

## Daifuku Group's Basic Policy for Corporate Governance

### General Provisions

(Objectives)

Daifuku Group (hereinafter, the "Group") actively strives to enhance its corporate governance so as to achieve the sustainable growth of the Company and increase corporate value over the medium to long term. Accordingly, the Daifuku Group's Basic Policy for Corporate Governance (hereinafter, the "Policy") has been clarified, and the status of the initiatives the Group is taking on all items of the Japan's Corporate Governance Code revised in 2021 has been summarized. The Policy is created as a reorganization of the conventional Daifuku Corporate Governance Guidelines and begins with our basic approach to corporate governance, organizes the specific response status in code order, and introduces reference points for the latest securities report (prepared in Japanese) and Daifuku Report as integrated reporting.

(Our basic approach to 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 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.

<Company Creed>

Hini Arata

Today we are doing better  
than we were yesterday.  
Tomorrow we will be growing  
ahead of where we are today.

<Management Philosophy>

#### **Automation that Inspires**

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

We will

- 1) strive to realize a sustainable society that minimizes burdens on people and the environment, respects human rights, and encourages responsible manufacturing.

- 2) work together with customers around the world to create optimal smart logistics solutions that incorporate innovative technologies.
- 3) ensure a fair and open corporate culture that respects diversity and allows each individual to excel. Further, we will strengthen our fundamental management practices globally to have a high level of transparency.

Based on its company creed and management philosophy, the Group will emphasize the fulfillment of its economic and social responsibilities with the aim of contributing to the realization of a sustainable society (social value) and increasing corporate value. The Group aims to build sustainable growth and increase corporate value through transparent, fair and swift decision-making and will reinforce its internal system to avoid risks and prevent misconduct. The Group will continuously improve the effectiveness of its corporate governance by implementing the PDCA (plan-do-check-act) cycle of corporate governance.

### **1. Securing the rights and equal treatment of shareholders**

- 1-1. Daifuku will strive to ensure the rights and equality of shareholders, develop an environment that helps shareholders exercise their rights appropriately at general meetings of shareholders, and provide related information.
- 1-2. Daifuku will formulate and disclose capital policies from the standpoint of ensuring and respecting the common interests of shareholders.

### **2. Appropriate cooperation with stakeholders other than shareholders**

The Group will continue to seek appropriate cooperation with stakeholders, including its employees, customers, business partners, creditors, and local communities, to achieve sustainable growth and increase corporate value over the medium to long term. In its three-year business plan, Value Transformation 2023, the Group clarifies the concept of transforming the value provided to its stakeholders through the promotion of both Digital Transformation and the transformation of the Daifuku Group itself (Daifuku Transformation). The “fair and open corporate culture” we consistently advocate in our management philosophy is positioned as an indispensable element in taking on the challenge of making such changes.

### **3. Ensuring appropriate information disclosure and transparency**

The Group aims to realize fair and highly transparent management by appropriately disclosing information in compliance with relevant laws and regulations, as well as actively volunteering information.

### **4. Responsibilities of the Board**

## 4-1. Outline of the form of corporate organization

- Daifuku works to enhance its corporate governance framework by developing a Board of Directors that includes multiple independent outside directors and is designed with a structure that takes diversity into consideration, and an Audit & Supervisory Board that includes multiple members elected from outside the Company.
- The Audit & Supervisory Board members and the Audit & Supervisory Board Office, which assists in the duties of the Audit & Supervisory Board members, further strengthen cooperation between the Audit Division and the accounting auditor to deepen and streamline audit work.
- Under the direct control of the Board of Directors, Daifuku has established an Audit Division, which audits the appropriateness of the development and operation of internal control systems within the Group.

4-2. Daifuku has established a corporate officer system and holds monthly meetings of principally corporate officers to discuss business operations. By doing so, the Board of Directors is able to devote more time to issues such as corporate strategy and risk management.

4-3. To complement the functions of the Board of Directors, Daifuku has set up an Advisory Committee to deliberate on the nomination, election/dismissal, and remuneration of management team members, and will carry out fair and transparent procedures by using independent outside directors.

## 5. Dialogue with shareholders

5-1. Daifuku will strive to engage in constructive dialogue with shareholders even in forums other than general meetings of shareholders.

5-2. In formulating and publishing business strategies and plans, Daifuku will endeavor to integrally formulate business strategies, financial strategies, and capital policies. It will also strive to understand the positions and interests of shareholders and provide clear explanations.

### (Review of the Policy)

When a review of the Policy is judged to be necessary, the Group shall revise the Policy as necessary by resolution of the Board of Directors.

### (Terms used in the Policy and Disclosure Based on the Principles of Japan's Corporate Governance Code)

The following definitions of terms shall be used uniformly in the Policy and Disclosure Based on the Principles of Japan's Corporate Governance Code:

- Management refers to directors and corporate officers.

- Senior management refers to the following directors:
  - a. Chief Executive Officer (CEO)
  - b. Director and senior managing officer, director and managing officer
- The officers meeting refers to a meeting body that deliberates on the business contents with all directors, corporate officers, and full-time members of the Audit & Supervisory Board in attendance.
- An audit officer refers to an officer who has the same rank as a corporate officer and attends meetings of the Board of Directors. This system has been established for the purpose of strengthening audit-related functions.

Daifuku Corporate Governance Guidelines established on May 12, 2016

Revised on March 23, 2017

Revised on November 9, 2018

Revised on June 19, 2019

Revised on March 24, 2020

Revised on May 26, 2020

Revised on March 23, 2021

Daifuku Group's Basic Policy for Corporate Governance established on November 26, 2021 re-edited from the Daifuku Corporate Governance Guidelines

## Detailed Rules

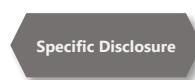
### Disclosure Based on the Principