve our workplace environments in order to secure excellent technical personnel irrespective of gender or nationality.

3) Improvement of employee engagement

We have set improvement of employee engagement as a new priority topic within the 2030 Long-Term Vision and the 2027 Plan. Our KPIs for this priority topic are to attain a positive response rate of more than 60% for domestic Group companies (fiscal year ending December 31, 2026) and score above the national average in each respective country for Group companies outside of Japan (fiscal year ending December 31, 2026). We will further expand the scope of companies surveyed during the period of the 2027 Plan to develop our efforts more globally.

The purpose of the engagement surveys is to visualize the current status of the organization, identify issues, and implement remedial measures. It is essential to understand differences between countries and regions and to uncover issues that must be addressed in order to attain future continuous growth. We will continue to make efforts in collaboration with our business units to improve employee engagement across the Group.

Metrics and targets

Priority Topics	Metrics	Targets for the fiscal year ending December 31, 2027	Results for the fiscal year ended December 31, 2024
Staff recruitment, retention, and training	Rate of sufficiency of number of prospective successors for key positions	- Develop a pool of human resources (visualize experience and skills) - Prospective successor sufficiency rate: 100%	- Considered items and methods for collecting experience and skills (begin collecting from the fiscal year ending December 31, 2025) - Group's Human Resources Committee: held twice; Global Business Human Resources Committee: held 11 times - Rate of sufficiency of number of prospective successors for key positions: 73%
	Compounding of the human resources system in response to securement of specialized human resources	- Consider and implement new systems and measures (compensation, work systems, work locations, and recruitment measures for highly specialized personnel) - Improve adopted systems	- Formed a project to establish a new base for securing technical personnel - Began consideration of a region-specific employee system for certain job categories
Diversity and inclusion	Number of female managers (ratio)	60 people (7.6%)	- Number of female managers (ratio) 40 people (5.4%)
	Create an environment where diverse personnel can work effectively	- Promote internal awareness of diversity - Create a work environment considerate of minorities	- Received the two-star Eruboshi certification (level two) from the Ministry of Health, Labour and Welfare as a company that promotes women's participation and advancement in the workplace - The D&I Subcommittee and Labor-Management Expert Committee identified a need for childcare-related improvements, and we plan to revise our systems in accordance with amendments to the Child Care and Family Care Leave Act (April 2025)

Priority Topics	Metrics	Targets for the fiscal year ending December 31, 2027	Results for the fiscal year ended December 31, 2024
Improvement of employee engagement	Engagement survey score	- Japan: exceed 60% positive responses - Outside of Japan: score above the national average in each respective country (as the survey is implemented every other year, this target is for the fiscal year ending December 31, 2026.)	- Japan Job satisfaction: 56% (Japan average: 58%) Ease of work: 51% (Japan average: 58%)
	Implementation of engagement survey and issue response	- Identify issues from survey results and implement countermeasures	- Visited the subsidiaries outside of Japan that conducted surveys in the previous fiscal year and conducted follow-ups on the measures implemented (13 companies)

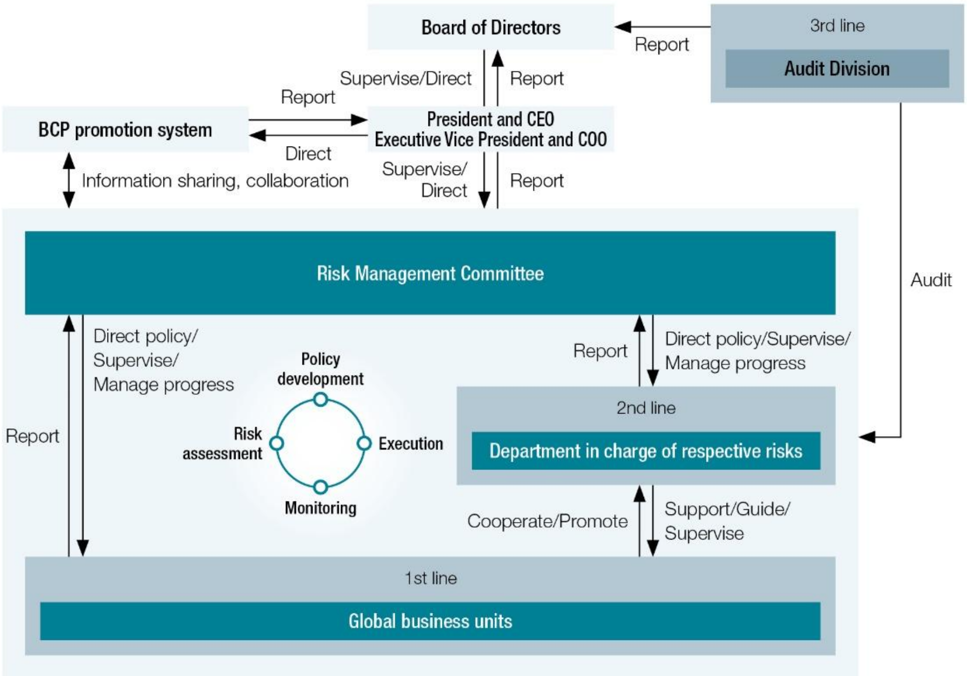
3. Business Risks

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 Representative Directors as the chief officers, the Group has established a risk management system based on a three-line model (see 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.

Risk management system (fiscal year ending December 31, 2025)



The Group has established the Risk Management Committee, chaired by the Representative Directors and comprised of the Corporate Functions Head, Global Business Heads, C-suite, and others. The Committee is intended to monitor, provide instructions for action, and manage the progress of these initiatives from a Group-wide perspective. The Committee is responsible for the matters listed below and met three times during the fiscal year ended December 31, 2024. The Committee reports to the Board of Directors on the status of the Committee's initiatives and other matters as necessary.

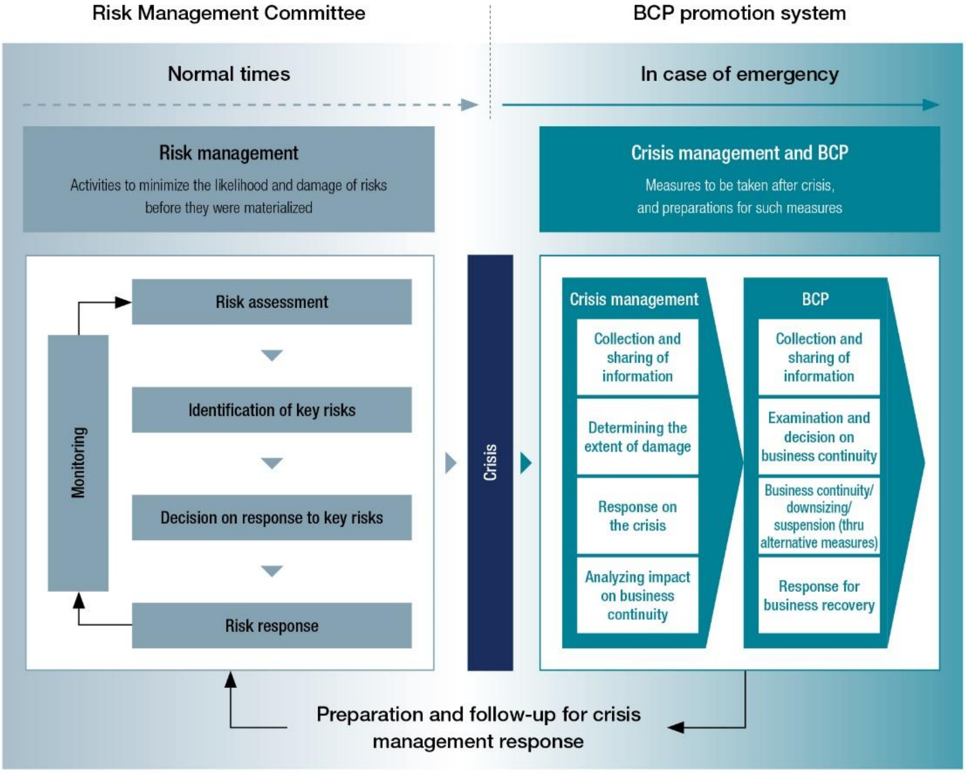
i. Matters under the jurisdiction of the Risk Management Committee

1) Planning and development of the 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

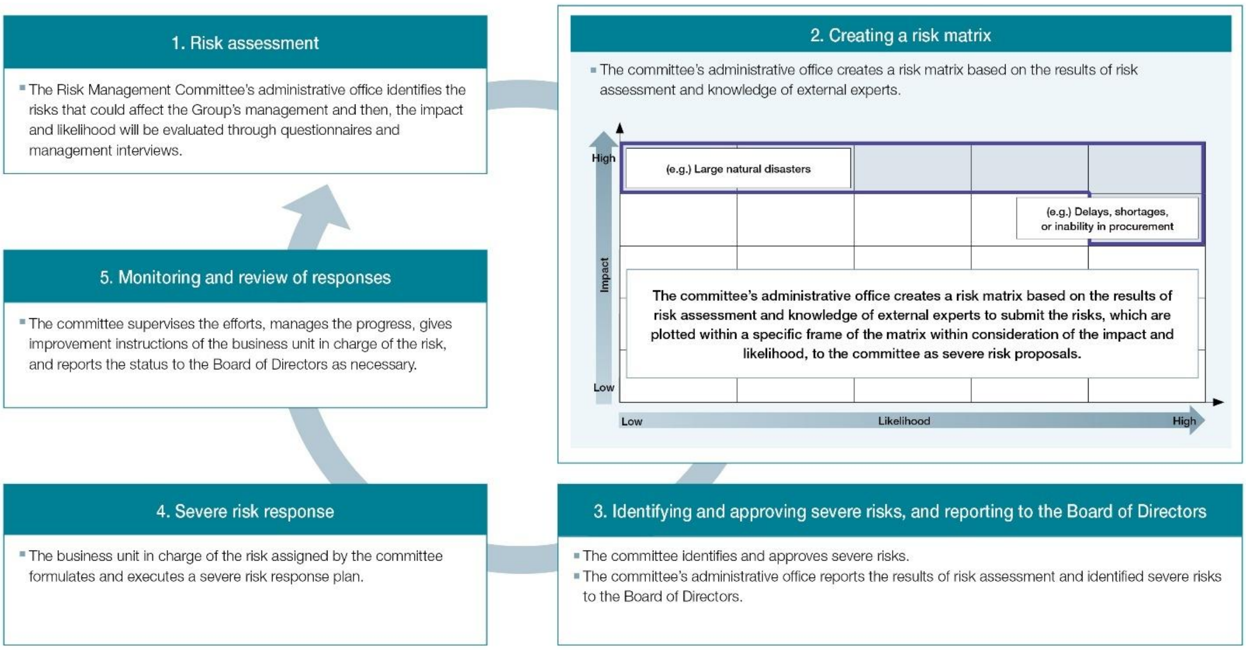
ii. Management systems for normal times and for emergencies

In the Group's risk management system for 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.



(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 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. List of key risks (severe risks)

Risk theme	Risk item	Risk assessment		
		Impact	Likelihood	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

Risk theme	Risk item		Risk assessment		
			Impact	Likelihood	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**
	Description	There are 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 factors such as economic fluctuations and 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 Global South, an increase in demand for xEVs (a generic term for electric vehicles, including BEVs, HEVs, PHEVs, and FCEVs) in the automobile industry, and the recovery of international traffic, can be favorable factors leading to increases in the Group's orders and sales.			
	Countermeasures	Recognizing that the business environment surrounding the Group is constantly changing, we strive to reflect this flexibly in our management and business plans by closely monitoring economic conditions, market conditions, changes in customer needs, investment trends, etc.			

Risk theme	Risk item		Risk assessment		
			Impact	Likelihood	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 is also expected. In addition, measures for sustainable procurement and compliance with the Subcontract Act. are indispensable for the Group's stable procurement activities. 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 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 projects by checking the terms of contracts, etc. for orders. In the fiscal year ended December 31, 2024, we introduced a system that allows us to understand the status of procurement price discussions with suppliers and visualize supplier-related information. Furthermore, we began operation of the SCM Committee*. This Committee seeks to refine credit control systems and ensure compliance in production and installation operations while also implementing measures for sustainable procurement activities and supply chain optimization across our businesses. * SCM Committee: Supply Chain Management Committee			

Risk theme	Risk item		Risk assessment		
			Impact	Likelihood	Timing of risk materialization
3) Growth strategy	New domain creation and technology development		**Large**	**High**	**Within five years**
	Description	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 have been changing dynamically in recent years, 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 material handling industry is seeing a progressive shift toward automated and optimized logistics and manufacturing processes, driven by advances in AI and IoT technologies. As such, we must secure the technological development capabilities and human resources necessary to respond to these developments. Delays in the development of new products and services that utilize these technologies will increase the risk of loss of competitiveness in the market.			
	Countermeasures	In April 2024, we established the Business Innovation Division to explore new businesses based on SDGs, new technologies, and future trends as well as to develop technology in AI and other advanced technology fields in addition to working on initiatives to expand our business into in new domains, which had been undertaken within our global business units. In the fiscal year ending December 31, 2025, we are recruiting internal submissions of ideas for new technologies and businesses.			

Risk theme	Risk item		Risk assessment		
			Impact	Likelihood	Timing of risk materialization
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**
	Description	We believe that the education and development of successors for the next generation 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 sector. 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.			
	Countermeasures	The Group is updating our prospective successor plans for key positions and working to cultivate prospective successors. In the fiscal year ended December 31, 2024, we utilized Group human resources by transferring general managers across business units, developed cultivation programs by expanding training content for new general managers, and established training support programs for foreign national staff, among other measures. To improve employee engagement, we conducted an engagement survey for domestic Group companies (response rate: 98%), and held briefings on the results for each officer, business unit, and division. Starting in the fiscal year ending December 31, 2025, we will conduct workshops to consider measures to address the issues faced by each organization, and implement improvement activities aimed at addressing organizational issues. We followed up on subsidiaries outside of Japan that conducted surveys in the fiscal year ended March 31, 2024 with action plans for improvement. We are also taking steps to diversify our recruiting methods, accepting 1.5 times as many students as the previous year for our summer internship (5-day course), as well as to match applicants with available positions. In terms of recruiting mid-career personnel, in addition to expanding the use of direct recruiting, we are expanding the scope of our job return entry system and establishing a system to accept re-employment of employees who have left the company for personal reasons.			

Risk theme	Risk item		Risk assessment		
			Impact	Likelihood	Timing of risk materialization
5) Group governance	Inadequate management of subsidiaries		**Large**	**Relatively high**	**No specific timing**
	Scandals involving Group companies		**Large**	**Medium**	**No specific timing**
	Description	As of the fiscal year ended December 31, 2024, the Group had 66 consolidated companies and 11,042 employees. Among these, the number of employees of the consolidated subsidiaries outside of Japan was 6,810 (61.7%). While the scale of the Group is expanding, our subsidiaries both within and outside of Japan may not be properly managed, and fraud and scandals or organizational management failure may lead to a decline in social credibility and adversely affect business performance.			
	Countermeasures	The Group continues to monitor and provide support for the improvement of the management systems of the subsidiaries outside of Japan that we have acquired. In particular, we are coordinating with the business divisions in charge of large-scale projects undertaken by subsidiaries outside of Japan that are considered to be relatively high risk in order to strengthen contract risk management. We are also working with internal audit units to monitor the situation and build lines of communication through online meetings and on-site visits.			

Risk theme	Risk item		Risk assessment		
			Impact	Likelihood	Timing of risk materialization
6) Natural disasters	Large-scale natural disasters (e.g., large-scale earthquakes, tsunamis, storms, floods, etc.)		**Large**	**Low**	**No specific timing**
	Description	There is a risk that large-scale natural disasters, such as earthquakes, typhoons, and tsunamis, may cause damage to the Group's production facilities, sites and employees, as well as disruption of lifelines, resulting in the 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.			
	Countermeasures	With the aim of enhancing the effectiveness of our BCP, we are introducing safety confirmation systems, implementing periodic exercises based on the initial response manual, and enhancing disaster prevention equipment. The Group will, if necessary, establish on-site disaster headquarters in the event of an earthquake with an intensity of 5 or higher (per the Japan Meteorological Agency Seismic Intensity Scale), a disaster requiring prolonged recovery efforts, or other events that disrupt lifelines over the long term and have or are expected to have a significant impact on business operations. In the fiscal year ended December 31, 2024, we established a system that will enable us to promptly set up an on-site disaster headquarters preparation team within the Company in the event that a Nankai Trough earthquake alert is announced. The preparation office will share collected information with relevant business units and, based on disaster prevention measures set out by the national and local governments, instruct employees on appropriate disaster prevention and safety measures based on business continuity.			

Risk theme	Risk item	Risk assessment		
		Impact	Likelihood	Timing of risk materialization
7) Information security	Leakage of confidential information due to human factors	**Large**	**Medium**	**No specific timing**
	Cyberattacks	**Large**	**Medium**	**No specific timing**
	Description	Recently, information leakage due to internal fraud and cyberattacks has increased worldwide, and threats to information security are rising significantly. The materialization of these risks could adversely affect the continuation of the Group's business activities and performance, such as the leakage or unauthorized use of important information assets, suspension of business activities, and deterioration of the Group's reputation.		
	Countermeasures	With regard to countermeasures for leakage of confidential information due to human factors, we are implementing human, physical, and organizational management of information security. We are promoting the global expansion of information security audits to confirm and evaluate whether information security management is appropriately established and operated throughout the Group. In the fiscal year ended December 31, 2024, we conducted audits of seven business units in Japan and 10 subsidiaries outside of Japan. We also endeavor to improve the information security level of the Group by training and appointing information security auditors in each Group company and business unit to increase autonomy. Moreover, we check the information management status of contractors to ensure cybersecurity throughout the supply chain. In terms of personal information management, we classify information that requires special consideration as critical personal information and implement additional management measures, as well as provide training to more than 1,000 employees within and outside of Japan to ensure the safe management of personal information. For cyberattacks, we operate the CSIRT* 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 formulate measures to prevent recurrence. Furthermore, e-learning using multilingual video content and e-mail training that simulates targeted attacks are regularly conducted for employees. * CSIRT: Computer Security Incident Response Team. CSIRT is an organization that deals with computer security incidents such as information leakage due to cyberattacks.		

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

(1) Operating results and financial review

Effective with the resolution passed at the 108th Ordinary General Meeting of Shareholders held on June 21, 2024, the fiscal year-end (the closing date of the fiscal year) of the Company has been changed from March 31 to December 31 every year. Accordingly, the fiscal year ended December 31, 2024, an irregular accounting period to implement the change in the fiscal year-end, ran 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 subsidiaries outside of Japan are consolidated for the 12-month period from January 1 to December 31, 2024. As a reference, comparative information with the same period of the previous year is provided, adjusted to be the same as the current consolidated fiscal year.

During the fiscal year (from April 1, 2024 to December 31, 2024), the global economy remained generally favorable, despite downside risks associated with the sluggish Chinese economy and concerns about a slowdown in the U.S. economy.
In terms of the business environment, logistics-related investment in Japan is on the road to recovery against the backdrop of 2024 logistics problem. In the semiconductor industry, while legacy semiconductor investment in China continues at a high level, investment in certain advanced semiconductors is recovering with increased demand for AI applications. In addition, investment in automation in the back-end processes of semiconductor manufacturing has been emerging. In the automotive industry, investment in production lines to enable mixed production of gasoline-powered vehicles and xEVs (a generic term for electric vehicles, including BEVs, HEVs, PHEVs, and FCEVs) continues at a high level. Investment in automation at airports has also grown, mainly in North America, in line with the recovery in the number of air passengers.

In this economic and business environment, orders remained favorable during the fiscal year, mainly in cleanroom systems for the semiconductor sector in Asia and airport systems in North America.
Sales were strong against the initial plan, underpinned by an extensive order backlog from the end of the previous fiscal year. Specifically, the Group received orders of 594,769 million yen, up 5.8% from the same period of the previous fiscal year after adjustment, and recorded sales of 563,228 million yen, up 6.1%.

In terms of profits, the operating margin increased significantly as a result of efforts to reduce costs, such as increasing production efficiency, which have been underway since the previous business plan. An increase in sales of cleanroom systems for legacy semiconductors in China also boosted the operating margin.

Consequently, the Group posted operating income of 71,546 million yen, up 36.3% from the same period of the previous fiscal year after adjustment, and ordinary income of 74,498 million yen, up 37.0%. Net income attributable to shareholders of the parent company was 57,086 million yen, up 50.6%.

Operating income, ordinary income and net income attributable to shareholders of the parent company reached new record highs for three years in a row, despite reflecting the irregular 9-month period in Japan.

The average exchange rates used for transactions during the fiscal year were 152.27 yen to the U.S. dollar (141.20 yen in the previous fiscal year), 21.13 yen to the Chinese yuan (19.87 yen), and 0.1113 yen to the Korean won (0.1080 yen). As a result of exchange rate fluctuations, orders increased in value by about 28.4 billion yen, sales by about 21.3 billion yen, and operating income by about 2.5 billion yen, respectively, compared with the year-ago period.

The current earnings forecast for the fiscal year ending December 31, 2025 are as follows: orders received are expected to be 700.0 billion yen, net sales to be 650.0 billion yen, operating income to be 81.5 billion yen, ordinary income to be 85.0 billion yen, net income attributable to shareholders of the parent company to be 65.0 billion yen, and operating margin to be 12.5%.

While it is crucial to keep a close eye on the impact of US trade policy on the global economy, it is expected that investment in automation in the distribution and manufacturing sectors against the backdrop of labor shortages and soaring labor costs, investment in advanced semiconductors for generative AI and investment in semiconductor back-end processes will all increase. Furthermore, xEV-related investment in the automotive industry and investment in automation at airports are expected to continue at a high level, and we expect our orders to reflect this. Sales are expected to grow steadily based on an extensive order backlog from the end of the previous fiscal year.

In terms of profits, we expect to see changes in the sales composition by region for cleanroom systems for the semiconductor sector, rising labor costs and an increase in supply chain costs, mainly in Japan. Nevertheless, we will continue to work on increasing profitability through our efforts to reduce costs including increasing production efficiency.

An exchange rate of 148 yen to the U.S. dollar (152.27 yen of the actual rate in the fiscal year ended December 31, 2024) is assumed in preparing the plan for the fiscal year ending December 31, 2025.

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."

Consolidated results for the fiscal year ended December 31, 2024

Orders received	594,769 million yen	(Up 5.8% adjusted YoY)
Net sales	563,228 million yen	(Up 6.1% adjusted YoY)
Operating income	71,546 million yen	(Up 36.3% adjusted YoY)
Ordinary income	74,498 million yen	(Up 37.0% adjusted YoY)
Net income attributable to shareholders of the parent company	57,086 million yen	(Up 50.6% adjusted 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.
Of the Group, most subsidiaries outside of Japan close their books on December 31; accordingly, their status during the period from January 1 to December 31, 2024 is shown.

For Daifuku Co., Ltd. and its subsidiaries with a fiscal year ending in March, mainly in Japan, comparative information with the same period of the previous year is provided for reference.

i. Daifuku Co., Ltd.

Orders remained favorable, mainly in cleanroom systems.

Sales were favorable as a whole, underpinned by an extensive order backlog from the end of the previous fiscal year.

Segment income increased significantly as a result of efforts to reduce costs, such as increasing production efficiency. An increase in sales of cleanroom systems for legacy semiconductors in China also boosted the operating margin.

As a result, the Company recorded orders of 177,770 million yen, up 10.7% from the same period of the previous fiscal year after adjustment, sales of 188,097 million yen, up 14.1%, and segment income of 29,250 million yen, up 53.3%.

ii. Contec Co., Ltd. and its subsidiaries (Contec)

Orders decreased in both the markets in Japan and outside of Japan, mainly reflecting customers' inventory adjustments. On the other hand, sales increased, backed by increased sales in North America mainly due to the impact of exchange rate fluctuations.

Segment income fell, reflecting lower sales in Japan.

As a result, Contec posted orders of 17,213 million yen, down 5.2% from the same period of the previous fiscal year after adjustment, sales of 16,982 million yen, up 2.0%, and segment income of 269 million yen, down 58.0%.

iii. Daifuku North America, Inc. and its subsidiaries (Daifuku North America)

Orders were strong for airport systems but declined from the previous fiscal year's results in intralogistics systems and cleanroom systems.

Sales was generally favorable compared to the initial plan, underpinned by an extensive order backlog from the end of the previous fiscal year.

Segment income increased in intralogistics systems and automotive systems, the result of efforts to reduce costs, such as increasing in production efficiency.

As a result, Daifuku North America achieved orders of 183,305 million yen, down 9.3% from the same period of the previous fiscal year, sales of 172,484 million yen, down 1.9%, and segment income of 16,286 million yen, up 46.6%.

iv. Clean Factomation, Inc.

Orders have been on the road to recovery from the previous year when they were slow, while sales and segment income remained weak.

As a result, Clean Factomation posted orders of 31,761 million yen, up 28.0% from the same period of the previous fiscal year, sales of 25,886 million yen, down 15.5%, and segment income of 1,414 million yen, down 25.1%.

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

Orders were impacted by a reactionary fall from the previous fiscal year when they were strong, but were backed by continued significant investment in legacy semiconductors.

Sales and segment income remained favorable, underpinned by an extensive order backlog from the end of the previous fiscal year.

As a result, Daifuku (Suzhou) Cleanroom Automation posted orders of 31,895 million yen, down 31.7% from the same period of the previous year, sales of 53,379 million yen, up 77.4%, and segment income of 12,243 million yen, up 122.9%.

vi. Other

The Group has a total of 66 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.

Subsidiaries outside of Japan

The Group has production sites for material handling systems and car wash machines 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 North America, Asia, Europe, and Oceania, which provide sales, installation, and services.

Orders remained strong, mainly in cleanroom systems for the semiconductor sector. Sales were almost in line with the initial plan, underpinned by an order backlog from the end of the previous fiscal year. Segment income increased significantly from the previous fiscal year when one-time costs were recorded for a project in Oceania.

As a result, the segment reported orders of 152,823 million yen, up 39.3% from the same period the previous fiscal year after adjustment, sales of 102,152 million yen, down 11.0%, and segment income of 4,051 million yen, up 274.4%.

Please refer to the table “Orders and sales by industry” and the table “Orders and sales by destination” for details by business or destination.

Table: Orders and sales by industry

Electronics: Orders were strong in cleanroom systems for advanced semiconductors. Sales were strong in cleanroom systems for legacy semiconductors.

Airport: Both orders and sales were strong in North America.

(Billion yen)

	Orders				Sales			
	FY2023		FY2024		FY2023		FY2024	
	Orders	% of subtotal	Orders	% of subtotal	Sales	% of subtotal	Sales	% of subtotal
Automobile, auto parts	92.8	15.0%	83.4	14.0%	81.4	13.3%	75.1	13.4%
Electronics	191.4	30.9%	205.7	34.6%	203.5	33.2%	197.1	35.3%
Commerce, retail	139.5	22.5%	90.9	15.3%	147.5	24.1%	109.8	19.7%
Transportation, warehousing	28.6	4.6%	37.6	6.3%	24.8	4.0%	26.9	4.8%
Machinery	11.3	1.8%	6.5	1.1%	10.3	1.7%	8.7	1.6%
Chemicals, pharmaceuticals	28.6	4.6%	18.7	3.1%	25.1	4.1%	22.8	4.1%
Food	42.4	6.8%	16.2	2.7%	20.6	3.4%	21.8	3.9%
Iron, steel, nonferrous metals	6.8	1.1%	4.0	0.7%	5.4	0.9%	3.9	0.7%
Precision equipment, printing, office equipment	4.0	0.6%	3.8	0.6%	4.3	0.7%	3.8	0.7%
Airport	53.1	8.6%	110.2	18.5%	65.8	10.7%	71.8	12.9%
Other	21.4	3.5%	17.2	3.1%	23.9	3.9%	16.7	2.9%
Subtotal	620.3	100.0%	594.7	100.0%	613.1	100.0%	558.9	100.0%
Consolidated adjustments and other	–	–	–	–	(1.6)	–	4.2	–
Total	620.3	–	594.7	–	611.4	–	563.2	–

Table: Orders and sales by destination

China: Orders declined for cleanroom systems for the semiconductor sector. Sales were driven by cleanroom systems for the semiconductor sector.

South Korea, Taiwan: Orders were driven by cleanroom systems for the semiconductor sector.

(Billion yen)

			Orders				Sales			
			FY2023		FY2024		FY2023		FY2024	
			Orders	% of subtotal	Orders	% of subtotal	Sales	% of subtotal	Sales	% of subtotal
Japan			174.6	28.2%	119.6	20.0%	200.4	32.7%	144.6	25.9%
Outside of Japan			445.6	71.8%	475.1	80.0%	412.6	67.3%	414.3	74.1%
	North America		222.6	35.9%	188.6	31.7%	181.6	29.6%	174.1	31.1%
	Asia		184.2	29.7%	240.7	40.5%	181.0	29.5%	201.9	36.1%
		China	109.5	17.7%	64.8	10.9%	85.7	14.0%	110.5	19.8%
		South Korea	33.5	5.4%	42.1	7.1%	39.1	6.4%	37.5	6.7%
		Taiwan	10.0	1.6%	80.3	13.5%	28.3	4.6%	30.8	5.5%
		Other	31.0	5.0%	53.3	9.0%	27.7	4.5%	22.9	4.1%
	Europe		19.2	3.1%	18.7	3.2%	18.2	3.0%	14.5	2.6%
	Latin America		5.7	0.9%	5.8	1.0%	10.6	1.7%	6.6	1.2%
	Other		13.7	2.2%	21.1	3.6%	21.1	3.5%	17.1	3.1%
Subtotal			620.3	100.0%	594.7	100.0%	613.1	100.0%	558.9	100.0%
Consolidated adjustments and other			–	–	–	–	(1.6)	–	4.2	–
Total			620.3	–	594.7	–	611.4	–	563.2	—

(2) Financial position

Assets stood at 688,707 million yen, an increase of 42,552 million yen from the end of the previous fiscal year. The result principally reflected increases of 79,477 million yen in cash on hand and in banks; 8,324 million yen in property, plant and equipment; and 8,601 million yen in deferred tax assets offsetting decreases of 46,785 million yen in notes receivable, accounts receivable from completed construction contracts and other, and contract assets; and 10,032 million yen investments in securities.

Liabilities amounted to 290,282 million yen, an increase of 2,882 million yen from the end of the previous fiscal year. Primary factors included increases of 10,788 million yen in provision for bonuses, and 5,433 million yen in contract liabilities, offsetting decreases of 7,090 million yen in short-term borrowings, 3,291 million yen in other current liabilities such as accrued expenses, and 3,984 million yen in income taxes payable.

Net assets were 398,424 million yen, an increase of 39,669 million yen from the end of the previous fiscal year. This was mainly attributable to increases of 38,898 million yen in retained earnings, and 13,445 million yen in foreign currency translation adjustments, as well as a decrease of 9,837 million yen due to the purchase of treasury stock.

(3) Cash flows

Cash and cash equivalents during the fiscal year increased 83,949 million yen from the end of the previous fiscal year, to 220,395 million yen.

Cash flows from operating activities

Cash provided by operating activities totaled 116,129 million yen (37,117 million yen in cash provided in the previous fiscal year). This was mainly attributable to a decrease of 3,482 million yen in notes and accounts payable and 25,733 million yen in income taxes paid, partially offset by 74,488 million yen in income before income taxes and a decrease of 55,639 million yen in notes and accounts receivables and contract assets.

Cash flows from investing activities

Cash used in investing activities was 2,393 million yen (29,582 million yen in cash used in the previous fiscal year). Major factors included 11,882 million yen for payments for the purchase of property, plant and equipment, outweighing proceeds of 5,856 million yen from refund of time deposits, and 3,306 million yen from sales of investments in securities.

Cash flows from financing activities

Cash used in financing activities was 36,820 million yen (22,732 million yen in cash provided in the previous fiscal year). This was mainly attributable to a decrease in short-term borrowings of 6,421 million yen as well as payments of 10,003 million yen for the purchase of treasury stock and 17,477 million yen for of cash dividends.

Indicators for consolidated cash flows are as below:

	Fiscal year ended March 31, 2024	Fiscal year ended December 31, 2024
Equity ratio (%)	55.5	57.8
Equity ratio based on market capitalization (%)	205.6	176.2
Ratio of interest-bearing liabilities to cash flows (year)	1.9	0.5
Interest coverage ratio (times)	83.2	405.2

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.

(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 strives to reduce the capital cost and improve the capital efficiency by borrowing from financial institutions or issuing corporate bonds under strict financial discipline. Under the four-year business plan for 2027 (hereinafter referred to as the “2027 Plan”), the Group is conducting business evaluation and analysis using ROIC with the aim of further improving capital efficiency. In particular, in light of the nature of its business in which running costs tend to rise significantly in line with growth in orders and sales, the Group has newly established the cash conversion cycle (CCC) as an indicator, and set a target of shortening the CCC from 100 days as of the end of the fiscal year ended March 31, 2024 to 75 days as of the end of the fiscal year ending December 31, 2027, the final year of the Plan. As of the end of the fiscal year ended December 31, 2024, the CCC was 99 days.

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 as its most important management task. Regarding the provision of dividends from surplus funds and with a view to returning more profits to shareholders, the Company adopts a performance-based policy for cash dividends based on consolidated net income, and appropriate the remaining surplus to internal reserves for future growth.

The Group proactively promotes investment, such as capital investment and investment for research and development (R&D), for growth to help increase its corporate value. A total investment of 160.0 billion yen is scheduled in the 2027 Plan.

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+ (stable)” 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.

(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 December 31, 2024 are as follows:

Segment	Amount (million yen)	YoY change (%)
Daifuku Co., Ltd.	220,286	–
Contec Co., Ltd. and its subsidiaries	18,947	–
Daifuku North America, Inc. and its subsidiaries	163,886	–
Clean Factomation, Inc.	25,448	–
Daifuku (Suzhou) Cleanroom Automation Co., Ltd.	48,088	–
Other	72,740	–
Total	549,398	–

Notes: 1. The amounts are based on selling prices.
2. "Other" represents subsidiaries in Japan and outside of Japan that are not included in reportable segments.
3. YoY change figures have not been disclosed due to the fiscal year ended December 31, 2024 being an irregular nine-month accounting period as a result of the change in the fiscal year-end.

ii. Orders received

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

Segment	Orders (million yen)	YoY change (%)	Order backlog (million yen)	YoY change (%)
Daifuku Co., Ltd.	177,770	–	210,844	–
Contec Co., Ltd. and its subsidiaries	17,213	–	9,040	–
Daifuku North America, Inc. and its subsidiaries	183,305	–	201,403	–
Clean Factomation, Inc.	31,761	–	27,190	–
Daifuku (Suzhou) Cleanroom Automation Co., Ltd.	31,895	–	33,024	–
Other	152,823	–	147,032	–
Total	594,769	–	628,536	–

Notes: 1. Intersegment transactions are offset.
2. "Other" represents subsidiaries in Japan and outside Japan and adjustments for consolidation that are not included in reportable segments.
3. YoY change figures have not been disclosed due to the fiscal year ended December 31, 2024 being an irregular nine-month accounting period as a result of the change in the fiscal year-end.

iii. Sales

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

Segment	Amount (million yen)	YoY change (%)
Daifuku Co., Ltd.	188,097	–
Contec Co., Ltd. and its subsidiaries	16,982	–
Daifuku North America, Inc. and its subsidiaries	172,484	–
Clean Factomation, Inc.	25,886	–
Daifuku (Suzhou) Cleanroom Automation Co., Ltd.	53,379	–
Other	106,398	–
Total	563,228	–

Notes: 1. Intersegment transactions are offset.
2. "Other" represents subsidiaries in Japan and outside of Japan and adjustments for consolidation that are not included in reportable segments.
3. YoY change figures have not been disclosed due to the fiscal year ended December 31, 2024 being an irregular nine-month accounting period as a result of the change in the fiscal year-end.

(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 December 31, 2024

In the fiscal year ended December 31, 2024, the Group received orders of 594.7 billion yen, above the initial plan of 575.0 billion yen, driven by cleanroom systems for the semiconductor sector in Asia and airport systems in North America. Net sales amounted to 563.2 billion yen, also topping the initial plan of 550.0 billion yen due to steady sales underpinned by an extensive order backlog from the end of the previous fiscal year. In terms of profits, the Group posted operating income of 71.5 billion yen and an operating margin of 12.7%, well above the initial forecast of 52.0 billion yen and 9.5%, respectively. This is attributable to efforts to reduce costs, such as increasing production efficiency, which have been underway since the previous business plan, as well as a boost from increased sales of cleanroom systems for legacy semiconductors in China. Operating income, ordinary income, and net income attributable to shareholders of the parent company reached new record highs for the third consecutive year, despite the irregular nine-month accounting period in Japan. The net income margin also reached the 10% level for the first time. In light of these results, we believe the first year of the 2027 Plan has made a good start. Meanwhile, in order to realize the growth strategies set forth in our long-term vision, "Driving Innovative Impact 2030" (hereinafter referred to as the "2030 Long-Term Vision"), and in the 2027 Plan, expansion of our operations outside of Japan, where profitability improvement is still in progress in some regions, is essential. We will turn growth opportunities, such as investments in automation amid global labor shortages and rising labor costs, and investments in semiconductors for generative AI, into orders and sales. We will also take steps to further improve profitability, primarily at our subsidiaries outside of Japan, in order to achieve business growth while also increasing profitability.

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 the 2027 Plan, the Group set management targets for the fiscal year ending December 31, 2027, the final year of the Plan, from the three perspectives of growth potential, profitability, and capital efficiency: consolidated net sales of 800.0 billion yen, an operating margin of 11.5%, and ROE of 13.0%. Compared with these targets, the Group achieved consolidated net sales of 563.2 billion yen, an operating margin of 12.7%, and ROE of 15.1% in the fiscal year ended December 31, 2024, marking a significant overshoot versus the profitability and capital efficiency targets.

For details on the analysis to evaluate the achievement of management policy/management strategy and management targets, please refer to the following section, "II. Overview of Business, 1. Management Policy, Management Environment, and Issues to Address."

(8) Future management policies

Based on the company creed and management philosophy, the Group will implement various measures to achieve the 2030 Long-Term Vision and the 2027 Plan, which serves as the midpoint toward this Vision, with an eye to achieving further growth.

For more information on our future management policies, 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.

Additionally, in recent years, we have been focusing on the development of new systems and products that incorporate AI. To strategically utilize the intellectual property created through these activities, we are promoting DX and working to accelerate intellectual property rights acquisition and strengthen protection. We will also implement measures for IPL (Intellectual Property Landscape), working closely with each business unit to strengthen the Group’s competitive edge.

The total amount of R&D expenditures that the Group paid is 9,340 million yen in the fiscal year ended December 31, 2024.

The fiscal year ended December 31, 2024 ran for nine months from April 1, 2024 to December 31, 2024 due to the change in the fiscal year-end.

The expenditures by reportable segment are described below.

(Million yen)

Segment	Fiscal year ended March 31, 2024	Fiscal year ended December 31, 2024
Daifuku Co., Ltd.	8,637	7,484
Contec Co., Ltd. and its subsidiaries	1,097	945
Daifuku North America, Inc. and its subsidiaries	978	343
Clean Factomation, Inc.	338	339
Daifuku (Suzhou) Cleanroom Automation Co., Ltd.	4	24
Other	207	202
Total	11,264	9,340

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 XY-Picking Robot, which automates piece picking primarily at distribution centers for individual and mail-order deliveries. Combining these robots with the Goods-to-Person (GTP) picking’s Quick Pick Station enables enhanced performance and space saving.

Daifuku has started sales of Sorting Transfer Robot M, a case-sorting system, based on autonomous mobile robots (AMR). By replacing the GTP picking, transport, and sorting functions that were conventionally performed by conveyors with case-handling robots, we have achieved a system that offers a flexible layout and scalability.

ii. Cleanroom systems for the semiconductor sector

With respect to cleanroom systems for the 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

In the automotive industry, which is said to be going through a once-in-a-century transformation, there is a growing demand for assembly plants that can flexibly adapt to change. Daifuku has strengthened the product capabilities of its cart-towing automated guided vehicles (AGVs), which we developed to meet such needs, so that they can be used not only in assembly plants, but also in battery plants, engine plants, and other locations. Furthermore, the Company set up a demonstration line at Shiga Works to demonstrate to customers our strengths in providing a total range of transport systems and automated equipment. The Company is also working on developing a range of products that will automate the supply of parts from the truck loading area to the production line.

iv. Airport systems

The Company has launched a handheld barcode reader (BRS) for airports in Japan that has enhanced the checked baggage tracking system. This enables efficient sorting of baggage that changes destinations due to transfers by destination without relying on human experience.

The Company launched a simplified self-service back-drop system (TAG-UX) in the domestic market, which has been well received. Customers can check in their baggage by scanning the baggage tag themselves, helping to alleviate congestion.

The functions of the conveyor SCADA system (Sym3) have been revised and redeveloped to perform more accurate simulations.

v. Car wash machines

Using the cleaning and water-saving technology cultivated in its car wash machines, the Company has developed and started sales of the Shower Hopper, Japan’s first waste collection vehicle washer. Automating the cleaning work that was previously done manually reduces washing time by approximately 30%* and water consumption by approximately 20%*. Eliminating manual labor also leads to significant improvement of the work environment. The Company will continue to develop new products that are friendly to people and the environment with its washing technology.

*Figures based on research by the Company.

The total amount of R&D expenditures that the Company paid for i. to v. described above and other is 7,484 million yen.

(2) Contec Co., Ltd. and its subsidiaries (Contec)

For the industrial computer sector, Contec developed the DX-M2300 series of fanless embedded computers featuring NVIDIA® Jetson AGX Orin™, and started accepting orders for these new products in September 2024. It has AI performance comparable to data center GPU cards, and its proprietary heat dissipation technology ensures fanless operation in a compact chassis. As a compact embedded computer with AI capabilities, it is suitable for robotics applications such as AMR.

For the IoT device sector, Contec developed C-meter card ZM-C2H-PE, a PC card measuring instrument for inspecting mass-produced multilayer ceramic capacitors, and started accepting orders in December 2024. A single unit of this product can incorporate the functions of two benchtop measuring instruments into a Windows PC, reducing the size and cost of inspection systems for electronic components.

The amount of R&D expenditures that Contec paid is 945 million yen.

(3) Daifuku North America, Inc. and its subsidiaries (Daifuku North America)

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

For the automotive systems business, Daifuku North America is working on demonstrating, testing and completing its powered roller bed system, and continues to improve its standard product line by designing with factors such as cost and manufacturing processes in mind.

The total amount of R&D expenditures that Daifuku North America paid is 343 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 339 million yen.

III. Information about Facilities

1. Overview of Capital Expenditures

The Group's capital investment during the fiscal year ended December 31, 2024 totaled 15,532 million yen, which included maintenance and upgrades as well as expansion of production facilities of the Company in Japan and expansion of production facilities of subsidiaries outside of Japan in North America and India.

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 during the previous fiscal year.

2. Major Facilities

Major facilities of the Group are as follows.

(1) Reporting company

As of December 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	2,896	0	1,277 [10]	–	142	4,316	546
Tokyo Head Office and Tokyo Branch (Minato-ku, Tokyo)	Daifuku Co., Ltd.	Headquarters and other facilities	197	0	– [–]	11	54	264	425
Shiga Works (Hino-cho, Gamo-gun, Shiga)	Daifuku Co., Ltd.	Facilities for production, R&D and other	8,346	5,649	3,991 [1,160]	400	9,036	27,424	1,625
Komaki Works (Komaki, Aichi)	Daifuku Co., Ltd.	Other facilities	98	9	77 [53]	–	64	248	366
Tokai Branch (Toyota, Aichi)	Daifuku Co., Ltd.	Other facilities	120	5	53 [2]	1	7	188	56
Chugoku Branch (Kaita-cho, Aki-gun, Hiroshima)	Daifuku Co., Ltd.	Other facilities	37	0	3 [1]	–	4	45	15
Fujisawa Branch (Fujisawa, Kanagawa)	Daifuku Co., Ltd.	Other facilities	28	2	242 [5]	0	3	277	12
Mie Works (Kameyama, Mie)	Daifuku Co., Ltd.	Other facilities	18	0	122 [2]	–	2	142	15

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 December 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 and other facilities (rent)	–	388
Shiga Works (Hino-cho, Gamo-gun, Shiga)	Daifuku Co., Ltd.	Facilities for production and other (lease)	–	178
Komaki Works (Komaki, Aichi)	Daifuku Co., Ltd.	Other facilities (rent)	–	105

(2) Subsidiaries in Japan

As of December 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	347	144	1,389 [13]	12	84	1,978	268

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 December 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.	9,313	5,866	1,809 [560]	–	5,492	22,483	2,848
Clean Factomation, Inc.	South Korea Factory (Asan-si, South Korea)	Clean Factomation, Inc.	Production facilities, etc.	2,727	37	365 [34]	–	1,123	4,253	904
Daifuku (Suzhou) Cleanroom Automation Co., Ltd.	China Factory (Suzhou, Jiangsu, China)	Daifuku (Suzhou) Cleanroom Automation Co., Ltd.	Production facilities, etc.	4,438	1,705	– [–]	–	225	6,369	266
Daifuku (Thailand) Limited	Thailand Factory (Chonburi, Thailand)	Other	Production facilities, etc.	924	244	444 [61]	–	238	1,851	402
Hallim Machinery Co., Ltd.	South Korea Factory (Hwaseong, Gyeonggi, South Korea)	Other	Production facilities, etc.	501	62	510 [10]	–	89	1,164	126
Daifuku Korea Co., Ltd.	South Korea Factory (Incheon Metropolitan City, South Korea)	Other	Production facilities, etc.	764	13	238 [7]	–	51	1,068	110
Daifuku (China) Automation Co., Ltd.	China Factory (Changshu, Jiangsu, China)	Other	Production facilities, etc.	928	203	– [–]	–	42	1,174	171
Taiwan Daifuku Co., Ltd.	Taiwan Factory (Tainan, Taiwan)	Other	Production facilities, etc.	256	388	– [–]	–	704	1,349	338
Daifuku (China) Manufacturing Co., Ltd.	China Factory (Shanghai, China)	Other	Production facilities, etc.	–	183	– [–]	–	389	572	232
Daifuku Intralogistics India Private Limited	India Factory (Telangana, India)	Other	Production facilities, etc.	163	83	1,111 [147]	–	2,436	3,795	171

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

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

Significant planned additions, retirements, and other changes of facilities as of December 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	7,818	Convertible-bond-type bonds with stock acquisition rights (Note 2)	April 2023	March 2028	(Note 3)
Daifuku Intralogistics America Corporation	Indiana, U.S.A.	Daifuku North America, Inc. and its subsidiaries	Construction of a new factory, production facilities	5,000	1,152	Investment and financing by the Company (Note 4)	April 2023	September 2025	(Note 3)
Daifuku Intralogistics India Private Limited	Telangana, India	Other	Construction of a new factory, production facilities	2,000	1,967	Investment and financing by the Company (Note 4)	April 2023	April 2025	(Note 3)

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

2. The Company issued convertible-bond-type bonds with stock acquisition rights in September 2023 and raised funds for investment.
3. The description of the increased capacity after completion is omitted because it is difficult to reasonably calculate it.
4. Proceeds from the issuance of the convertible-bond-type bonds with stock acquisition rights mentioned in the item 2 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

ii. Issued shares

Type	Number of issued shares as of fiscal year end (as of December 31, 2024) (shares)	Number of issued shares as of filing date (as of March 31, 2025) (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	–	–

(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: 8,487,283 [8,535,821] (Note 2)	Common stock: 8,651,017 [8,700,443] (Note 2)
Amount of assets to be contributed upon exercise of stock acquisition rights (yen)*	3,534.7 [3,514.6] (Note 3)	3,467.8 [3,448.1] (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: 3,534.7 [3,514.6] Amount capitalized: 1,768 [1,758] (Note 5)	Issue price: 3,467.8 [3,448.1] Amount capitalized: 1,734 [1,725] (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 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.	
Balance of bonds with stock acquisition rights (million yen)*	30,000	30,000

* Described above are current as of December 31, 2024. With regard to matters that were changed between the end of the fiscal year ended December 31, 2024 and the end of the previous month before the month in which financial statements were filed, which was February 28, 2025, 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 December 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 canceled immediately.

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

The conversion price is adjusted respectively in accordance with the conversion price adjustment clause in connection with the increase in the amount of dividends from surplus by the resolution of the Board of Directors.

Resolved by the Board of Directors on February 14, 2025

- Zero Coupon Convertible Bonds due 2028: from 3,534.7 yen to 3,514.6 yen
- Zero Coupon Convertible Bonds due 2030: from 3,467.8 yen to 3,448.1 yen

The effective date for both is January 1, 2025 or later.

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 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 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 December 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	90	42	499	751	109	30,165	31,657	–
Number of shares held (units)	30	1,328,954	71,812	178,990	1,686,104	691	529,980	3,796,561	174,131
Percentage of shareholdings (%)	0.00	35.00	1.89	4.71	44.41	0.02	13.96	100.00	–

Note: Of the 11,683,412 shares of treasury stock, 116,834 units are included in "Individuals and other," and 12 shares are included in "Shares less than one unit."

(6) Major shareholders

As of December 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	52,835	14.35
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	32,490	8.83
STATE STREET BANK AND TRUST COMPANY 505025 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS 02114 U.S.A (2-15-1 Konan, Minato-ku, Tokyo)	12,895	3.50
Mizuho Bank, Ltd.	1-5-5 Otemachi, Chiyoda-ku, Tokyo	9,265	2.52
Daifuku Supplier Shareholder Association	3-2-11 Mitejima, Nishiyodogawa-ku, Osaka	8,675	2.36
Nippon Life Insurance Company	1-6-6 Marunouchi, Chiyoda-ku, Tokyo	8,237	2.24
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 Konan, Minato-ku, Tokyo)	7,132	1.94
Chuo-Nittochi Co., Ltd.	1-4-1 Kasumigaseki, Chiyoda-ku, Tokyo	6,698	1.82
Sumitomo Mitsui Banking Corporation	1-1-2 Marunouchi, Chiyoda-ku, Tokyo	6,121	1.66
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS 02114 U.S.A (2-15-1 Konan, Minato-ku, Tokyo)	5,794	1.57
Total	–	150,145	40.78

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)	52,835 thousand shares
Custody Bank of Japan, Ltd. (Trust Account)	32,490 thousand shares

2. In addition to the above, the Company has 11,683 thousand shares of treasury stock (3.08% of issued shares). Also, 462 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 462 thousand shares are recognized as treasury stock in the consolidated and non-consolidated financial statements as of December 31, 2024, but are not included in the above mentioned 11,683 thousand shares of treasury stock.

3. 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 December 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

4. 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 December 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 December 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	11,683,400	–	–
Shares with full voting rights (other)	Common stock	367,972,700	3,679,727	–
Shares less than one unit	Common stock	174,131	–	Shares less than one unit (100 shares)
Total number of shares issued		379,830,231	–	–
Voting rights held by all shareholders		–	3,679,727	–

Notes: 1. “Shares less than one unit (100 shares)” includes 12 shares of treasury stock..
2. “Shares with full voting rights (other)” includes 462,200 shares (4,622 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 December 31, 2024.

ii. Treasury stock, etc.

As of December 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	11,683,400	–	11,683,400	3.08
Total	–	11,683,400	–	11,683,400	3.08

Note: In addition to the above, 462,200 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.

At the 109th Ordinary General Meeting of Shareholders held on March 28, 2025, a partial revision of the Plan was approved, which included the change to the applicable period of the Plan due to the change in the Company's fiscal year-end (the last day of the fiscal year) and the treatment of the amount of remuneration, etc., relating to the Plan as a separate framework from the Monetary Remuneration Limit.

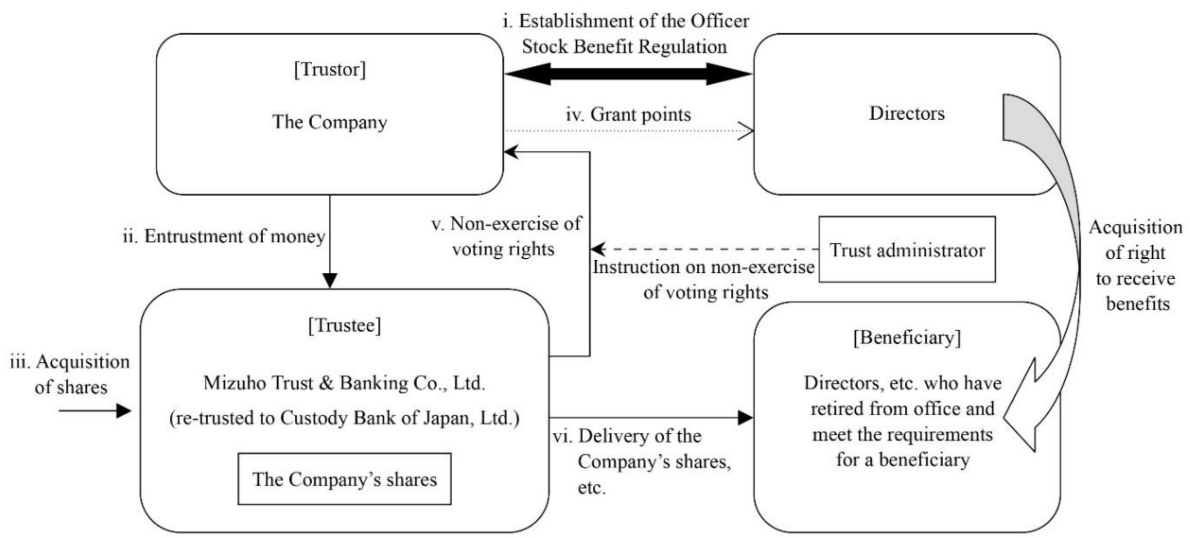
(For details, please refer to https://www.daifuku.com/ir/stock/shareholders/)

The revised Plan is a performance-linked equity remuneration scheme, under which the Company's shares and the monetary payment equivalent to the amount obtained by converting the Company's shares at the market price (the "Company's Shares, etc.") are 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 109th Ordinary General Meeting of Shareholders, and the Company established the Officer Stock Benefit Regulations 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 exchange 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 Regulations.
v. In accordance with the instructions from the independent trust administrator, the Trust does 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 Regulations (the "Beneficiaries"), based on the points granted to them. Provided, however, if the Directors, etc., meet the requirements stipulated in the Officer Stock Benefit Regulations, the Trust shall provide a certain portion of the points in cash in an amount equivalent to the market price of the Company's shares.

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 Regulations.

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 (November 8, 2024) (Repurchase period: From November 11, 2024 to December 31, 2024)	5,000,000	10,000,000,000
Treasury stock acquired before the fiscal year ended December 31, 2024	–	–
Treasury stock acquired during the fiscal year ended December 31, 2024	3,048,000	9,999,936,500
Total number and total value of residual shares subject to resolution	1,952,000	63,500
Unexercised ratio as of December 31, 2024 (%)	39.04	0.00
Treasury stock acquired during the current period (from January 1, 2025 to the filing date of this Annual Securities Report)	–	–
Unexercised ratio as of the filing date (%)	39.04	0.00

Notes: 1. The method of purchase of treasury stock is market purchase on the Tokyo Stock Exchange.
2. The said purchase of treasury stock was completed on December 23, 2024 (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 December 31, 2024	1,242	3,882,090
Treasury stock acquired during the current period (from January 1, 2025 to the filing date of this Annual Securities Report)	124	388,130

Notes: 1. Shares acquired by purchase of shares less that one unit during the period from March 1, 2025 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 December 31, 2024		Current period (from January 1, 2025 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)	5	11,489	–	–
Treasury stock held	11,683,412	–	11,683,536	–

Notes: 1. Shares acquired due to purchase or sales of shares less than one unit of shares during the period from March 1, 2025 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. The number of shares of treasury stock disposed of mentioned above does not include 82,200 shares (82,200 shares for the fiscal year ended December 31, 2024, - 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 Regulations established by the Company. The treasury stock held does not include shares held by the Custody Bank of Japan, Ltd. (Trust Account E) (462,200 shares for the fiscal year ended December 31, 2024, 462,200 shares as of the end of the current period).

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.

In the four-year business plan for 2027 that started in April 2024, the Company aims to achieve a consolidated dividend payout ratio of 35% or more for each fiscal year.

For the fiscal year ended December 31, 2024, the Company paid an interim dividend of 23 yen per share, and at a meeting held on February 14, 2025 the Board of Directors passed a resolution to pay a year-end dividend of 32 yen per share, for an annual dividend of 55 yen per share. This represents a consolidated dividend payout ratio of 35.7%.

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 fiscal year ended December 31, 2024 are as follows:

Resolution date	Aggregate dividends (million yen)	Dividend per share (yen)
Resolved by the Board of Directors on November 8, 2024	8,537	23
Resolved by the Board of Directors on February 14, 2025	11,780	32

4. Corporate Governance

(1) Overview of corporate governance

i. Basic stance on corporate governance

Under the company creed, as an unchanging corporate stance, and the spirit of its management philosophy, which is based on changes in the social and business environment, the Daifuku Group will contribute to the development of society and the economy as a whole, continuously enhancing the effectiveness of corporate governance to achieve sustainable growth and increase corporate value over the medium to long term.

In accordance with this basic stance, we have established the Daifuku Group Basic Policy for Corporate Governance.

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 (updated on July 5, 2024)
https://www.daifuku.com/ir/assets/governance_initiative_e.pdf

Progress in strengthening governance

Year of implementation	The Company's initiatives
Fiscal year ended March 31, 2012	Introduces a corporate officer system
Fiscal year ended March 31, 2013	An outside director elected
Fiscal year ended March 31, 2015	Two (2) outside directors elected
Fiscal year ended March 31, 2016	Conducts evaluation of Board of Directors' effectiveness and discloses results
Fiscal year ended March 31, 2017	Establishes the Advisory Committee Formulates independence standards Introduces BBT Establishes Daifuku Corporate Governance Guidelines Reviews cross-shareholdings and clarifies exercising voting rights standards
Fiscal year ended March 31, 2020	A female outside director elected Establishes an audit officer position and the Audit Division
Fiscal year ended March 31, 2021	Establishes the Audit & Supervisory Board Office
Fiscal year ended March 31, 2022	Discloses the status of the Company's correspondence to all items in the Corporate Governance Code
Fiscal year ended March 31, 2023	Discloses skills of directors Makes a listed subsidiary into a wholly owned subsidiary (dissolved parent-subsidiary listings)
Fiscal year ended March 31, 2024	A foreign national outside director elected Establishes new C-suite roles for our chief officers
Fiscal year ended December 31, 2024	A female Audit & Supervisory Board member (outside) elected
Fiscal year ending December 31, 2025	Two (2) female outside directors elected

ii. 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 eleven (11) members, including six (6) 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 55% of the members of the Board of Directors. Taking diversity of the Board of Directors into consideration, two (2) female directors and one (1) foreign national director have been appointed.

Structure of the Board of Directors

	June 2021	June 2022	June 2023	June 2024	March 2025
Number of directors [number and percentage of outside directors]	9 [4, 44%]	9 [4, 44%]	10 [5, 50%]	10 [5, 50%]	11 [6, 55%]
Number of female directors [percentage]	1 [11%]	1 [11%]	1 [10%]	1 [10%]	2 [18%]
Number of foreign national directors [percentage]	– [-%]	– [-%]	1 [10%]	1 [10%]	1 [9%]

To ensure transparency and fairness of management, the Company has established an Advisory Committee, which deliberates on the nomination, election and dismissal, and the remuneration of the Directors and the Officers.

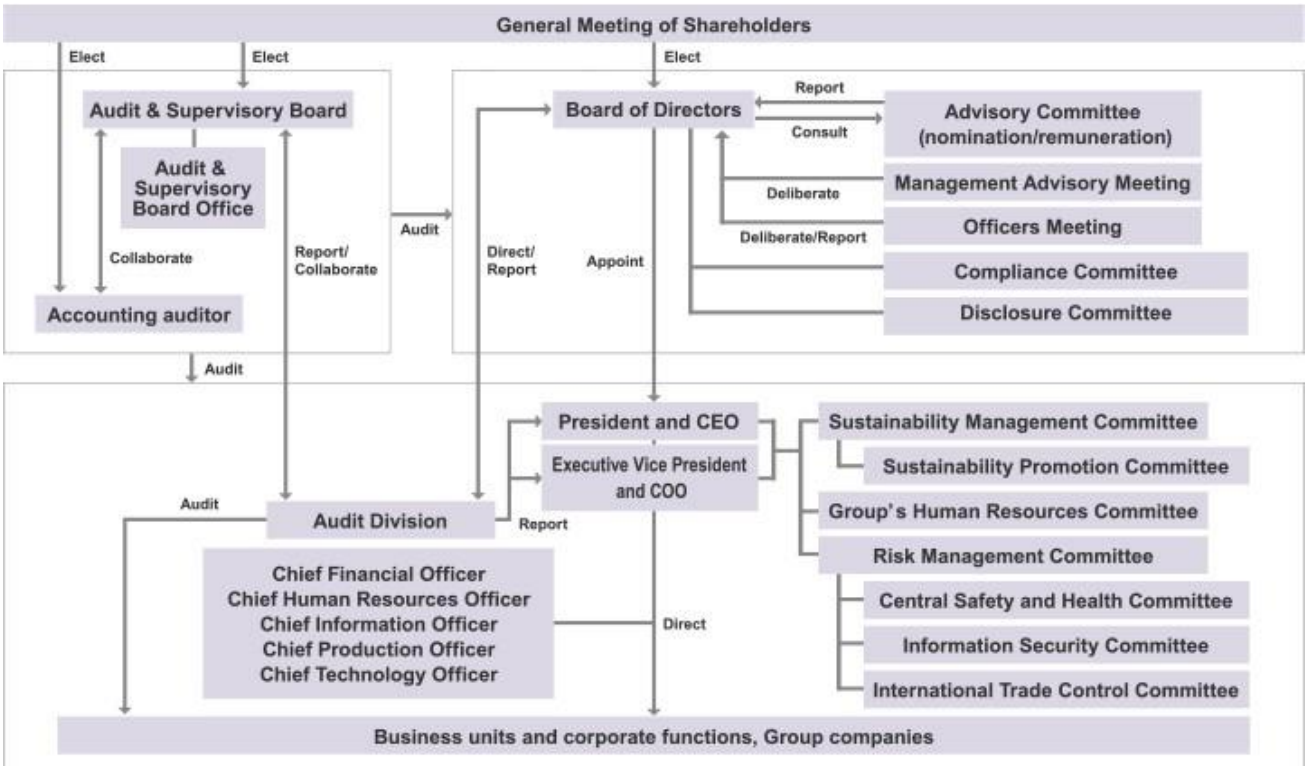
To encourage rapid operational decision-making, the Company has introduced a corporate officer system. In the fiscal year ended March 31, 2024, the Company established C-suite roles to strengthen governance. By delegating authority of the President and CEO and clarifying the division of responsibilities after the delegation, the Company strives to achieve flexible business operation and swift decision-making.

As the chief officer of the Group, the President and CEO formulates growth strategies and management policies and oversees all aspects of the Group’s management. The Representative Director and Chief Operating Officer (COO), who was appointed in the fiscal year ending December 31, 2025, oversees the Group’s overall operations based on the formulated growth strategies and management policies.

The Company has established an Audit & Supervisory Board Office staffed with employees assigned to assist with the duties of Audit & Supervisory Board members. The Audit & Supervisory Board Office is managed by an audit officer who are on the same level as a corporate officer and has been appointed to strengthen the auditing function, under the direction of the Audit & Supervisory Board members. It plays a role in facilitating auditing operations and further enhancing the effectiveness of audits.

The Audit Division shall facilitate improvements to the internal control system and its operation by examining and evaluating them from multiple points of view, including compliance with relevant legislation, the Articles of Incorporation, internal regulations, and social norms, risk management, ensuring the efficiency of management operations, and ensuring the reliability of financial reporting, independently from the business operation line.

Corporate governance system (Fiscal year ending December 31, 2025)



Committee name	Committee's role
1. Compliance Committee	The Committee consists of all directors and all 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. In addition, the Committee formed a Compliance Promotion Subcommittee, through which results of the examinations are shared and measures are implemented across the entire Group, to strengthen compliance.
2. 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.
3. 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.
4. Sustainability Promotion Committee	To meet increasing demands to address a wider range of ESG, SDGs, and other social issues, as a subordinate committee of the Sustainability Management Committee, the Committee promotes Group-wide initiatives for the Group's ESG-related issues on a practical level based on management strategies.
5. Group's Human Resources Committee	The Committee aims to promote the visualization of the experience and skills of the Group's human resources, and to also revitalize human resources and assign the right people to the right positions by implementing systematic training and promoting the sufficiency, training status, and appointment of prospective successors to key positions (officers and executives) on a Group-wide, cross-sectional basis.
6. 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.
7. 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.
8. 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.
9. 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.

(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.

(iii) Matters relating to corporate governance

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.

Main agenda for Board of Directors meetings (fiscal year ended December 31, 2024)

Purchase of treasury stock, personnel matters related to changes in directors, progress in management plans, measures related to growth strategies, activities of Advisory Committee and others, reduction of cross-shareholdings, promotion of sustainability management, etc.

Number of meetings held in the fiscal year ended December 31, 2024)

13 meetings (nine regular and four extraordinary meetings)

Attendance rate at meetings of the Board of Directors for the fiscal year ended December 31, 2024

<table>
<tr><th>Title</th><th>Name</th><th>Attendance rate
(times attended / times meetings held)</th></tr>
<tr><td>Representative Director
President and CEO</td><td>Hiroshi Geshiro (Chair)</td><td rowspan="4">100% (13/13)</td></tr>
<tr><td rowspan="5">Director</td><td>Seiji Sato</td></tr>
<tr><td>Hiroshi Nobuta</td></tr>
<tr><td>Hideaki Takubo</td></tr>
<tr><td>Toshiaki Hayashi</td><td>100% (5/5)</td></tr>
<tr><td>Tomoaki Terai</td><td>100% (8/8)</td></tr>
<tr><td rowspan="5">Outside Director</td><td>Yoshiaki Ozawa</td><td rowspan="6">100% (13/13)</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></tr>
<tr><td>Audit & Supervisory Board
Member (full-time)</td><td>Tsukasa Saito</td></tr>
<tr><td rowspan="4">Audit & Supervisory Board
Member (outside)</td><td>Ryosuke Aihara</td><td>100% (5/5)</td></tr>
<tr><td>Tsukasa Miyajima</td><td>92% (12/13)</td></tr>
<tr><td>Nobuo Wada</td><td>100% (13/13)</td></tr>
<tr><td>Eiko Hakoda</td><td>100% (8/8)</td></tr>
</table>

Notes: 1. Mr. Tomoaki Terai and Ms. Eiko Hakoda assumed the office of director and the office of Audit & Supervisory Board member, respectively, at the conclusion of the Ordinary General Meeting of Shareholders held on June 21, 2024.

2. Mr. Toshiaki Hayashi and Mr. Ryosuke Aihara resigned from the office of director and Audit & Supervisory Board Member, respectively, at the conclusion of the Ordinary General Meeting of Shareholders held on June 21, 2024.

Skill matrix

The Company appoints directors by considering the optimal composition of the Board of Directors in terms of expertise, experience, diversity, etc., taking into account changes in the business environment and the management policies and business plans of the Group. Skill matrix showing the expertise and experience of each director is as follows.

Skill matrix for the fiscal year ending December 31, 2025

Name	Independence	Expertise/Experience						
		Corporate management	Technology	Finance, accounting	Legal affairs, risk management	Sales, marketing	Global	ESG
Hiroshi Geshiro		✓			✓		✓	
Tomoaki Terai		✓	✓				✓	
Seiji Sato		✓				✓	✓	
Hideaki Takubo		✓			✓			✓
Tetsuya Hibi		✓		✓			✓	
Yoshiaki Ozawa	✓			✓			✓	✓
Kaku Kato	✓				✓		✓	✓
Keiko Kaneko	✓				✓		✓	✓
Gideon Franklin	✓	✓		✓			✓	
Haruyuki Yoshida	✓	✓		✓			✓	
Yuki Kanzaki	✓	✓	✓					✓

Notes: 1. In Expertise/Experience, up to three skills of individuals are marked with "✓".
2. The above list does not represent all of the knowledge, experience, and abilities of individuals.

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

Measures to improve effectiveness concerning issues identified in the fiscal year ended March 31, 2024 and analysis of evaluation results

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

A. Regarding "reviewing the Group's overall business portfolio from the perspective of ensuring sustainable profitability and cost of capital," the majority of respondents evaluated that they were adequately overseen. On the other hand, with regard to periodic review of the Group's overall business portfolio, some respondents indicated a need for continued consideration, such as increasing the time spent discussing medium- to long-term corporate strategy and M&A.

B. With regard to "training of prospective successors," we worked to enhance training for officers, taking into account the skills of the Board of Directors based on management strategy. In addition, the results of the questionnaire improved as a result of a resolution by the Board of Directors based on the discussion and report of the CEO and other management's succession plan by the Advisory Committee. We will continue to deepen our discussions on the ideal form of the Board of Directors and the systematic development of successors candidates to the next generation of management, based on our management strategy.

Recognition of issues and future initiatives

A. With regard to "reviewing the Group's overall business portfolio from the perspective of ensuring sustainable profitability and cost of capital," there was an improvement in the survey results, but we also recognized this as an issue for the fiscal year ended December 31, 2024. 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. Regarding the "support structure for the Board of Directors," with the change in the members of the Board of Directors, there were opinions requesting further support for providing opportunities for interaction between outside directors only, improving the content of materials, and operations. We will continue to deepen our discussions on strengthening support systems and other measures to revitalize discussions at board meetings.

b. Advisory Committee

Daifuku has established a voluntary Advisory Committee to strengthen the independence, objectivity, and accountability of the functions of the Board of Directors regarding the nomination, dismissal, and the remuneration of directors and corporate officers. The Committee is chaired by an outside director and the majority of members are outside directors.

Main agenda for Advisory Committee meetings (fiscal year ended December 31, 2024)

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

Number of meetings held per year in the fiscal year ended December 31, 2024)

Seven times (five times for nomination and twice for remuneration)

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

Title	Name	Attendance rate (times attended / times meetings held)
Outside Director	Yoshiaki Ozawa (Chair)	100% (7/7)
	Mineo Sakai	
	Kaku Kato	
	Keiko Kaneko	
	Gideon Franklin	
Representative Director President and CEO	Hiroshi Geshiro	

c. Audit & Supervisory Board

For more information on Audit & Supervisory Board members and meetings, please refer to the following section, "IV. Information about Reporting Company, 4. Corporate Governance, (3) Audits."

d. Other bodies, etc.

i) 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 representative directors as appropriate.

ii) Corporate officer system

The Company has introduced a corporate officer system to 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. The Company is engaging 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.

iii) 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 meetings of the Board of Directors.

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.

iii. 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, 2025.

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 systems necessary for maintenance and management of information security, functions and authorities of organizations to promote information security and handling methods of information assets, thereby protecting information assets owned by the Group.

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

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:
   - 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
   - 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 December 31, 2024

a. Initiatives for compliance

i) The Compliance Committee, which is chaired by the President and CEO and consists of all directors and corporate officers, takes the lead in our efforts to investigate and respond to compliance incidents, deliberates measures for preventing reoccurrences, and ensures a thorough understanding throughout the Group. During the fiscal year ended December 31, 2024, the Compliance Committee engaged in focused discussions regarding issues such as compliance by subsidiaries outside of Japan, and strove to strengthen the compliance of the entire Group.

ii) We conduct ongoing compliance training tailored to individual ranks and job categories. The training aims to promote the widespread implementation of the Group Code of Conduct, which indicates the manner of actions to be taken by the Group's officers and employees; promote the widespread use of the Compliance Guidebook, which clearly explains the Code; provide more knowledge to officers and employees about legal matters related to their business duties; and heighten their compliance awareness. Furthermore, we have designated October each year as compliance awareness month, and conduct company-wide compliance awareness-raising activities. In the fiscal year ended December 31, 2024, we carried out awareness-raising activities on the topic of customer harassment.

b. Initiatives for risk management

The Risk Management Committee, which is chaired by the President and CEO and consists of directors and corporate officers, takes the lead in our periodic Group-wide risk assessment efforts. For critical risks that would significantly affect the Group's corporate activities, the Risk Management Committee decides on a response policy, and the Group implements necessary measures accordingly, striving to minimize the likelihood of risks manifesting and the damages that may result if they do manifest. In the fiscal year ended December 31, 2024, the Risk Management Committee met three times and discussed various matters, primarily on dealing with human resource risks and cyber security risks, and reinforcing business continuity management.

c. Initiatives for the execution of duties by directors and Group governance

i) We formulated our long-term vision, Driving Innovative Impact 2030, and our 2027 Plan as the midpoint of this long-term vision, and we began working toward achieving the targets set out therein. We defined priority topics to work on and set KPIs to measure our level of achievement. These were linked to the targets and key initiatives of individual business units, and we strive to implement those initiatives. Furthermore, we periodically share messages from the CEO and use training and other tools to share our direction throughout the Group and promote its widespread implementation.

ii) We established various internal rules, narrowed down the agenda items to be discussed at meetings of the Board of Directors, and delegated certain decision-making authority to those in charge of executive functions. At the same time, we introduced C-suite roles responsible for Group-wide management of functional areas such as human resources, technology development, production, information, and finance to strengthen governance and speed up decision-making.

iii) Board of Directors meeting minutes, approval documents, and other documents are retained and managed appropriately in accordance with the Company's internal rules related to document management.

d. Initiatives for audits

Audit & Supervisory Board members perform audits based on audit plans created by the Audit & Supervisory Board, and confirm the state of operations of the Company's internal control systems by attending important meetings such as Board of Directors meetings, officers meetings, and Compliance Committee meetings; regularly sharing their opinions with the representative directors and outside directors; interviewing managers from business units; and conducting other activities. Furthermore, they improve the effectiveness of audits by coordinating closely with an audit unit which conducts internal audits independently from the Company's lines of business execution, the accounting auditor, legal and compliance units, and other related departments.

Staff members are assigned to assist with the duties of Audit & Supervisory Board members to further improve the effectiveness of their auditing.

(ii) Status of development of a risk management system

Under the direction of the Representative Director, we develop and promote risk management measures across the Group. 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 Group has also established the Group Governance Rules that apply to all 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.

iv. 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.

v. 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.

vi. 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.

vii. 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, as well as directors, Audit & Supervisory Board members, and corporate officers serving at Japanese subsidiaries. The insurance premiums for all insured persons are paid by the Company and the individual Japanese subsidiaries concerned.

viii. Number of directors

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

ix. 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.

x. 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: 3 (Ratio of female officers over the total number of officers: 20.0%)

Position in the Company	Name	Date of birth	Career summary		Term of office	Number of 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	40
Representative Director Executive Vice President and Chief Operating Officer (COO) Cleanroom Global Business Head	Tomoaki Terai	July 13, 1968	April 1994 April 2011 April 2015 April 2017 April 2021 April 2023 April 2024 June 2024 January 2025	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 Cleanroom Division Manager Managing Officer Cleanroom Global Business Head (to present) Director, member of the Board, Managing Officer Representative Director (to present) Executive Vice President and Chief Operating Officer (to present)	Note 4	19
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	130
Director Senior 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 January 2025	Joined Daifuku Machinery Works Co., Ltd. (now Daifuku Co., Ltd.) Manager of the Secretary's Office Director and 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 Director, Senior Managing Officer (to present)	Note 4	20

Position in the Company	Name	Date of birth	Career summary		Term of office	Number of shares held (thousand shares)
Director Managing Officer Chief Financial Officer Deputy Corporate Functions Head Finance and Accounting Division Manager	Tetsuya Hibi	June 4, 1964	April 1987 April 2008 April 2014 April 2017 April 2019 April 2020 April 2021 April 2023 March 2025	Joined Daifuku Co., Ltd. General Manager of the Finance Department, Finance and Accounting Division Senior Vice President and Chief Financial Officer of Daifuku Webb Holding Company (now Daifuku North America, Inc.) General Manager of the Global Business Development Department, Corporate Business Development Division General Manager of the Corporate Business Development Division Corporate Officer Finance and Accounting Division Manager (to present) Deputy Corporate Functions Head (to present) Managing Officer Chief Financial Officer (to present) Director, Managing Officer (to present)	Note 4	30
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 October 2024	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 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 (now PricewaterhouseCoopers Japan LLC) Specially-appointed professor, Kansai University School of Accountancy Professor of Faculty of Business Administration, St. Andrew's University 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. Obtained a PhD in Commerce from Kwansei Gakuin University Visiting Professor of Graduate School of Business, Osaka Metropolitan University (to present)	Note 4	–

Position in the Company	Name	Date of birth	Career summary		Term of office	Number of shares held (thousand shares)
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	–
Director	Keiko Kaneko	November 11, 1967	April 1991 April 1999 January 2007 April 2007 November 2012 June 2013 June 2019	Joined Mitsubishi Corporation Registered as an attorney Joined Anderson Mori & Tomotsune Partner, Anderson Mori & Tomotsune (to present) Visiting Associate Professor at Graduate School of Law, the University of Tokyo External Statutory Auditor, Fast Retailing Co., Ltd. (to present) Statutory Auditor, UNIQLO Co., Ltd. (to present) External Statutory Auditor, The Asahi Shimbun Company (to present) Outside Director of Daifuku Co., Ltd. (to present)	Note 4	–
Director	Gideon Franklin	June 28, 1962	September 1984 October 1986 January 1993 February 1994 January 2004 July 2006 November 2007 August 2013 June 2019 April 2021 June 2023	Joined Cazenove (now JPMorgan Chase & Co.) Joined UBS Phillips & Drew (now UBS AG) Director, Schweizerische Bankgesellschaft (Deutschland) AG (now UBS Europe SE) Managing Director, Morgan Stanley Group Inc (now Morgan Stanley) Outside Director, Culham Prints and Drawings Ltd President, Gideon Franklin Limited Managing Director, Mizuho International plc CEO, Gideon Franklin Limited (to present) Outside Director, MCJ Co., Ltd. (to present) CEO, Culham Prints and Drawings Ltd (to present) Outside Director of Daifuku Co., Ltd. (to present)	Note 4	–

Position in the Company	Name	Date of birth	Career summary		Term of office	Number of shares held (thousand shares)
Director	Haruyuki Yoshida	March 27, 1959	April 1981 February 2006 April 2008 October 2009 April 2013 January 2017 January 2019 January 2022 June 2023 June 2024 March 2025	Joined Kubota Corporation General Manager of Ductile Iron Pipe Production Control, Kubota Corporation General Manager of Construction Machinery Division Planning and Sales Promotion Department, Kubota Corporation General Manager of Farm and Industrial Machinery Division, Planning and Control Department, Kubota Corporation Executive Officer, General Manager of Farm and Machinery International Operations Headquarters, and General Manager of Farm and Utility Machinery Division, Kubota Corporation Managing Executive Officer, General Manager of Farm and Industrial Machinery Domain, Strategy and Operations Headquarters, Kubota Corporation Senior Managing Executive Officer, Kubota Corporation President and CEO, Kubota Tractor Corporation President and CEO, Kubota North America Corporation Advisor, Kubota Corporation Outside Director, Okada Aiyon Corporation (to present) Outside Director, SUGIMOTO & CO., LTD. (to present) Outside Director of Daifuku Co., Ltd. (to present)	Note 4	–
Director	Yuki Kanzaki	April 24, 1963	March 1992 September 2007 October 2013 March 2015 March 2017 March 2019 March 2020 January 2022 March 2022 March 2025	Joined Kirin Brewery Company, Limited Brewing Manager of Tochigi Plant of Production Division, Kirin Brewery Company, Limited Deputy General Manager of Alcoholic Beverages Technology Research Institute, Research & Development Division, Kirin Company, Limited General Manager of Kobe Plant of Production Division, Kirin Brewery Company, Limited Executive Officer, General Manager of Yokohama Plant of Production Division, Kirin Brewery Company, Limited Senior Executive Officer, General Manager of Yokohama Plant of Production Division, Kirin Brewery Company, Limited Senior Executive Officer, General Manager of Corporate Strategy Department, Kyowa Hakko Bio Co., Ltd. President and CEO, Kyowa Hakko Bio Co., Ltd. Senior Executive Officer, Kirin Holdings Company, Limited and President and CEO, Kyowa Hakko Bio Co., Ltd. Outside Director of Daifuku Co., Ltd. (to present)	Note 4	–

Position in the Company	Name	Date of birth	Career summary		Term of office	Number of shares held (thousand shares)
Audit & Supervisory Board Member (full-time)	Tsukasa Saito	March 4, 1964	April 1986 April 2007 April 2010 January 2013 April 2014 April 2020 April 2022 June 2022	Joined Daifuku Co., Ltd. General Manager of the China's Affiliate Management Division Director and President of Daifuku (China) Co., Ltd. General Manager of the Finance Department, Finance and Accounting Division, Corporate Affairs General Manager of the Finance and Accounting Division, Corporate Affairs Audit Officer General Manager of the Audit & Supervisory Board Office Audit Officer, assigned to the Audit & Supervisory Board Audit & Supervisory Board Member (to present)	Note 5	14
Audit & Supervisory Board Member	Tsukasa Miyajima	August 23, 1950	April 1980 April 1990 April 2003 April 2004 March 2009 October 2013 June 2014 June 2015 April 2016 June 2018 April 2021 March 2024	Full-time lecturer at Faculty of Law, Keio University Professor of Law, Keio University Registered as an attorney Professor, Keio University Law School Outside Director, Hulic Co., Ltd.(to present) Chairman, The Asset Disposition Council of Japan Railway Construction, Transport and Technology Agency Outside Director, Dai Nippon Printing Co., Ltd. (to present) Audit & Supervisory Board Member (outside), Mikuni Corporation (to present) Outside Director, Mitsui Sumitomo Insurance Co., Ltd. Professor emeritus, Keio University (to present) Professor of Law, Asahi University and its Graduate School (to present) Audit & Supervisory Board Member (outside) of Daifuku Co., Ltd. (to present) Deliberation Council Member, Japan Cooperative Insurance Association Incorporated (to present) Chairman of the Board of Directors, Hulic Co., Ltd. (to present)	Note 5	–

Position in the Company	Name	Date of birth	Career summary		Term of office	Number of shares held (thousand shares)
Audit & Supervisory Board Member	Nobuo Wada	March 17, 1953	April 1980 March 1981 December 1989 April 1994 April 2001 April 2018 June 2019	Encouraging Researcher of Japan Society for the Promotion of Science Research Associate of Faculty of Science, Hokkaido University Associate Professor at College of Arts and Sciences, the University of Tokyo Assistant Professor at Graduate School of Arts and Sciences, Department of Basic Science, the University of Tokyo Professor at Graduate School of Science, Division of Material Science (Physics), Nagoya University Professor emeritus (to present) and Adjunct Lecturer, Nagoya University Audit & Supervisory Board Member (outside) of Daifuku Co., Ltd. (to present)	Note 6	–
Audit & Supervisory Board Member	Eiko Hakoda	May 25, 1957	April 1992 January 2005 June 2019 June 2022 December 2022 January 2023 July 2023 January 2024 June 2024	Registered as an attorney Joined Hamada & Matsumoto (now Mori Hamada & Matsumoto) Partner, Mori Hamada & Matsumoto Outside Corporate Auditor, KITO Corporation Outside Director (Member of Audit and Supervisory Committee), SPARX Group Co., Ltd. (to present) Outside Corporate Auditor, SPARX Asset Management Co., Ltd. (to present) Outside Member of Audit and Supervisory Board, CMIC HOLDINGS Co., Ltd. Senior Counsel, Mori Hamada & Matsumoto Outside Director, The Prudential Life Insurance Company, Ltd. (to present) Special Counsel, Gaien Partners (to present) Audit & Supervisory Board Member (outside) of Daifuku Co., Ltd. (to present)	Note 7	–
	Total					254

Notes:
1. Directors Yoshiaki Ozawa, Kaku Kato, Keiko Kaneko, Gideon Franklin, Haruyuki Yoshida, and Yuki Kanzaki 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, Kaku Kato, Gideon Franklin, Haruyuki Yoshida, and Yuki Kanzaki, 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 December 31, 2024 through the conclusion of the ordinary general meeting of shareholders for the fiscal year ending December 31, 2025.
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 Automotive Division Manager Deputy Safety and Health Management Division Manager	Tsutomu Maeda
Senior Managing Officer Automotive and Airport Global Business Head	Takaya Uemoto	Corporate Officer Corporate Communications Division Manager	Hirobumi Akiba
Senior Managing Officer Chief Technology Officer Business Innovation Division Manager	Takuya Gondoh	Corporate Officer Airport Division Manager General Manager of Airport Operations, Airport Division	Masayuki Izutsu
Managing Officer Deputy Automotive and Airport Global Business Head	Akihiko Nishimura	Corporate Officer Auto Wash Global Business Head Auto Wash Division Manager President of Daifuku Plusmore Co., Ltd.	Takafumi Tanaka
Managing Officer Intralogistics Global Business Head Intralogistics Division Manager	Norihito Toriya	Corporate Officer General Manager of Production Operations, Intralogistics Division	Junji Yano
Managing Officer Cleanroom Division Manager General Manager of Komaki Works	Atsushi Sonoda	Corporate Officer Electronics Global Business Head President and CEO of Contec Co., Ltd.	Kazuyoshi Nishiyama
Corporate Officer Deputy Airport Division Manager President of Daifuku Airport Technologies Japan Co., Ltd. President of Scarabee Aviation Group - Japan Co., Ltd.	Hiroaki Kita	Corporate Officer General Manager of Business Promotion Operations, Automotive Division	Satoru Otani
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 six (6) 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 Director

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

Outside Director Keiko Kaneko has experienced 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. Based on his extensive knowledge on global business management, he offers advice and counsel to enhance the diversity of the Board of Directors and to secure the transparency of management and enhance the supervision from an unconventional perspective.

Outside Director Haruyuki Yoshida has global experience and extensive knowledge as a corporate manager, having served as the corporate officer of Kubota Corporation and the head of its Group U.S. company for many years. We expect him to provide advice and counsel at meetings of the Board of Directors to secure the transparency of management and enhance the supervision thereof.

Outside Director Yuki Kanzaki has served in positions such as an officer of Kirin Holdings Company, Limited and its group companies. She has consistently worked in *monozukuri* (workmanship) onsite in the manufacturing industry while playing a primary role in advancing business restoration, structural reform, and the reformation of organizational culture in acquired companies. Based on such abundant experience and knowledge, we expect her to provide advice and counsel at meetings of the Board of Directors, not to mention the production departments, to secure the transparency of management and enhance the supervision thereof.

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 functions of management supervision and auditing 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 functions of management supervision and auditing thereof by professing opinions on a wide range of science and technology topics primarily 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 extends advice and counsel on general business management at meetings of the Board of Directors and Audit & Supervisory Board when required based on her abundant experience and deep insight to ensure the legality of management and enhance the functions of management supervision and auditing thereof by professing opinions primarily from her professional standpoint 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 nine (9) outside directors and outside members of the Audit & Supervisory Board is sufficiently ensured and has designated and registered the eight (8) 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 she 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 fiscal 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 fiscal 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 six times in the fiscal year ended December 31, 2024. The attendance of each Audit & Supervisory Board member is as follows:

<table>
<tr><th>Title</th><th>Name</th><th>Attendance rate
(times attended / times meetings held)</th></tr>
<tr><td>Audit & Supervisory Board Member (full-time)</td><td>Tsukasa Saito</td><td>100% (6/6)</td></tr>
<tr><td rowspan="4">Audit & Supervisory Board Member (outside)</td><td>Ryosuke Aihara</td><td>100% (2/2)</td></tr>
<tr><td>Tsukasa Miyajima</td><td rowspan="2">100% (6/6)</td></tr>
<tr><td>Nobuo Wada</td></tr>
<tr><td>Eiko Hakoda</td><td>100% (4/4)</td></tr>
</table>

Notes: 1. Ms. Eiko Hakoda assumed the office of Audit & Supervisory Board member, respectively, at the conclusion of the Ordinary General Meeting of Shareholders held on June 21, 2024.

2. 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 (13 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, types of non-assurance services subject to pre-approval to be contracted to accounting auditors, etc.
Reporting (18 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 (4 items)	Draft audit reports of Audit & Supervisory Board members and the Audit & Supervisory Board, the remuneration for Audit & Supervisory Board members, etc.

Major priority audit items for the fiscal year ended December 31, 2024 audited by the Audit & Supervisory Board were the status of the initiatives to implement management policies, and the risk management system and the status of its operation. 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 subsidiaries outside of Japan, obtains an audit plan and reports on in-term 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 in-term 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 33 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 in-term 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 (full-time) undertake mutual cooperation with the accounting auditor by exchanging opinions when accompanying them on inventory inspections, on-site audits of installation sites, and on-site audits outside of Japan.

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 (full-time) 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

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

(iv) Composition of assistants of audit engagement

Ten (10) Japanese certified public accountants and twenty-six (26) 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 in-term 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, on-site audits outside of Japan, 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 network firms outside of Japan.

iv. Details of audit fees, etc.

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

Category	Fiscal year ended March 31, 2024		Fiscal year ended December 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	101	49	109	–
Consolidated subsidiaries	23	–	21	–
Total	124	49	130	–

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 fees for "advice on the application of International Financial Reporting Standards (IFRS)" for the fiscal year ended March 31, 2024. Fees for audit certification services includes fees for English financial statements.

(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, 2024		Fiscal year ended December 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	153	104	150	84
Consolidated subsidiaries	338	161	372	148
Total	491	266	523	233

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 the fiscal year ended March 31, 2024 and the fiscal year ended December 31, 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, 2024, 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. Matters relating to the policy on determination of the amount of executive remuneration or the method for calculating the amount of remuneration

(i) Overview of the policy

The policy on remuneration, etc. for directors, including the policy on the determination of remuneration, etc. for individual directors (hereinafter, “Determination Policy”), is determined by the Board of Directors as follows, based on deliberations and reporting by the Advisory Committee.

The Company’s basic policy on remuneration for directors is to establish a remuneration system that effectively incentivizes sustainable growth and medium- to long-term enhancement of corporate value for the Group. Remuneration levels for individual directors are determined to appropriately reflect their respective roles and performance. Specifically, the remuneration for directors consists of basic remuneration (fixed remuneration), a bonus (monetary remuneration in the form of short-term performance-linked remuneration that is fluctuated based on performance), and the Board Benefit Trust (medium- to long-term performance-linked equity remuneration, hereinafter referred to as “BBT”). Outside directors are not eligible for bonuses and BBT from the standpoint of their roles and independence.

The annual remuneration for each director, including the amounts of basic remuneration and bonuses, and points awarded under the BBT, is determined by a resolution of the Board of Directors based on deliberations and reporting by the Advisory Committee.

The Advisory Committee for remuneration is chaired by an outside director and the majority of members are outside directors. The Committee deliberates on the structure and levels of directors’ remuneration and reports to the Board of Directors, thereby contributing to securing transparency and fairness in the remuneration determination process.

For more information on the Advisory Committee, please refer to the following section, “IV. Information about Reporting Company, 4. Corporate Governance, (1) Overview of corporate governance, ii. Overview of the corporate governance system and reasons for adoption of the system, (iii) Matters relating to corporate governance, b. Advisory

Committee.”

Furthermore, the Company’s basic policy is to pay remuneration to Audit & Supervisory Board members in accordance with the internal rules established with the agreement of Audit & Supervisory Board members. The annual remuneration amount for Audit & Supervisory Board members each fiscal year is determined through discussions among the Audit & Supervisory Board members. In light of their duties, Audit & Supervisory Board members are not eligible for bonuses or BBT, and are paid only basic remuneration.

(ii) Levels of remuneration

When deliberating and reporting on directors’ remuneration, the Advisory Committee utilizes remuneration surveys and other information provided by external professional bodies to benchmark domestic companies of similar size to the Group (market capitalization of 1 trillion yen) to verify the objective appropriateness of the Group’s remuneration levels. Based on the Group’s business environment and management strategy, we set appropriate remuneration levels to secure talented management human resources who can achieve sustainable growth and improve corporate value. The level of remuneration for Audit & Supervisory Board members is also determined through discussions among the Audit & Supervisory Board members after benchmarking in the same manner.

(iii) Procedures for determining the remuneration, etc., of the Company’s directors

For the fiscal year ended December 31, 2024, the Advisory Committee consisted of all five (5) outside directors (one (1) of whom served as chairperson) and one (1) representative director, and held two meetings (in April and December 2024) of the Advisory Committee for remuneration. The Board of Directors confirmed that the deliberations and reporting by the Advisory Committee were conducted in accordance with the Determination Policy described in (i) above, and based on the reporting, determined the content of individual remuneration for each director for the fiscal year ended December 31, 2024. For this reason, the Board of Directors judged that the content of remuneration for individual directors for the fiscal year ended December 31, 2024 was consistent with the Determination Policy.

(iv)Structure of executive remuneration

The following payment criteria have been established for basic remuneration (fixed) and performance-linked remuneration (variable): bonus (short-term assessment) and the BBT (medium- to long-term assessment), respectively.

<table>
<tr><th colspan="3">Type of remuneration</th><th colspan="5">Payment criteria</th><th>Payment method</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></tr>
<tr><td rowspan="16">Performance-linked remuneration (variable)*</td><td rowspan="10">Short-term assessment</td><td rowspan="7">Bonus</td><td colspan="5">Method of calculation of bonus resources
[Total bonus resources = Consolidated net income × (1.5±0.06) %]</td><td rowspan="7">Annually
Monetary remuneration</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>
<tr><td rowspan="3">Performance-linked evaluation component</td><td rowspan="2">Quantitative evaluation</td><td>Growth potential (rate of increase of consolidated net sales)</td><td rowspan="2">Growth potential:
Rate of increase of consolidated net sales compared to the previous fiscal year
Profitability:
Margin (business evaluation coefficient)
Rate of improvement of margin compared to the previous fiscal year</td><td rowspan="2">30%</td></tr>
<tr><td>Profitability (margin)</td></tr>
<tr><td>Qualitative evaluation</td><td>Roles and contributions</td><td>Calculated based on roles and contributions concerning medium- to long-term targets and strategic challenges</td><td>20%</td></tr>
<tr><td rowspan="9">Non-monetary remuneration, "Board Benefit Trust (BBT)"</td><td colspan="5">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).</td><td rowspan="3">Annually
Stock compensation</td></tr>
<tr><td colspan="4">Description</td><td>By type</td></tr>
<tr><td>Target achievement rate for each fiscal year</td><td>Financial indicator</td><td>Consolidated net income</td><td>Rate of achievement of the initial plan
[(Margin target achievement rate + income amount target achievement rate) / 2]</td><td>100%</td></tr>
<tr><td rowspan="6">Medium- to long-term assessment</td><td colspan="5">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 the business plan announced before the end of the previous fiscal year.</td><td rowspan="6">Upon completion of the business plan
Stock compensation</td></tr>
<tr><td colspan="4">Description</td><td>By type</td></tr>
<tr><td rowspan="4">Three- or four-year business plans achievement rate</td><td rowspan="3">Financial indicators</td><td>Consolidated net sales</td><td>800.0 billion yen</td><td>25%</td></tr>
<tr><td>Consolidated operating margin</td><td>11.5%</td><td>25%</td></tr>
<tr><td>ROE [Fiscal year]</td><td>13.0%</td><td>25%</td></tr>
<tr><td>Non-financial indicators</td><td>ESG indicators</td><td>(1) MSCI ESG rating: AA or higher
(2) FTSE: Continued inclusion in FTSE4Good Index
(3) A– or higher score for climate change from CDP
(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)</td><td>25%</td></tr>
</table>

* Outside directors and outside members of Audit & Supervisory Board members are not eligible for payment of performance-linked remuneration (variable).

(v) Basic remuneration

Basic remuneration is determined based on fixed remuneration for executive remuneration by position. Basic remuneration is paid monthly in consideration of the levels paid by other companies and based on a comprehensive consideration of qualification, position, and performance of the Company.

(vi) Performance-linked remuneration—bonus

Bonuses are short-term performance-linked remuneration for directors and take the form of monetary remuneration to be paid at a fixed time each fiscal year, in accordance with the evaluation of performance for each fiscal year. Bonuses are calculated by setting the amount of total resources linked to consolidated net income and ESG indicators (safety and the environment) for each fiscal year, and by determining the amount to be allocated to each individual based on two factors: the basic component determined by qualification and job title, and the component of individual performance evaluated based on quantitative indicators (growth rate of net sales and margin) and qualitative indicators (such as roles and initiatives for sustainable growth). The allocation ratio is 50% basic component and 50% performance-linked evaluation component.

Consolidated net income, growth rate of net sales, margin, and improvement rate of margin are used as indicators for calculating bonuses to ensure consistency with the achievement of the Group's management targets and to raise awareness of improving short-term performance. In addition, ESG-related indicators (achievement of occupational safety and CO_2 emissions reduction targets) are used to clarify that efforts related to sustainability issues are reflected in remuneration as Company performance.

The results of our quantitative indicators such as net sales for the fiscal year ended December 31, 2024, are as shown in "I. Overview of the Company, 1. Key Financial Data." For the fiscal year ended December 31, 2024, in terms of ESG-related indicators for safety and the environment, the number of serious accidents was below the target, while the rate of progress toward the 2030 CO_2 emissions reduction rate target met expectations.

(vii) Performance-linked remuneration—non-monetary remuneration, "BBT"

The BBT, a performance-linked non-monetary remuneration scheme, grants points equivalent to stocks based on performance and ESG initiatives during each fiscal year and the three- or four-year business plan period. Directors are paid Company shares and money according to accumulated points at the time of retirement. The scheme aims to further clarify the linkage of directors' remuneration and the Company's business performance as well as its stock value, which enables directors 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 raise awareness in directors to contribute to boosting corporate value in the medium and long terms.

Composition and calculation method

Points granted = Standard points × achievement coefficient (0.0 to 1.0)

Under this system, eligible officers are granted points calculated by multiplying standard points set for each qualification and 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 shares and money are paid according to the accumulated points at the time of retirement.

Target achievement evaluation indicators

Target achievement is determined based on the following indicators. These indicators are chosen from the perspective of consistency with the achievement of the Group's management targets.

<u>Degree of achievement of each fiscal year targets</u>

- Degree of achievement of planned consolidated net income amount
- Degree of achievement of planned consolidated net income margin

The results of the consolidated net income indicators for the fiscal year ended December 31, 2024, are as shown in "I. Overview of the Company, 1. Key Financial Data of the Daifuku Group."

<u>Degree of achievement of three- or four-year business plan targets</u>

- Degree of achievement of financial targets (consolidated net sales, consolidated operating margin, ROE) in the three- or four-year business plan
- Degree of achievement of ESG target indicators in the three- or four-year business plan

By incorporating the degree of achievement of the three- or four-year business plan into evaluation indicators, we aim to incentivize officers to achieve medium- and long-term management goals. In addition to conventional financial indicators, we also use external evaluations from three major ESG rating agencies (MSCI, FTSE, CDP) and the CO_2 emissions reduction rate (Scope 1 and 2, compared to the fiscal year ended March 31, 2019) as ESG-related evaluation indicators, from the perspective of evaluating our commitment to further advancing sustainability management. The targets for consolidated net sales and ESG indicators for the final year of the 2027 Plan, which are financial indicators, are as stated in the payment criteria above. However, as the 2027 Plan is still ongoing for the fiscal year ended December 31, 2024, there are no actual results regarding the degree of achievement of the business plan targets.

(Status of delivery of shares)

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

Category	Number of shares	Target recipients
Directors (excluding outside directors)	20,500 shares	1 person
Corporate officers	40,500 shares	5 persons
Total	61,000 shares	6 persons

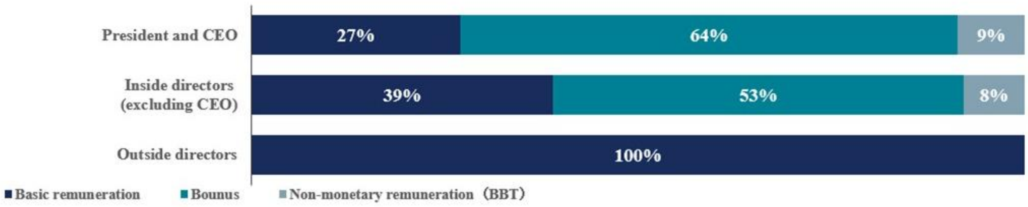
Notes: 1. They were granted through the BBT.
2. We have established a rule to provide corporate officers with equity remuneration when they reach the age of 60.

(Malus clause)

With respect to BBT before the vesting of rights among directors' remuneration, for the purpose of ensuring sound management, the Company has established internal regulations stipulating that, in the event of certain circumstances concerning directors, such director may not acquire the right to receive benefits of BBT upon resolution of the Board of Directors.

(viii) Composition ratio

For the President and CEO, the remuneration structure is designed so that the weight of performance-linked remuneration is greater than that of other directors in light of the significant responsibility for business performance. The following shows the composition ratio of the overall payments for the fiscal year ended December 31, 2024



ii. Total remuneration by type of officers, total remuneration, etc., by type, and number of eligible officers for the fiscal year ended December 31, 2024

Remuneration by type of officers

Type of officer	Total remuneration (million yen)	Total remuneration, etc., by type (million yen)			Number of target officers
		Basic remuneration	Performance-linked remuneration		
			Bonus	Non-monetary remuneration	
Director (excluding outside directors)	498	173	284	40	6
Audit & Supervisory Board members (excluding outside members of the Audit & Supervisory Board)	27	27	–	–	1
Outside Directors	56	56	–	–	5
Audit & Supervisory Board member (outside)	27	27	–	–	4

Note: Matters relating to determination 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 (excluding salaries of employees; hereinafter referred to as the “Monetary Remuneration Limit”), 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) (hereinafter referred to as the “Original Resolution”). The Company had ten (10) directors when the Original Resolution was made at such Meeting. Excluding two (2) outside directors, eight (8) directors were covered by the BBT scheme. (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.) In the Original Resolution, remuneration for directors based on the BBT was within the Monetary Remuneration Limit, but at the Ordinary General Meeting of Shareholders held on March 28, 2025, it was resolved to treat the remuneration as a separate limit from the Monetary Remuneration Limit, and, in conjunction with the change in fiscal year-end from March 31 to December 31, to change the applicable period for the BBT. The Company had eleven (11) directors when the resolution was made at such Meeting. Excluding six (6) outside directors, five (5) directors were covered by the BBT scheme.

iii. Total consolidated remuneration of those who received 100 million yen or more of consolidated remuneration in total for the fiscal year ended December 31, 2024

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	174	Director	Reporting company	47	112	15
Seiji Sato	106	Director	Reporting company	60	45	–

Notes: 1. This table only lists those who received 100 million yen or more of consolidated remuneration in total.

2. Mr. Seiji Sato’s principal place of residence and execution is in the United States. For income tax, the Company adjusts the tax amount as necessary to ensure consistency of tax burden with residents of the relevant country, and the amount of tax, etc., incurred as a result of such measures is included in the amount of basic remuneration.

iv. 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:

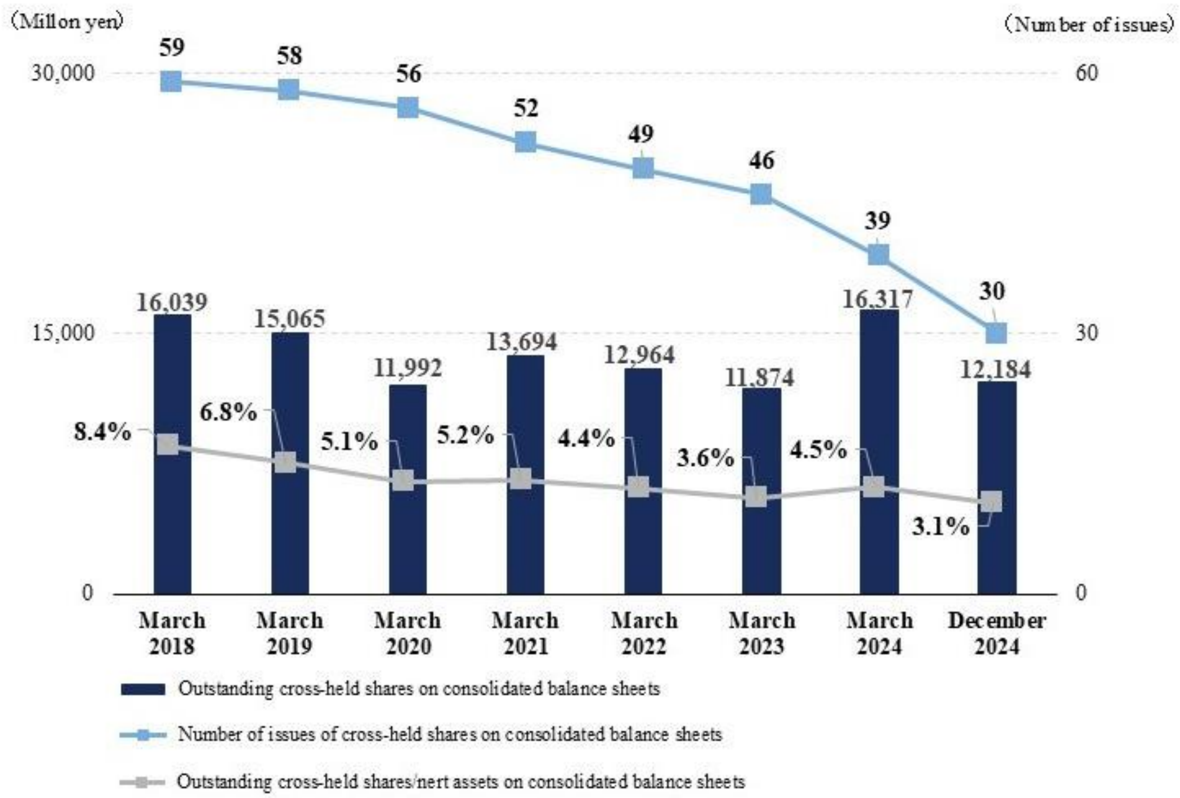
“Our basic policy is to limit shareholdings, including shares held as cross-shareholdings, to the minimum necessary and to reduce them, and the Board of Directors confirms the status of individual holdings every year. In principle, we will no longer hold new shares for strategic purposes. On the other 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. 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. 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 December 31, 2024, the Board of Directors discussed “examination of whether to continue to hold shares as cross-shareholdings” and approved the holding of the shares at its meeting held on January 29, 2025.

In the fiscal year ended December 31, 2024, the Company reduced the holding of 16 issues of shares, including nine 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 Group are steadily being reduced as shown in the figure, Cross-shareholdings on consolidated balance sheets, below.

Figure: Cross-shareholdings on consolidated balance sheets



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	171
Shares other than unlisted shares	22	11,616

Issues whose number of shares increased during the fiscal year ended December 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	3	13	An increase due to additional purchases of the three 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 three issues through their supplier shareholding associations.

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

	Number of issues	Total sales proceeds associated with a decrease in the number of shares (million yen)
Unlisted shares	1	198
Shares other than unlisted shares	15	3,673

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

a. Specified investment shares

Issue	FY2024 (as of December 31, 2024) Number of shares (shares) Carrying amount (million yen)	FY2023 (as of March 31, 2024) 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
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
	5,077	6,120		
Sumitomo Mitsui Financial Group, Inc.	277,784	115,728	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. Although the Company sold some shares in the fiscal year ended December 31, 2024, the number of shares increased due to a three-for-one split of its common stock.	Yes
	1,045	1,031		
NICHIDEN Corporation	317,292	315,253	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
	978	837		
Iwatani Corporation	499,200	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. The number of shares increased in the fiscal year ended December 31, 2024, due to a four-for-one split of its common stock.	Yes
	898	1,066		
Mitsubishi UFJ Financial Group, Inc.	370,080	554,980	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
	683	864		
Mizuho Financial Group, Inc.	147,152	147,152	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
	569	448		
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
	325	400		
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
	298	318		
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
	257	313		
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
	236	137		
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
	230	305		
YAMAZEN CORPORATION	138,800	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
	193	373		

Issue	FY2024 (as of December 31, 2024) Number of shares (shares) / Carrying amount (million yen)	FY2023 (as of March 31, 2024) 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
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
	170	188		
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
	166	197		
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
	166	131		
YUASA TRADING CO., LTD.	31,901	30,687	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
	141	164		
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
	50	46		
Sumitomo Mitsui Trust Group, Inc.	12,106	18,106	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company for financial transactions.	Yes
	44	59		
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
	44	45		
Resona Holdings, Inc.	18,445	23,045	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	21		
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
	14	18		
Fujicco Co., Ltd.	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
	0	35		
Sangetsu Corporation	–	302,400	–	No
	–	1,010		
Nihon Parkerizing Co., Ltd.	–	518,000	–	No
	–	638		
Chilled & Frozen Logistics Holdings Co., Ltd.	–	200,298	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, the Company withdrew from the association in July 2024.	No
	–	616		
Mazda Motor Corporation	–	60,000	–	No
	–	105		
Toppan Inc.	–	15,000	–	No
	–	58		
ITOCHU-SHOKUHIN Co., Ltd.	–	4,000	–	No
	–	29		
MEGMILK SNOW BRAND Co., Ltd.	–	5,000	–	No
	–	13		
LINTEC Corporation	–	3,000	–	No
	–	9		
K.R.S. Corporation	–	2,200	–	No

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, 2024 to December 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.

3. Change in the Fiscal Year-End

Effective with the resolution on partial amendments to the Articles of Incorporation passed at the 108th Ordinary General Meeting of Shareholders held on June 21, 2024, the Company has changed its fiscal year-end from March 31 to December 31. Accordingly, the fiscal year ended December 31, 2024 was a transitional period to implement the change in the fiscal year-end, irregularly running for nine months from April 1, 2024 to December 31, 2024.

4. 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)

	FY2023 (as of March 31, 2024)	FY2024 (as of December 31, 2024)
ASSETS		
Current assets		
Cash on hand and in banks	142,044	221,521
Notes receivable, accounts receivable from completed construction contracts and other, and contract assets	*1 271,633	*1 224,847
Merchandise and finished goods	9,291	9,729
Costs incurred on uncompleted construction contracts and other	*3 14,144	*3 16,477
Raw materials and supplies	43,060	36,738
Other	17,473	24,157
Allowance for doubtful accounts	(1,219)	(1,888)
Total current assets	496,426	531,584
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	33,851	33,147
Machinery and vehicles, net	12,678	14,759
Tools and fixtures, net	3,783	4,203
Land	13,636	13,583
Construction in progress	7,389	13,779
Other, net	6,111	6,303
Total property, plant and equipment	*2 77,451	*2 85,775
Intangible assets		
Software	6,914	7,653
Goodwill	3,299	2,786
Other	1,913	1,922
Total intangible assets	12,128	12,362
Investments and other assets		
Investments in securities	23,517	13,484
Long-term loans	64	78
Assets for retirement benefits	13,325	13,511
Deferred tax assets	18,898	27,500
Other	4,342	4,409
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	60,148	58,984
Total non-current assets	149,728	157,122
Total assets	646,154	688,707

(Million yen)

	FY2023 (as of March 31, 2024)	FY2024 (as of December 31, 2024)
LIABILITIES		
Current liabilities		
Notes and accounts payable and construction contracts payable	61,154	61,292
Electronically recorded obligations - operating	19,421	20,466
Short-term borrowings	9,428	2,337
Income taxes payable	9,532	5,548
Contract liabilities	79,576	85,010
Provision for bonuses	1,817	12,605
Provision for losses on construction contracts	*3 853	*3 666
Other	29,607	26,316
Total current liabilities	211,392	214,244
Non-current liabilities		
Convertible-bond-type bonds with stock acquisition rights	61,088	60,933
Long-term borrowings	100	100
Deferred tax liabilities	679	715
Liabilities for retirement benefits	6,784	6,616
Other provisions	551	601
Other	6,804	7,069
Total non-current liabilities	76,007	76,037
Total liabilities	287,399	290,282
NET ASSETS		
Shareholders' equity		
Common stock	31,865	31,865
Capital surplus	20,490	20,473
Retained earnings	288,311	327,210
Treasury stock	(20,944)	(30,781)
Total shareholders' equity	319,723	348,767
Accumulated other comprehensive income		
Net unrealized gain (loss) on securities	7,874	5,777
Deferred gain (loss) on hedges	(145)	(127)
Foreign currency translation adjustments	28,519	41,965
Accumulated adjustments on retirement benefits	2,440	1,712
Total accumulated other comprehensive income	38,688	49,326
Non-controlling interests	342	330
Total net assets	358,755	398,424
Total liabilities and net assets	646,154	688,707

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

ii. Consolidated statements of income and comprehensive income

(Million yen)

	FY2023 (April 1, 2023–March 31, 2024)	FY2024 (April 1, 2024–December 31, 2024)
Net sales	611,477	563,228
Cost of sales	*1, *2 494,848	*1, *2 438,467
Gross profit	116,628	124,760
Selling, general and administrative expenses		
Selling expenses	*3 18,493	*3 17,509
General and administrative expenses	*1, *3 36,055	*1, *3 35,704
Total selling, general and administrative expenses	54,549	53,214
Operating income	62,079	71,546
Other income		
Interest income	1,682	2,947
Dividend income	429	407
Land and house rental revenue	262	180
Other	423	475
Total other income	2,798	4,010
Other expenses		
Interest expenses	411	325
Interest expenses on bonds	(111)	(154)
Foreign exchange losses	149	746
Other	220	141
Total other expenses	670	1,058
Ordinary income	64,207	74,498
Extraordinary income		
Gain on sales of property, plant and equipment	*4 29	*4 242
Gain on sales of investments in securities	*5 1,258	*5 2,653
Other	73	1
Total extraordinary income	1,361	2,898
Extraordinary loss		
Loss on sales of property, plant and equipment	*6 22	*6 160
Loss on disposal of property, plant and equipment	*7 702	*7 253
Impairment loss	*8 699	*8 676
Compensation expenses	-	*9 518
Extra retirement payments	*10 151	*10 1,248
Other	705	50
Total extraordinary loss	2,281	2,908
Income before income taxes	63,287	74,488
Income taxes - current	22,982	23,296
Income taxes - deferred	(5,167)	(5,973)
Total income taxes	17,815	17,322
Net income	45,472	57,165
Net income attributable to:		
Shareholders of the parent company	45,461	57,086
Non-controlling interests	11	78

(Million yen)

	FY2023 (April 1, 2023–March 31, 2024)	FY2024 (April 1, 2024–December 31, 2024)
Other comprehensive income		
Net unrealized gain (loss) on securities	3,799	(2,097)
Deferred gain (loss) on hedges	(148)	18
Foreign currency translation adjustments	8,559	13,459
Retirement benefits reserves adjustments	2,793	(727)
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	(66)	-
Total other comprehensive income (loss)	*11 14,936	*11 10,652
Comprehensive income	60,409	67,817
Comprehensive income (loss) attributable to:		
Shareholders of the parent company	60,366	67,725
Non-controlling interests	42	92

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

iii. Consolidated statements of changes in net assets

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

FY2024 (April 1, 2024–December 31, 2024)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	31,865	20,490	288,311	(20,944)	319,723
Changes of items during the period					
Cash dividends			(18,188)		(18,188)
Net income attributable to shareholders of the parent company			57,086		57,086
Purchase of treasury stock				(10,003)	(10,003)
Disposal of treasury stock		0		166	166
Change in treasury shares of parent arising from transactions with non-controlling shareholders' equity		(17)			(17)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(17)	38,898	(9,837)	29,043
Balance at end of year	31,865	20,473	327,210	(30,781)	348,767

	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	7,874	(145)	28,519	2,440	38,688	342	358,755
Changes of items during the period							
Cash dividends							(18,188)
Net income attributable to shareholders of the parent company							57,086
Purchase of treasury stock							(10,003)
Disposal of treasury stock							166
Change in treasury shares of parent arising from transactions with non-controlling shareholders' equity						(104)	(122)
Net changes of items other than shareholders' equity	(2,097)	18	13,445	(728)	10,638	92	10,730
Total changes of items during the period	(2,097)	18	13,445	(728)	10,638	(12)	39,669
Balance at end of year	5,777	(127)	41,965	1,712	49,326	330	398,424

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

iv. Consolidated statements of cash flows

(Million yen)

	FY2023 (April 1, 2023–March 31, 2024)	FY2024 (April 1, 2024–December 31, 2024)
Cash flows from operating activities		
Income before income taxes	63,287	74,488
Depreciation	9,569	7,911
Amortization of goodwill	760	816
Interest and dividend income	(2,112)	(3,354)
Interest expenses	411	325
Interest expenses on bonds	(111)	(154)
Impairment loss	699	676
Loss (gain) on sales of investments in securities	(1,258)	(2,653)
Loss (gain) on disposal or sales of property, plant and equipment	678	165
Decrease (increase) in notes and accounts receivable and contract assets	(13,376)	55,639
Decrease (increase) in inventories	1,104	5,289
Increase (decrease) in notes and accounts payable	(18,146)	(3,482)
Increase (decrease) in contract liabilities	13,066	602
Other	3,239	3,349
Subtotal	57,813	139,618
Interest and dividend received	2,028	3,349
Interest paid	(446)	(286)
Income taxes refund (paid)	(22,196)	(25,733)
Other	(81)	(817)
Net cash provided by (used in) operating activities	37,117	116,129
Cash flows from investing activities		
Investments in time deposits	(5,804)	(1,106)
Proceeds from refund of time deposits	637	5,856
Payments for purchase of property, plant and equipment	(19,731)	(11,882)
Proceeds from sales of property, plant and equipment	75	674
Proceeds from sales of investments in securities	2,301	3,306
Proceeds from redemption of investments in securities	-	900
Payments for purchase of investments in securities	(7,228)	(8)
Other	167	(133)
Net cash provided by (used in) investing activities	(29,582)	(2,393)
Cash flows from financing activities		
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(21)	(123)
Increase (decrease) in short-term borrowings, net	242	(6,421)
Repayments of long-term borrowings	(2,700)	(1,000)
Proceeds from issuance of convertible-bond-type bonds with stock acquisition rights	61,082	-
Proceeds from disposal of treasury stock	52	43
Payments for purchase of treasury stock	(20,005)	(10,003)
Payments of cash dividends	(14,018)	(17,477)
Other	(1,900)	(1,836)
Net cash provided by (used in) financing activities	22,732	(36,820)
Effect of exchange rate change on cash and cash equivalents	3,788	7,033
Net increase (decrease) in cash and cash equivalents	34,056	83,949
Cash and cash equivalents at beginning of year	102,389	136,445
Cash and cash equivalents at end of year	*1 136,445	*1 220,395

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: 66

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. Change in consolidated balance sheet date

Effective with the resolution passed at the 108th Ordinary General Meeting of Shareholders held on June 21, 2024, the fiscal year-end (the closing date of the fiscal year) of the Group has been changed from March 31 to December 31 every year. Accordingly, the fiscal year ended December 31, 2024 was a transitional period to implement the change in the fiscal year-end, irregularly running for nine months from April 1, 2024 to December 31, 2024.

4. 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 March 31

Daifuku India Private Limited

Daifuku Intralogistics India Private Limited

These two subsidiaries are consolidated on the basis of the provisional financial statements as of the consolidated balance sheet date that are prepared in a manner consistent with the final settlement of accounts.

5. 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 method.

(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)

Depreciated using the straight-line method.

ii. Intangible assets (excluding leased assets)

Software for internal use

Depreciated using the straight-line method over the estimated in-house working life of five to ten years.

Goodwill

Amortized using the straight-line method over the period in which cash flows are expected to be generated from the investment.

Immaterial goodwill is fully expensed in the year of acquisition.

Other than the above

Amortized using the straight-line method.

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 consolidated subsidiaries outside of Japan, allowances are provided mainly for specific receivable at estimated amounts considered to be uncollectible after reviewing their collectability.

ii. Provision for bonuses

To provide for the payment of bonuses to employees, provision for bonuses is recorded in an amount accrued for the fiscal year based on the estimated amount of bonuses to be paid.

iii. 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 fiscal year ended December 31, 2024.

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

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

Actuarial gains and losses are amortized on a straight-line method over a certain period within the average remaining service years of the employees at the time of recognition 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 December 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 consolidated subsidiaries outside of Japan are translated into Japanese yen at year-end exchange rates. Revenue and expense accounts of the consolidated subsidiaries and affiliates outside of Japan 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 adopted.

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	Future transactions denominated in foreign currencies

iii. Hedging policy

The risk of fluctuations in exchange 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) are identical.

v. Other risk management practices related to hedge accounting

The execution and management of hedging instruments are carried out by the finance department with approval from the authorized personnel in accordance with internal regulations that provide transaction authorization and limits.

(8) Amortization of goodwill

Goodwill is amortized on a straight-line method over its estimated useful life, which is the period in which cash flows 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)

	FY2023 (April 1, 2023–March 31, 2024)	FY2024 (April 1, 2024–December 31, 2024)
Net sales of construction contracts in which performance obligations are satisfied over time	429,353	415,700
Provision for losses on construction contracts	853	666

(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 December 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)

	FY2023 (April 1, 2023–March 31, 2024)	FY2024 (April 1, 2024–December 31, 2024)
Total of property, plant and equipment and intangible assets	89,579	98,137

(2) Method of calculation and primary assumptions

For a non-current asset or 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 asset or asset group 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.

Changes in accounting policies

Change in method of significant hedge accounting

The Group previously accounted for forward exchange contracts as deferred hedges and as allocated hedges. Effective from the beginning of the fiscal year ended December 31, 2024, however, it has changed to a method whereby the Company measures exchange contracts at fair value at quarter-end and valuation differences are treated as income or losses for the period. The purpose of this change is to more appropriately reflect the status of derivative transactions in the consolidated financial statements. The change in accounting policies has not been applied retrospectively because its impact on prior periods is insignificant. The impact of the above change on earnings for the fiscal year ended December 31, 2024 is also insignificant.

Changes in accounting policies that are difficult to distinguish from a change in accounting estimates

Changes in depreciation method and useful life of non-current assets

Until the previous fiscal year, the Company and its Japanese consolidated subsidiaries principally used the declining-balance method, while its consolidated subsidiaries outside of Japan used the straight-line method. Effective from the beginning of the fiscal year ended December 31, 2024, the Company and its Japanese consolidated subsidiaries have changed to the straight-line method for all property, plant and equipment.

The Group examined the use of its non-current assets in conjunction with the formulation of its capital investment plan in the four-year business plan for 2027 and recognized that the use of each business asset is expected to be stable over its useful life. As a consequence, the Company has determined that using the straight-line method as the depreciation method for property, plant and equipment (excluding leased assets) is more appropriate for periodic accounting.

In addition, the Company and its consolidated subsidiaries have reviewed the actual use of their property, plant and equipment and intangible assets and, effective from the beginning with the fiscal year ended December 31, 2024, have changed the useful lives of some of their property, plant and equipment and intangible assets to match their actual use.

The impact of the above change on earnings for the fiscal year ended December 31, 2024 is insignificant.

Unapplied accounting standards

Accounting Standard for Leases and related guidance

· Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)

· Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), etc.

(1) Overview

The Accounting Standards Board of Japan (ASBJ) has been working to make Japanese accounting standards consistent with their international counterparts. As part of this effort, the ASBJ embarked on the development of a new lease accounting standard that would require lessees to recognize assets and liabilities for all leases, in line with international accounting standards. Its fundamental policy was to build the new standard on the single accounting model of IFRS 16 but incorporate only the main, rather than all, provisions of IFRS 16, with the aim of creating a standard that would be simple and easy to use and basically require no modifications even when the provisions of IFRS 16 are applied to non-consolidated financial statements. As a result, the ASBJ has recently issued an Accounting Standard for Leases and related guidance.

Similarly to IFRS 16, these adopt a single lessee accounting model in which, when allocating lease expenses, lessees are required to recognize depreciation on right-of-use assets and interest expenses on lease liabilities for all leases, whether operating or finance.

(2) Scheduled application date

The accounting standard and related guidance will be applied from the beginning of the fiscal year ending December 31, 2028.

(3) Impact of applying the accounting standard and related guidance

The Company is currently assessing the amount of impact that the application of the Accounting Standard for Leases and related guidance will have on its consolidated financial statements.

Changes in presentation

The item “construction in progress” that was included in “other, net” under “Property, plant and equipment” for the fiscal year ended March 31, 2024 has been separately presented for the fiscal year ended December 31, 2024 due to an increase in its materiality.

As a result, the 13,500 million yen presented in “other, net” under “property, plant and equipment” on the consolidated balance sheet for the fiscal year ended March 31, 2024 has been reclassified into 7,389 million yen of “construction in progress” and 6,111 million yen of “other, net.”

Additional information

1. Change in fiscal year-end

Effective with the resolution passed at the 108th Ordinary General Meeting of Shareholders held on June 21, 2024, the fiscal year-end (the closing date of the fiscal year) of the Group has been changed from March 31 to December 31 every year. Accordingly, the fiscal year ended December 31, 2024, a transitional period to implement the change in the fiscal year-end, ran for nine months from April 1, 2024 to December 31, 2024 for Daifuku Co., Ltd. and its subsidiaries with a fiscal year ending in March, mainly in Japan. Most subsidiaries outside of Japan were consolidated for the 12-month period from January 1, 2024 to December 31, 2024.

2. 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 remuneration 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

1,104 million yen and 544 thousand shares for the fiscal year ended March 31, 2024

937 million yen and 462 thousand shares for the fiscal year ended December 31, 2024

Consolidated balance sheets

*1 Details of notes receivable, accounts receivable from completed construction contracts and other, and contract assets

	FY2023 (as of March 31, 2024)	FY2024 (as of December 31, 2024)
Notes receivable	3,863 million yen	3,019 million yen
Electronically recorded monetary claims - operating	10,046	9,625
Accounts receivable from completed construction contracts and other	74,682	118,129
Contract assets	183,040	94,072
Total	271,633	224,847

*2 Accumulated depreciation of property, plant and equipment

	FY2023 (as of March 31, 2024)	FY2024 (as of December 31, 2024)
Accumulated depreciation of property, plant and equipment	74,243 million yen	78,234 million yen

*3 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

	FY2023 (as of March 31, 2024)	FY2024 (as of December 31, 2024)
Costs incurred on uncompleted construction contracts and other	37 million yen	16 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.

FY2023 (April 1, 2023–March 31, 2024)	FY2024 (April 1, 2024–December 31, 2024)
11,264 million yen	9,340 million yen

*2 Provision for losses on construction contracts included in cost of sales is as follows.

FY2023 (April 1, 2023–March 31, 2024)	FY2024 (April 1, 2024–December 31, 2024)
477 million yen	(228) million yen

*3 Major items of selling, general and administrative expenses and their amounts are as follows.

Major items of selling expenses

	FY2023 (April 1, 2023–March 31, 2024)		FY2024 (April 1, 2024–December 31, 2024)	
Sales commissions	685	million yen	736	million yen
Advertising	310		266	
Outsourcing	648		634	
Salaries and bonuses	8,738		9,070	
Retirement benefit expenses	259		160	
Welfare	1,501		1,127	
Travel and transportation	1,198		984	
Rent	354		274	
Depreciation	431		213	

Major items of general and administrative expenses

	FY2023 (April 1, 2023–March 31, 2024)		FY2024 (April 1, 2024–December 31, 2024)	
Outsourcing	4,762	million yen	5,059	million yen
Directors' remuneration	960		868	
Salaries and bonuses	15,116		14,922	
Retirement benefit expenses	299		249	
Welfare	2,266		1,926	
Depreciation	3,114		2,809	
R&D	4,571		3,441	

*4 Major items of gain on sales of property, plant and equipment are as follows.

	FY2023 (April 1, 2023–March 31, 2024)		FY2024 (April 1, 2024–December 31, 2024)	
Buildings	-	million yen	97	million yen
Machinery and equipment	12		12	
Vehicles	11		2	
Land	-		127	

*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.

	FY2023 (April 1, 2023–March 31, 2024)		FY2024 (April 1, 2024–December 31, 2024)	
Buildings	-	million yen	23	million yen
Machinery and equipment	18		1	
Land	0		130	

*7 Major items of loss on disposal of property, plant and equipment are as follows.

	FY2023 (April 1, 2023–March 31, 2024)		FY2024 (April 1, 2024–December 31, 2024)	
Buildings	353	million yen	109	million yen
Structures	89		8	
Machinery and equipment	197		90	
Tools and fixtures	43		14	
Leased assets	16		5	
Software	1		15	

*8 The Group recognized an impairment loss for the following assets.

FY2023 (April 1, 2023–March 31, 2024)

The Group recognized an impairment loss for the following asset 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.

FY2024 (April 1, 2024–December 31, 2024)

The Group recognized an impairment loss for the following asset group in the fiscal year ended December 31, 2024.

(Million yen)

Company name	Place	Use	Type	Impairment loss
Daifuku (China) Automation Co., Ltd.	Changshu, etc., Jiangsu, China	Office and factory	Buildings	459
			Machinery and equipment	92
			Other	124

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 12.59%.

*9 Compensation expenses mainly related to construction projects for customers of subsidiaries outside of Japan.

*10 Extra retirement payments were paid to employees of subsidiaries outside of Japan.

*11 Reclassification adjustments, and income taxes and tax effects, relating to other comprehensive income

(Million yen)

	FY2023 (April 1, 2023–March 31, 2024)	FY2024 (April 1, 2024–December 31, 2024)
Net unrealized gain (loss) on securities:		
Amount arising during the period	6,715	(364)
Reclassification adjustment	(1,254)	(2,627)
Before tax effects	5,460	(2,991)
Tax effects	(1,661)	894
Net unrealized gain (loss) on securities	3,799	(2,097)
Deferred gain (loss) on hedges:		
Amount arising during the period	(263)	(164)
Reclassification adjustment	50	179
Before tax effects	(213)	14
Tax effects	64	3
Deferred gain (loss) on hedges	(148)	18
Foreign currency translation adjustments:		
Amount arising during the period	8,559	13,459
Reclassification adjustment	-	-
Foreign currency translation adjustments	8,559	13,459
Retirement benefits reserves adjustments:		
Amount arising during the period	3,344	(440)
Reclassification adjustment	683	(509)
Before income taxes and tax effects	4,028	(950)
Income taxes and tax effects	(1,234)	222
Retirement benefits reserves adjustments	2,793	(727)
Share of other comprehensive income (loss) of affiliates accounted for using the equity method:		
Amount arising during the period	18	-
Reclassification adjustment	(85)	-
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	(66)	-
Total other comprehensive income	14,936	10,652

Consolidated statements of changes in net assets

FY2023 (April 1, 2023–March 31, 2024)

1. Matters relating to 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

Note: 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 relating to 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

Notes: 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 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 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 Custody Bank of Japan, Ltd. (Trust Account E) for 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 distribution by the Custody Bank of Japan, Ltd. (Trust Account E) under the BBT:	36,700 shares
Decrease due to the disposal to Custody Bank of Japan, Ltd. (Trust Account E) for 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 relating to 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 relating to 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

Note: 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.

FY2024 (April 1, 2024–December 31, 2024)

1. Matters relating to issued shares

Class of shares	As of April 1, 2024	Increase	Decrease	As of December 31, 2024
Common stock (thousand shares)	379,830	-	-	379,830

2. Matters relating to treasury stock

Class of shares	As of April 1, 2024	Increase	Decrease	As of December 31, 2024
Common stock (shares)	9,178,575	3,049,242	82,205	12,145,612

Notes: 1. At a meeting of the Board of Directors held on November 8, 2024, the Company resolved to repurchase its own shares during the period from November 11, 2024 to December 31, 2024, up to 5,000,000 shares and 10,000 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 December 23, 2024 on a contractual basis.

(1) Repurchase period: From November 11, 2024 to December 23, 2024 (contractual basis)

(2) Number of shares repurchased: 3,048,000 shares

(3) Total repurchase price: 9,999 million yen

(4) Repurchase method: Market purchase on the Tokyo Stock Exchange

Treasury stock amounted to 30,781 million yen at the end of the fiscal year ended December 31, 2024, an increase of treasury stock by 9,837 million yen mainly due to the repurchase and changes attributable to repurchase and purchase of less-than-a-unit shares during the fiscal year ended December 31, 2024. The treasury stock includes 937 million yen of the Company's common stock held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets of BBT.

2. 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:	1,242 shares
Increase due to repurchase of its own shares:	3,048,000 shares

Details of decreases in the number of treasury stock are as follows.

Decrease due to the sale of less-than-a-unit shares:	5 shares
Decrease due to distribution by Custody Bank of Japan, Ltd. (Trust Account E) under the BBT:	82,200 shares

3. 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, 2024:	544,400 shares
As of December 31, 2024:	462,200 shares

3. Matters relating to share warrants

Company name	Details	Class of shares to be issued	Number of shares to be issued (thousand shares)				Balance as of December 31, 2024 (million yen)
			As of April 1, 2024	Increase	Decrease	As of December 31, 2024	
Reporting company	Zero Coupon Convertible Bonds due 2028	Common stock	8,479	7	-	8,487	-
	Zero Coupon Convertible Bonds due 2030	Common stock	8,643	7	-	8,651	-

Notes: 1. The number of shares of common stock to be issued is the number assuming that share warrants are exercised.

2. The reason for the increase in the number of shares to be issued is that the conversion price was adjusted in accordance with the condition for conversion price adjustment as the Board of Directors meeting held on May 10, 2024 resolved to increase cash dividends.

4. Matters relating to 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 10, 2024	Common stock	9,651	26	March 31, 2024	June 24, 2024
Board of Directors meeting on November 8, 2024	Common stock	8,537	23	September 30, 2024	December 5, 2024

Notes: 1. Aggregate dividends resolved at the Board of Directors meeting on May 10, 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.

2. Aggregate dividends resolved at the Board of Directors meeting on November 8, 2024 include dividends of 10 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 February 14, 2025	Common stock	Retained earnings	11,780	32	December 31, 2024	March 31, 2025

Note: Aggregate dividends, of which record date is December 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 equivalents as of March 31, 2024 and December 31, 2024 were as follows.

	FY2023 (April 1, 2023–March 31, 2024)		FY2024 (April 1, 2024–December 31, 2024)	
Cash on hand and in banks	142,044	million yen	221,521	million yen
Time deposits with original maturities exceeding three months	(5,598)		(1,126)	
Cash and cash equivalents	136,445		220,395	

Leases

Operating leases

As a lessee

Future lease payments for non-cancelable leases

(Million yen)

	FY2023 (as of March 31, 2024)	FY2024 (as of December 31, 2024)
Due within one year	17	66
Due after one year	21	796
Total	39	863

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 construction work outside of Japan 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. 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 “5. 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 carrying amount on consolidated balance sheets 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.

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.

FY2024 (as of December 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	224,847	224,599	(248)
(2) Investments in securities			
Held-to-maturity debt securities	6,300	6,278	(21)
Other securities	11,746	11,746	-
Total assets	242,893	242,623	(270)
(1) Convertible-bond-type bonds with stock acquisition rights	60,933	70,470	9,536
(2) Long-term borrowings	100	96	(3)
Total liabilities	61,033	70,566	9,533
Derivative transactions*	(619)	(619)	-

* 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, 2024	December 31, 2024
Unlisted shares	550	438

As these shares have no quoted market prices, they are excluded from "Assets (2) Investments in securities."

Note 2. The expected settlement subsequent to the consolidated balance sheet date for monetary receivables and investments in securities with maturity dates

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	-	-

FY2024 (as of December 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	221,521	-	-	-
Notes receivable, accounts receivable from completed construction contracts and other, and contract assets	224,312	535	-	-
Held-to-maturity debt securities	5,000	1,300	-	-
Total	450,833	1,835	-	-

Note 3. The expected redemption subsequent to the consolidated balance sheet date for long-term borrowings and other interest-bearing liabilities

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

FY2024 (as of December 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	2,337	-	-	-	-	-
Convertible-bond-type bonds with stock acquisition rights	-	-	-	30,444	-	30,489
Long-term borrowings	-	100	-	-	-	-
Total	2,337	100	-	30,444	-	30,489

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

FY2023 (as of March 31, 2024)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Securities and investments in securities Other securities	15,766	-	-	15,766
Total assets	15,766	-	-	15,766
Derivative transactions Currency-related	-	210	-	210
Total liabilities	-	210	-	210

FY2024 (as of December 31, 2024)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Securities and investments in securities Other securities	11,746	-	-	11,746
Total assets	11,746	-	-	11,746
Derivative transactions Currency-related	-	619	-	619
Total liabilities	-	619	-	619

(2) Financial instruments other than those measured at fair value

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				
Held-to-maturity debt securities	-	7,196	-	7,196
Total assets	-	278,372	-	278,372
Convertible-bond-type bonds with stock acquisition rights	-	72,645	-	72,645
Long-term borrowings	-	97	-	97
Total liabilities	-	72,742	-	72,742

FY2024 (as of December 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	-	224,599	-	224,599
Securities and other securities				
Held-to-maturity debt securities	-	6,278	-	6,278
Total assets	-	230,877	-	230,877
Convertible-bond-type bonds with stock acquisition rights	-	70,470	-	70,470
Long-term borrowings	-	96	-	96
Total liabilities	-	70,566	-	70,566

Note: A description of the valuation techniques and inputs used in the fair value measurements

Securities and investments in securities

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.

Derivative transactions

The fair value of forward exchange contracts is measured using the discounted cash flow method based on observable inputs quoted by counterparty financial institutions, such as 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

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)

FY2024 (as of December 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	6,300	6,278	(21)
	iii. Other	-	-	-
	Subtotal	6,300	6,278	(21)
Total		6,300	6,278	(21)

2. Other securities

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.

FY2024 (as of December 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	11,488	3,154	8,334
	(2) Debt securities			
	i. Government bonds, municipal bonds, etc.	-	-	-
	ii. Corporate bonds	-	-	-
	iii. Other	-	-	-
	(3) Other	-	-	-
	Subtotal	11,488	3,154	8,334
Securities whose carrying amount on the consolidated balance sheets does not exceed the acquisition cost	(1) Equity securities	696	740	(43)
	(2) Debt securities			
	i. Government bonds, municipal bonds, etc.	-	-	-
	ii. Corporate bonds	-	-	-
	iii. Other	-	-	-
	(3) Other	-	-	-
	Subtotal	696	740	(43)
Total		12,184	3,894	8,290

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 December 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, 2024 and December 31, 2024

Not applicable

4. Other securities sold during the fiscal years ended March 31, 2024 and December 31, 2024

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 shares of affiliates (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.

FY2024 (April 1, 2024–December 31, 2024)

Type	Sale value (million yen)	Gain on sales (million yen)	Loss on sales (million yen)
Equity securities	3,871	2,653	-

Derivative transactions

1. Derivative transactions to which hedge accounting is not applied

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)

FY2024 (as of December 31, 2024)

Not applicable

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related

FY2023 (as of March 31, 2024)

(Million yen)

Method of hedge accounting	Category of derivative transactions	Major hedged item	Contract amount	Contract amount: Of which due after one year	Fair value
Principal method	Forward exchange contracts				
	Sell				
	USD	Accounts receivable (future transaction)	1,948	-	(97)
	CNY	Accounts receivable (future transaction)	1,549	-	(74)
	KRW	Accounts receivable (future transaction)	1,030	-	(39)
	INR	Accounts receivable (future transaction)	470	-	(22)
	THB	Accounts receivable (future transaction)	272	-	(3)
	JPY	Accounts receivable (future transaction)	260	-	1
	TWD	Accounts receivable (future transaction)	133	-	(3)
	EUR	Accounts receivable (future transaction)	62	-	(2)
	CAD	Accounts receivable (future transaction)	44	-	(1)
	AUD	Accounts receivable (future transaction)	22	-	(0)
	GBP	Accounts receivable (future transaction)	20	-	(1)
	SEK	Accounts receivable (future transaction)	16	-	(0)
	SGD	Accounts receivable (future transaction)	15	-	(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				
	Sell				
	EUR	Accounts receivable	1,850	-	
	THB	Accounts receivable	1,623	-	*1
	USD	Accounts receivable	1,459	-	
	CNY	Accounts receivable	1,146	-	
	KRW	Accounts receivable	849	-	
	TWD	Accounts receivable	578	-	
	INR	Accounts receivable	43	-	
	IDR	Accounts receivable	14	-	
	SGD	Accounts receivable	0	-	
	Buy				
	CNY	Accounts payable	(61)	-	
	THB	Accounts payable	(34)	-	
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.

FY2024 (as of December 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)	5,310	-	(222)
	KRW	Accounts receivable (future transaction)	3,337	-	48
	THB	Accounts receivable (future transaction)	2,659	-	(260)
	CNY	Accounts receivable (future transaction)	1,643	-	(109)
	EUR	Accounts receivable (future transaction)	1,481	-	(29)
	TWD	Accounts receivable (future transaction)	1,176	-	(37)
	SGD	Accounts receivable (future transaction)	1,020	-	(44)
	NZD	Accounts receivable (future transaction)	526	57	(43)
	INR	Accounts receivable (future transaction)	453	-	(31)
	AUD	Accounts receivable (future transaction)	139	10	5
	IDR	Accounts receivable (future transaction)	15	-	(0)
	SEK	Accounts receivable (future transaction)	15	-	(0)
	VND	Accounts receivable (future transaction)	9	-	(0)
	Buy				
	JPY	Accounts payable (future transaction)	(3,007)	(782)	66
	CNY	Accounts payable (future transaction)	(356)	-	8
	USD	Accounts payable (future transaction)	(303)	-	25
	GBP	Accounts payable (future transaction)	(107)	(53)	4
Total			14,016	(768)	(619)

(2) Interest-related

FY2023 (as of March 31, 2024)

Not applicable

FY2024 (as of December 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 consolidated subsidiaries outside of Japan 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. Three 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 December 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)

	FY2023 (April 1, 2023–March 31, 2024)	FY2024 (April 1, 2024–December 31, 2024)
Balance at beginning of year	30,723	29,276
Service cost	1,635	1,461
Interest cost	428	382
Accrued actuarial gains and losses	(1,405)	59
Payments for retirement benefits	(2,601)	(1,617)
Foreign currency translation adjustments	774	216
Transferred amount due to the shift from the simplified method to the principle method	2,901	1,920
Amount treated as expenses due to the shift from the simplified method to the principle method	(234)	(43)
Other*	(2,945)	45
Balance at end of year	29,276	31,701

* The "Other" includes decrease of 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)

	FY2023 (April 1, 2023–March 31, 2024)	FY2024 (April 1, 2024–December 31, 2024)
Balance at beginning of year	32,189	36,391
Expected return on plan assets	1,236	917
Accrued actuarial gains and losses	1,921	(361)
Employer contributions	1,261	1,165
Payments for retirement benefits	(1,710)	(992)
Foreign currency translation adjustments	883	195
Transferred amount due to the shift from the simplified method to the principle method	3,582	1,460
Other*	(2,970)	(95)
Balance at end of year	36,391	38,680

* The "Other" includes decrease of 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)

	FY2023 (April 1, 2023–March 31, 2024)	FY2024 (April 1, 2024–December 31, 2024)
Balance at beginning of year	(25)	581
Retirement benefit expenses	330	5
Payments for retirement benefits	(127)	(0)
Contributions to the plans	(255)	-
Foreign currency translation adjustments	(3)	-
Transferred amount due to the shift from the simplified method to the principle method	680	(460)
Other	(17)	(43)
Balance at end of year	581	83

(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)

	FY2023 (as of March 31, 2024)	FY2024 (as of December 31, 2024)
Retirement benefit obligations in funded plans	30,054	30,536
Plan assets	(37,852)	(38,680)
	(7,798)	(8,144)
Retirement benefit obligations in unfunded plans	1,263	1,248
Other	(6)	(0)
Net liabilities and assets on consolidated balance sheets	(6,541)	(6,895)
Liabilities for retirement benefits	6,784	6,616
Assets for retirement benefits	(13,325)	(13,511)
Net liabilities and assets on consolidated balance sheets	(6,541)	(6,895)

Note: The plans using the simplified method are included.

(5) Details of retirement benefit expenses

(Million yen)

	FY2023 (April 1, 2023–March 31, 2024)	FY2024 (April 1, 2024–December 31, 2024)
Service cost	1,635	1,461
Interest cost	428	382
Expected return on plan assets	(1,236)	(917)
Amortization of actuarial gains and losses	702	(509)
Retirement benefit expenses using the simplified method	330	5
Other	(357)	12
Retirement benefit expenses on defined benefit plans	1,503	435

(6) Retirement benefits reserves adjustments

Details of retirement benefits reserves adjustments before income taxes and tax effect are as follows.

(Million yen)

	FY2023 (April 1, 2023–March 31, 2024)	FY2024 (April 1, 2024–December 31, 2024)
Actuarial gains and losses	4,028	(950)
Total	4,028	(950)

(7) Accumulated adjustments on retirement benefits

Details of accumulated adjustments on retirement benefits before income taxes and tax effect are as follows.

(Million yen)

	FY2023 (as of March 31, 2024)	FY2024 (as of December 31, 2024)
Unrecognized actuarial gains and losses	(3,443)	(2,493)
Total	(3,443)	(2,493)

(8) Matters relating to plan assets

i. Major components of plan assets

Percentages of each major category of the plan assets are as follows.

	FY2023 (as of March 31, 2024)	FY2024 (as of December 31, 2024)
Equity securities	29%	29%
Debt securities	31%	31%
General accounts at life insurance	15%	14%
Cash on hand and in banks	21%	23%
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, 2024 and December 31, 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

	FY2023 (April 1, 2023–March 31, 2024)	FY2024 (April 1, 2024–December 31, 2024)
Discount rate	0.883%–7.250%	0.766%–7.110%
Expected long-term rate of return on plan assets	1.200%–7.250%	1.650%–7.110%

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, 2024 and December 31, 2024 were 1,855 million yen and 1,620 million yen, respectively.

Stock options, etc.

Not applicable

Tax effect accounting

1. Significant components of deferred tax assets and liabilities

	FY2023 (as of March 31, 2024)		FY2024 (as of December 31, 2024)	
Deferred tax assets:				
Experimentation and research expenses	13,630	million yen	20,596	million yen
Provision for bonuses	-		3,548	
Accrued expenses	3,872		606	
Unrealized profit on inventories	354		362	
Liabilities for retirement benefits	3,283		3,535	
Loss carried forward	4,263		2,177	
Unrealized gain on sales of property, plant and equipment	569		586	
Loss on valuation of investments in securities	0		43	
Excess depreciation	179		334	
Accrued business tax	432		257	
Foreign tax credit carried forward	1,660		1,806	
Other	2,396		5,538	
Subtotal deferred tax assets	30,643		39,393	
Valuation allowance	(3,778)		(2,032)	
Offset against deferred tax liabilities	(7,966)		(9,860)	
Total deferred tax assets	18,898		27,500	
Deferred tax liabilities:				
Prepaid pension costs	2,192		2,445	
Net unrealized gain on assets of consolidated subsidiaries	633		493	
Reserve for tax purpose reduction entry of non-current assets	122		121	
Net unrealized gain (loss) on securities	3,389		2,496	
Retained profit	1,136		1,853	
Other	1,170		3,166	
Subtotal deferred tax liabilities	8,645		10,576	
Offset against deferred tax assets	(7,966)		(9,860)	
Total deferred tax liabilities	679		715	

2. Reconciliation between the statutory tax rate and the effective tax rate after applying tax effect accounting

	FY2023 (as of March 31, 2024)	FY2024 (as of December 31, 2024)
Statutory tax rate	30.6%	30.6%
Adjustments:		
Permanent difference arising from non-deductible expenses (e.g., entertainment expenses)	0.7%	2.2%
Taxation on per capita basis	0.2%	0.1%
Increase in valuation allowance	2.8%	0.5%
Tax rate difference applied to subsidiaries outside of Japan	(3.2)%	(4.8)%
Amortization of goodwill	0.1%	0.1%
Tax effects on retained profit of subsidiaries outside of Japan	0.0%	(0.1)%
Tax credit	(2.9)%	(5.4)%
Other	(0.1)%	0.1%
Effective tax rate after applying tax effect accounting	28.2%	23.3%

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.

For more information regarding on reportable segments, please refer to Segment information described later.

1. Information of disaggregated revenue from contracts with customers

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
Outside of 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.

FY2024 (April 1, 2024–December 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	20,638	123	35,733	-	-	56,496	18,667	75,163
Electronics	78,493	1,959	16,338	25,886	53,379	176,057	21,089	197,146
Commerce, retail	32,167	6,281	50,260	-	-	88,708	21,164	109,873
Transportation, warehousing	13,426	66	4,818	-	-	18,311	8,637	26,949
Machinery	6,433	669	237	-	-	7,340	1,425	8,765
Chemicals, pharmaceuticals	13,661	5,763	15	-	-	19,440	3,380	22,820
Food	7,081	1	11,941	-	-	19,024	2,834	21,858
Iron, steel, nonferrous metals	3,790	5	21	-	-	3,816	175	3,992
Precision equipment, printing, office equipment	2,101	1,093	1	-	-	3,197	607	3,804
Airport	1,775	884	49,049	-	-	51,709	20,183	71,892
Other	8,528	133	4,065	-	-	12,727	3,986	16,713
Sales to external customers	188,097	16,982	172,484	25,886	53,379	456,829	102,152	558,981
Other adjustments for consolidation	-	-	-	-	-	-	-	4,246
Net sales in consolidated financial statements	-	-	-	-	-	-	-	563,228

* 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			123,590	8,633	995	-	-	133,219	11,405	144,624
Outside of Japan			64,507	8,349	171,488	25,886	53,379	323,610	90,746	414,357
	North America		2,469	6,600	158,527	599	-	168,196	5,915	174,111
	Asia		59,037	1,305	1,488	25,287	53,379	140,497	61,444	201,941
		China	43,162	812	37	372	53,081	97,466	13,107	110,573
		South Korea	1,058	45	-	24,914	-	26,018	11,513	37,531
		Taiwan	11,630	185	-	-	297	12,113	18,778	30,891
		Other	3,187	261	1,450	-	-	4,899	18,045	22,944
	Europe		1,439	443	4,856	-	-	6,739	7,800	14,540
	Latin America		374	0	4,918	-	-	5,293	1,355	6,648
	Other		1,185	-	1,696	-	-	2,882	14,231	17,113
Sales to external customers			188,097	16,982	172,484	25,886	53,379	456,829	102,152	558,981
Other adjustments for consolidation			-	-	-	-	-	-	-	4,246
Net sales in consolidated financial statements			-	-	-	-	-	-	-	563,228

* 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	41,668	9,978	19,557	822	1,522	73,549	26,193	99,742
Performance obligations satisfied over time	146,428	7,004	152,926	25,063	51,856	383,280	75,958	459,239
Sales to external customers	188,097	16,982	172,484	25,886	53,379	456,829	102,152	558,981
Other adjustments for consolidation	-	-	-	-	-	-	-	4,246
Net sales in consolidated financial statements	-	-	-	-	-	-	-	563,228

* 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 "5. 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

FY2023 (April 1, 2023–March 31, 2024)

(1) Balances of contract assets, contract liabilities, etc.

The balances of receivables from contracts with customers, contract assets, and contract liabilities are as follows. Receivables from contracts with customers and contract assets 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
Receivables 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, the contract assets are transferred to receivables 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.

Contract assets increased by 60,101 million yen for the fiscal year ended March 31, 2024, which was mainly because the increase resulting from the recognition of revenue was greater than the decrease resulting from transfer to receivables from contracts with customers.

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

FY2024 (April 1, 2024–December 31, 2024)

(1) Balances of contract assets, contract liabilities, etc.

The balances of receivables from contracts with customers, contract assets, and contract liabilities are as follows. Receivables from contracts with customers and contract assets 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
Receivables from contracts with customers	88,592	130,775
Contract assets	183,040	94,072
Contract liabilities	79,576	85,010

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, the contract assets are transferred to receivables 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 December 31, 2024 that was included in the balance of contract liabilities at the beginning of the fiscal year was 69,326 million yen.

Contract assets decreased by 88,968 million yen for the fiscal year ended December 31, 2024, which was mainly because the increase resulting from the recognition of revenue was smaller than the decrease resulting from transfer to receivables from contracts with customers.

The amount of revenue recognized in the fiscal year ended December 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 December 31, 2024 and the time frame the amount is expected to be recognized as revenue are as follows.

(Million yen)

	As of December 31, 2024
Within one year	489,505
After one year	65,091
Total	554,596

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 outside of Japan. 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 (Contec), the company group engaging in the manufacture and sale of industrial personal computers, interface boards, and other equipment in Japan and outside of Japan; Daifuku North America, Inc. and its subsidiaries (Daifuku North America), 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.

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.

As stated in “Changes in accounting policies” and “Changes in accounting policies that are difficult to distinguish from a change in accounting estimates,” change has been made to the method of hedge accounting, as well as to the depreciation method and useful life of non-current assets, effective from the fiscal year ended December 31, 2024.

The change in the method of hedge accounting has not been applied retrospectively because its impact on prior periods is insignificant.

The impact of these changes in accounting policy, etc., on earnings for the fiscal year ended December 31, 2024 was also insignificant.

3. Information on the amount of net sales, income or losses, assets, liabilities and other items by reportable segment

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
Subtotal	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*
Impairment loss	*568*	-	-	-	-	*568*	*198*	*767*
Compensation expenses	-	-	-	-	-	-	-	-
Extra retirement payments	-	-	-	-	-	-	*151*	*151*
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.

FY2024 (April 1, 2024–December 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	188,097	16,982	172,484	25,886	53,379	456,829	102,152	558,981
Intersegment sales or transfers	28,687	3,214	2,191	4,518	790	39,402	11,647	51,049
Subtotal	216,785	20,197	174,675	30,404	54,169	496,232	113,799	610,031
Segment income (loss)	29,250	269	16,286	1,414	12,243	59,464	4,051	63,515
Segment assets	396,926	25,830	167,743	35,909	44,521	670,932	125,911	796,843
Segment liabilities	150,337	10,090	62,677	21,587	20,144	264,837	72,012	336,850
Other								
Depreciation	2,646	322	1,630	607	456	5,662	2,248	7,911
Amortization of goodwill	-	184	807	-	-	992	-	992
Interest income	370	27	1,704	147	337	2,587	604	3,191
Interest expenses	33	37	2	64	1	139	429	568
Extraordinary income	2,657	0	238	0	-	2,896	10	2,906
Gain on sales of property, plant and equipment	*3*	*0*	*237*	*0*	-	*240*	*10*	*250*
Gain on sales of investments in securities	*2,653*	-	-	-	-	*2,653*	-	*2,653*
Extraordinary loss	241	4	11	528	0	786	2,019	2,805
Loss on valuation of shares in affiliates	-	-	-	-	-	-	-	-
Loss on sales of property, plant and equipment	*18*	*0*	*11*	-	-	*29*	*4*	*34*
Loss on disposal of property, plant and equipment	*217*	*3*	*0*	*4*	*0*	*226*	*26*	*253*
Impairment loss	-	-	-	-	-	-	*676*	*676*
Compensation expenses	*6*	-	-	*512*	-	*518*	-	*518*
Extra retirement payments	-	-	-	-	-	-	*1,248*	*1,248*
Settlement payments	-	-	-	-	-	-	-	-
Retirement benefit expenses	-	-	-	-	-	-	-	-
Income tax expenses	8,044	554	2,456	13	4,089	15,159	1,856	17,016
Increase in property, plant and equipment and intangible assets	7,056	366	3,574	896	301	12,195	3,337	15,532

* 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	FY2023 (April 1, 2023–March 31, 2024)	FY2024 (April 1, 2024–December 31, 2024)
Reportable segments total	551,993	496,232
Segment sales classified in “Other”	128,832	113,799
Elimination of intersegment transactions	(67,653)	(51,049)
Other adjustments for consolidation	(1,695)	4,246
Net sales in consolidated financial statements	611,477	563,228

(Million yen)

Income	FY2023 (April 1, 2023–March 31, 2024)	FY2024 (April 1, 2024–December 31, 2024)
Reportable segments total	52,605	59,464
Segment income classified in “Other”	895	4,051
Elimination of dividends from affiliates	(13,235)	(5,029)
Other adjustments for consolidation	5,195	(1,398)
Net income attributable to shareholders of the parent company in consolidated financial statements	45,461	57,086

(Million yen)

Assets	FY2023 (April 1, 2023–March 31, 2024)	FY2024 (April 1, 2024–December 31, 2024)
Reportable segments total	646,327	670,932
Segment assets classified in “Other”	115,233	125,911
Elimination of investment securities in affiliates in consolidation process	(59,568)	(62,551)
Elimination of intercompany receivables	(51,203)	(46,705)
Other adjustments for consolidation	(4,634)	1,120
Total assets in consolidated financial statements	646,154	688,707

(Million yen)

Liabilities	FY2023 (April 1, 2023–March 31, 2024)	FY2024 (April 1, 2024–December 31, 2024)
Reportable segments total	271,725	264,837
Segment liabilities classified in “Other”	66,584	72,012
Elimination of intercompany payables	(51,203)	(46,705)
Other adjustments for consolidation	293	137
Total liabilities in consolidated financial statements	287,399	290,282

(Million yen)

Other items	Reportable segments total		Other		Adjustment		Consolidated total	
	FY2023	FY2024	FY2023	FY2024	FY2023	FY2024	FY2023	FY2024
Depreciation	7,178	5,662	2,390	2,248	-	-	9,569	7,911
Amortization of goodwill	919	992	-	-	(159)	(175)	760	816
Interest income	1,568	2,587	526	604	(411)	(243)	1,682	2,947
Interest expenses	218	139	604	429	(411)	(243)	411	325
Extraordinary income	1,283	2,896	6	10	71	(8)	1,361	2,898
Gain on sales of property, plant and equipment	*22*	*240*	*6*	*10*	*1*	*8*	*29*	*242*
Gain on sales of investments in securities	*1,258*	*2,653*	-	-	-	-	*1,258*	*2,653*
Extraordinary loss	7,532	786	376	2,019	(5,627)	103	2,281	2,908
Loss on valuation of shares in affiliates	*3,996*	-	-	-	*(3,996)*	-	-	-
Loss on sales of property, plant and equipment	*22*	*29*	*0*	*4*	-	*126*	*22*	*160*
Loss on disposal of property, plant and equipment	*680*	*226*	*21*	*26*	-	-	*702*	*253*
Impairment loss	*568*	-	*198*	*676*	*(68)*	-	*699*	*676*
Compensation expenses	-	*518*	-	-	-	-	-	*518*
Extra retirement payments	-	-	*151*	*1,248*	-	-	*151*	*1,248*
Settlement payments	*546*	-	-	-	-	-	*546*	-
Retirement benefit expenses	*1,716*	-	-	-	*(1,559)*	-	*156*	-
Income tax expenses	16,138	15,159	1,051	1,856	625	306	17,815	17,322
Increase in property, plant and equipment and intangible assets	19,114	12,195	2,295	3,337	-	-	21,410	15,532

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 1,559 million yen for the fiscal year ended March 31, 2024 mainly reflect actuarial adjustments of retirement benefit expenses.

Related information

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

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.

FY2024 (April 1, 2024–December 31, 2024)

1. Information by product and service

(Million yen)

	Logistics systems	Electronics	Other	Total
Sales to external customers	527,853	16,982	18,391	563,228

2. Information by geographic area

(1) Net sales

(Million yen)

Japan	U.S.A.	China	South Korea	Other	Adjustment	Total
144,624	167,714	110,573	37,531	98,536	4,246	563,228

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
38,484	21,856	8,199	17,235	85,775

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

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*8."

FY2024 (April 1, 2024–December 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*8."

Information about the amount of amortization and unamortized balance of goodwill by reportable segment

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.

FY2024 (April 1, 2024–December 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	-	574	-	-	-	574	675	1,535	2,786

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)

	FY2023 (April 1, 2023–March 31, 2024)	FY2024 (April 1, 2024–December 31, 2024)
Net assets per share	966.98	1,082.71
Net income per share	121.63	154.21
Diluted net income per share	118.45	147.11

Notes: 1. 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 396 thousand shares for the year ended March 31, 2024 and 478 thousand shares for the year ended December 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 544 thousand shares for the year ended March 31, 2024 and 462 thousand shares for the year ended December 31, 2024 for the BBT.

2. The basis for the calculation of net income per share was as shown in the table below.

	FY2023 (April 1, 2023–March 31, 2024)	FY2024 (April 1, 2024–December 31, 2024)
Net income per share		
Net income attributable to shareholders of the parent company (million yen)	45,461	57,086
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)	45,461	57,086
Weighted average number of common stock issued and outstanding during the year (thousand shares)	373,767	370,188
Diluted net income per share		
Adjusted amount of net income attributable to shareholders of the parent company (million yen)	(77)	(107)
*Of which, amortization of bond premiums (after tax) (million yen)**	*(77)*	*(107)*
Number of common shares increased (thousand shares)	9,382	17,138
Of which, convertible-bond-type bonds with stock acquisition rights (thousand shares)	*9,382*	*17,138*
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 due to the issuance of bonds at a price that exceeded the face value (after subtracting the amount equivalent to taxes).

3. The basis for the calculation of net assets per share was as shown in the table below.

	FY2023 (as of March 31, 2024)	FY2024 (as of December 31, 2024)
Total net assets (million yen)	358,755	398,424
Amount deducted from total net assets (million yen)	342	330
Of which, non-controlling interests (million yen)	*342*	*330*
Total net assets attributable to common stock at fiscal year-end (million yen)	358,412	398,094
Number of common stock issued and outstanding at fiscal year-end for the purpose of calculation of net assets per share (thousand shares)	370,651	367,684

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 year (million yen)	Balance at end of year (million yen)	Interest rate (%)	Collateral	Maturity date
The Company	Zero Coupon Convertible Bonds due 2028 (Notes)	September 14, 2023	30,534	30,444	-	-	September 14, 2028
The Company	Zero Coupon Convertible Bonds due 2030 (Notes)	September 14, 2023	30,553	30,489	-	-	September 13, 2030
Total	-	-	61,088	60,933	-	-	-

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)	3,534.7 [3,514.6]	3,467.8 [3,448.1]
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 the fiscal year ended December 31, 2024 are stated. With regard to matters that were changed between the end of the fiscal year ended December 31, 2024 and the end of the month before the month in which this report was filed, which was February 28, 2025, 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 December 31, 2024.

2. The redemption schedule within five years after the consolidated balance sheet date is as follows.

Due within one year (million yen)	Due after one year and within two years (million yen)	Due after two years and within three years (million yen)	Due after three years and within four years (million yen)	Due after four years and within five years (million yen)
-	-	-	30,444	-

Annexed consolidated detailed schedule of borrowings

Category	Balance at beginning of year (million yen)	Balance at end of year (million yen)	Average interest rate (%)	Payment due
Short-term borrowings	8,428	2,337	3.3	-
Current portion of long-term borrowings	1,000	-	-	-
Current portion of lease liabilities	2,017	2,111	3.0	-
Long-term borrowings (excluding current portion)	100	100	0.6	2026
Lease liabilities (excluding current portion)	3,861	3,736	2.6	2026 to 2043
Total	15,407	8,285	-	-

Notes: 1. "Average interest rate" represents the weighted-average rate applicable to the balance at end of year.

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 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
Long-term borrowings	100	-	-	-
Lease liabilities	1,034	749	378	251

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, 2024 and December 31, 2024 were less than 1% of the total liabilities and net assets as of April 1, 2024 and December 31, 2024, asset retirement obligations details have been omitted.

(2) Other

Semiannual results for the fiscal year ended December 31, 2024

		First half	Fiscal year ended December 31, 2024
Net sales	(million yen)	302,621	563,228
Income before income taxes	(million yen)	38,547	74,488
Net income attributable to shareholders of the parent company	(million yen)	29,712	57,086
Net income per share	(yen)	80.15	154.21

Note: The fiscal year ended December 31, 2024 was a transitional period to implement the change in the fiscal year-end, irregularly running for nine months from April 1, 2024 to December 31, 2024.

2. Non-Consolidated Financial Statements, etc.

(1) Non-consolidated financial statements

i. Non-consolidated balance sheets

(Million yen)

	FY2023 (as of March 31, 2024)	FY2024 (as of December 31, 2024)
ASSETS		
Current assets		
Cash on hand and in banks	59,571	82,232
Notes receivable	*2 669	*2 439
Electronically recorded monetary claims - operating	6,686	6,757
Accounts receivable from completed construction contracts and contract assets	*2 134,422	*2 106,639
Accounts receivable	*2 18,734	*2 18,414
Merchandise and finished goods	45	40
Costs incurred on uncompleted construction contracts and other	8,096	10,826
Raw materials and supplies	24,467	21,427
Prepaid expenses	1,464	1,085
Short-term loans receivable	25	31
Short-term loans receivable from affiliates	*2 8,280	*2 6,673
Accounts receivable - other	*2 3,009	*2 3,686
Other	1,644	6,493
Allowance for doubtful accounts	(471)	(218)
Total current assets	266,647	264,529
Non-current assets		
Property, plant and equipment		
Buildings	11,830	11,128
Structures	1,232	1,122
Machinery and equipment	4,926	5,670
Vehicles	11	11
Tools and fixtures	908	1,209
Land	7,539	7,461
Leased assets	563	1,447
Construction in progress	5,665	8,201
Total property, plant and equipment	32,678	36,252
Intangible assets		
Software	4,035	4,575
Software in progress	142	284
Other	0	0
Total intangible assets	4,178	4,860

(Million yen)

	FY2023 (as of March 31, 2024)	FY2024 (as of December 31, 2024)
Investments and other assets		
Investments in securities	23,151	13,087
Shares in affiliates	51,460	54,443
Investments in capital of affiliates	6,225	6,225
Long-term loans	7	7
Long-term loans receivable from employees	59	76
Long-term loans receivable from affiliates	*2 904	-
Long-term prepaid expenses	363	159
Prepaid pension costs	7,171	7,997
Deferred tax assets	6,164	7,610
Leasehold and guarantee deposits	906	927
Other	662	745
Total investments and other assets	97,077	91,283
Total non-current assets	133,933	132,397
Total assets	400,580	396,926
LIABILITIES		
Current liabilities		
Electronically recorded obligations - operating	17,749	19,944
Accounts payable - trade	*2 19,595	*2 17,343
Construction contracts payable	*2 2,407	*2 1,549
Short-term borrowings	*2 2,500	*2 2,997
Current portion of long-term borrowings	1,000	-
Lease liabilities	159	419
Accounts payable - other	2,241	3,725
Accrued expenses	*2 9,477	*2 3,728
Provision for bonuses	-	10,606
Income taxes payable	6,832	3,073
Contract liabilities	23,407	17,288
Provision for losses on construction contracts	115	206
Other	810	2,056
Total current liabilities	86,297	82,940
Non-current liabilities		
Convertible-bond-type bonds with stock acquisition rights	61,088	60,933
Long-term borrowings	100	100
Lease liabilities	404	1,028
Long-term accounts payable - other	16	118
Provision for retirement benefits	4,459	4,509
Other provisions	499	434
Other	268	273
Total non-current liabilities	66,836	67,397
Total liabilities	153,133	150,337

(Million yen)

	FY2023 (as of March 31, 2024)	FY2024 (as of December 31, 2024)
NET ASSETS		
Shareholders' equity		
Common stock	31,865	31,865
Capital surplus		
Legal capital surplus	8,998	8,998
Other capital surplus	13,970	13,970
Total capital surplus	22,969	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	284	281
General reserve	30,000	30,000
Retained earnings brought forward	168,490	179,555
Total retained earnings	205,888	216,949
Treasury stock	(20,944)	(30,781)
Total shareholders' equity	239,778	241,003
Valuation and translation adjustments		
Net unrealized gain (loss) on securities	7,813	5,737
Deferred gain (loss) on hedges	(145)	(152)
Total valuation and translation adjustments	7,668	5,585
Total net assets	247,446	246,588
Total liabilities and net assets	400,580	396,926

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

ii. Non-consolidated statements of income

(Million yen)

	FY2023 (April 1, 2023–March 31, 2024)	FY2024 (April 1, 2024–December 31, 2024)
Net sales	*1 274,535	*1 216,785
Cost of sales		
Beginning finished goods inventory	57	45
Cost of products manufactured	*1 220,104	*1 167,657
Total	220,162	167,702
Ending finished goods inventory	45	40
Loss on abandonment of inventories	658	1,091
Cost of finished goods sold	220,775	168,753
Total cost of sales	220,775	168,753
Gross profit	53,759	48,031
Selling, general and administrative expenses	*2 21,004	*2 18,510
Operating income	32,755	29,520
Other income		
Interest income	*1 324	*1 370
Dividend income	*1 13,586	*1 5,423
Foreign exchange gains	387	-
Land and house rental revenue	*1 188	*1 120
Other	*1 92	*1 115
Total other income	14,579	6,030
Other expenses		
Interest expenses	*1 53	*1 33
Interest expenses on bonds	(111)	(154)
Bonds issuance costs	117	-
Foreign exchange losses	-	737
Other	29	55
Total other expenses	88	671
Ordinary income	47,246	34,879
Extraordinary income		
Gain on sales of investments in securities	*3 1,258	*3 2,653
Other	0	3
Total extraordinary income	1,258	2,657
Extraordinary loss		
Impairment loss	*4 568	-
Loss on valuation of shares in affiliates	*5 3,996	-
Loss on disposal of property, plant and equipment	443	217
Other	6	24
Total extraordinary loss	5,015	241
Income before income taxes	43,489	37,294
Income taxes - current	11,607	8,603
Income taxes - deferred	(1,341)	(558)
Total income taxes	10,265	8,044
Net income	33,223	29,250

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

iii. Non-consolidated statements of changes in net assets

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

FY2024 (April 1, 2024–December 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	13,970	22,969
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	13,970	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	284	30,000	168,490	205,888	(20,944)
Changes of items during the period							
Cash dividends					(18,188)	(18,188)	
Net income					29,250	29,250	
Reversal of reserve for tax purpose reduction entry of non-current assets			(3)		3	-	
Purchase of treasury stock							(10,003)
Disposal of treasury stock							166
Net changes of items other than shareholders' equity							
Total changes of items during the period	-	-	(3)	-	11,065	11,061	(9,837)
Balance at end of year	112	7,000	281	30,000	179,555	216,949	(30,781)

	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	239,778	7,813	(145)	7,668	247,446
Changes of items during the period					
Cash dividends	(18,188)				(18,188)
Net income	29,250				29,250
Reversal of reserve for tax purpose reduction entry of non-current assets	-				-
Purchase of treasury stock	(10,003)				(10,003)
Disposal of treasury stock	166				166
Net changes of items other than shareholders' equity		(2,075)	(7)	(2,083)	(2,083)
Total changes of items during the period	1,224	(2,075)	(7)	(2,083)	(858)
Balance at end of year	241,003	5,737	(152)	5,585	246,588

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 method.

(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 straight-line method.

(2) Intangible assets (excluding leased assets)

Software for internal use

Amortized on a straight-line method over the estimated in-house working life of five to ten years.

Goodwill

Amortized on a straight-line method over the period in which cash flows 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 method.

(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 method.

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 bonuses

To provide for the payment of bonuses to employees, provision for bonuses is recorded in an amount accrued for the fiscal year based on the estimated amount of bonuses to be paid.

(4) 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.

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.

(5) 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 December 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 adopted.

(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	Future transactions denominated in foreign currencies

(3) Hedging policy

The risk of fluctuations in exchange 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) are identical.

(5) Other risk management practices related to hedge accounting

The execution and management of hedging instruments are carried out by the finance department with approval from the authorized personnel in accordance with internal regulations that provide transaction authorization and limits.

Significant accounting estimates

1. Revenue recognition for construction contracts

(1) Amounts recorded in the non-consolidated financial statements

(Million yen)

	FY2023 (April 1, 2023–March 31, 2024)	FY2024 (April 1, 2024–December 31, 2024)
Net sales of construction contracts in which performance obligations are satisfied over time	192,893	156,204
Provision for losses on construction contracts	115	206

(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 December, 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 December 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)

	FY2023 (as of March 31, 2024)	FY2024 (as of December 31, 2024)
Total shares and investments in capital of affiliates	57,686	60,669

(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.

Changes in accounting policies

Change in method of significant hedge accounting

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, Changes in accounting policies.”

Changes in accounting policies that are difficult to distinguish from a change in accounting estimates

Changes in depreciation method and useful life of non-current assets

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, Changes in accounting policies that are difficult to distinguish from a change in accounting estimates.”

Additional information

Change in fiscal year-end

In regard to the change in fiscal year-end, 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.”

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.

	FY2023 (as of March 31, 2024)		FY2024 (as of December 31, 2024)	
Daifuku (Thailand) Limited	2,496	million yen	1,395	million yen
Daifuku (Malaysia) Sdn. Bhd.	-		673	
Daifuku Korea Co., Ltd.	955		269	
Clean Factomation, Inc.	2,810		-	
Total	6,261		2,337	

*2 Assets and liabilities against subsidiaries and affiliates are as follows.

	FY2023 (as of March 31, 2024)		FY2024 (as of December 31, 2024)	
Short-term monetary receivables from subsidiaries and affiliates	33,248	million yen	32,497	million yen
Long-term monetary receivables from subsidiaries and affiliates	904		-	
Short-term monetary payables to subsidiaries and affiliates	7,698		5,349	

Non-consolidated statements of income

*1 Transactions with subsidiaries and affiliates are as follows.

	FY2023 (April 1, 2023–March 31, 2024)		FY2024 (April 1, 2024–December 31, 2024)	
Net sales	35,657	million yen	28,687	million yen
Purchases	29,877		13,704	
Non-operating transactions	13,512		5,247	

*2 Major items of selling, general and administrative expenses and their amounts and approximate composition are as follows.

	FY2023 (April 1, 2023–March 31, 2024)		FY2024 (April 1, 2024–December 31, 2024)	
Directors' remuneration	640	million yen	609	million yen
Salaries and bonuses	8,116		8,441	
Retirement benefit expenses	243		25	
Legal welfare expenses	1,591		1,116	
Experimentation and research expenses	2,554		2,105	
Travel and transportation	1,013		737	
Commissions	3,476		2,990	
Rent	874		639	
Depreciation	1,206		725	
Provision of allowance for doubtful accounts	25		(253)	
Approximate composition:				
Selling expenses		36%		31%
General and administrative expenses		64%		69%

*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 Loss on valuation of shares in affiliates is mainly due to an impairment loss of investments in affiliates outside of Japan.

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	FY2023 (as of March 31, 2024) (million yen)	FY2024 (as of December 31, 2024) (million yen)
(1) Shares of subsidiaries	51,460	54,443
(2) Shares of affiliates	-	-
Total	51,460	54,443

Tax effect accounting

1. Significant components of deferred tax assets and liabilities

	FY2023 (as of March 31, 2024)		FY2024 (as of December 31, 2024)	
Deferred tax assets:				
Provision for bonuses	-	million yen	3,243	million yen
Experimentation and research expenses	2,909		2,787	
Provision for retirement benefits	3,134		3,150	
Loss on valuation of shares in affiliates	4,148		4,064	
Foreign tax credit carried forward	1,660		1,806	
Other	4,688		2,231	
Valuation allowance	(4,647)		(4,579)	
Total deferred tax assets	11,892		12,703	
Deferred tax liabilities:				
Prepaid pension costs	2,192		2,445	
Reserve for tax purpose reduction entry of non-current assets	122		121	
Net unrealized gain (loss) on securities	3,361		2,476	
Other	51		49	
Total deferred tax liabilities	5,728		5,092	
Offset against deferred tax assets	(5,728)		(5,092)	
Net deferred tax assets	6,164		7,610	

2. Reconciliation between the statutory tax rate and the effective tax rate after applying tax effect accounting

	FY2023 (as of March 31, 2024)	FY2024 (as of December 31, 2024)
Statutory tax rate	30.6%	30.6%
Adjustments:		
Permanent difference arising from non-deductible expenses (e.g., entertainment expenses)	0.2%	0.3%
Permanent difference arising from non-taxable income (e.g., dividend income)	(8.9)%	(4.0)%
Taxation on per capita basis	0.2%	0.2%
Tax credit for experimentation and research expenses	(1.2)%	(1.5)%
Increase in valuation allowance	2.6%	(0.4)%
Other	0.1%	(3.6)%
Effective tax rate after applying tax effect accounting	23.6%	21.6%

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 year	Increase during the period	Decrease during the period	Balance at end of year	Accumulated depreciation or amortization at end of the period	Depreciation and amortization for the period	Balance at end of FY2024
Property, plant and equipment							
Buildings	33,383	453	1,115	32,721	21,592	1,067	11,128
Structures	6,410	32	363	6,078	4,956	132	1,122
Machinery and equipment	14,721	1,389	323	15,787	10,116	581	5,670
Vehicles	87	2	-	90	79	3	11
Tools and fixtures	8,716	421	386	8,751	7,542	116	1,209
Land	7,539	32	111	7,461	-	-	7,461
Leased assets	1,803	1,022	52	2,773	1,325	137	1,447
Construction in progress	5,665	4,290	1,754	8,201	-	-	8,201
Total property, plant and equipment	78,327	7,645	4,107	81,865	45,613	2,038	36,252
Intangible assets							
Software	14,778	1,138	806	15,110	10,534	594	4,575
Software in progress	142	474	332	284	-	-	284
Other	801	-	1	799	799	0	0
Total intangible assets	15,723	1,612	1,141	16,194	11,333	594	4,860

Notes: 1. The balances at beginning and end of year are stated at cost.
2. The increase during the period was mainly attributable to the following factor:
2,987 million yen recognized in construction in progress for the redevelopment of Shiga Works.

Annexed detailed schedule of provisions

(Million yen)

Account	Balance at beginning of year	Increase during the period	Decrease during the period	Balance at end of year
Allowance for doubtful accounts	471	9	263	218
Provision for bonuses	-	10,606	-	10,606
Provision for losses on construction contracts	115	176	85	206
Other provisions	499	99	164	434

(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 January 1 to December 31
Ordinary general meeting of shareholders	In March
Record date	December 31
Record date for dividends of surplus	June 30 December 31
Number of shares per unit	100 shares
Purchase and sale of shares of less than one unit	
Place of handling	Special account: Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited 4-5-33 Kitahama, Chuo-ku, Osaka
Stock transfer agent	Special account: Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
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 in Japanese at the following URL: https://www.daifuku.com/jp/
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 was the 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 was 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 108th fiscal year (from April 1, 2023 to March 31, 2024)
Submitted to the Director-General of the Kanto Local Finance Bureau on June 24, 2024.

(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 108th fiscal year (from April 1, 2023 to March 31, 2024)
Submitted to the Director-General of the Kanto Local Finance Bureau on June 24, 2024.

(4) Semiannual Securities Report and Confirmation Letter
The first half of the 109th fiscal year (from April 1, 2024 to September 30, 2024)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 11, 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 24, 2024.
Extraordinary Report pursuant to the provisions of Article 19, Paragraph 2, Item 9 of the Cabinet Office Order on Disclosure of Corporate Affairs (change in the representative director)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 8, 2024.

(6) Share Buyback Reports
(For the period from November 11, 2024 to November 30, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on December 11, 2024.
(For the period from December 1, 2024 to December 31, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on January 10, 2025.

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 December 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 December 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.

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<table>
<tr><th colspan="2">Reasonableness of estimating the total cost of construction with regards to the revenue recognized as the performance obligation is satisfied over time</th></tr>
<tr><th>Key audit matter description</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>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 “ Notes to Consolidated Financial Statements, Significant accounting estimates, 1. Revenue recognition for construction contracts, (1) Amounts recorded in the consolidated financial statements,” net sales recognized over time for the current consolidated fiscal year were 415,700 million yen (approximately 74% 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>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 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 procedures 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 December 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

June 25, 2025

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 December 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 December 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.

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<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><th>Key audit matter description</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>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 “ Notes to Non-Consolidated Financial Statements, Significant accounting estimates, 1. Revenue recognition for construction contracts, (1) Amounts recorded in the consolidated financial statements,” net sales recognized over time for the current fiscal year were 156,204 million yen (approximately 72% of 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>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 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 procedures 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.</td></tr>
</table>

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

June 25,2025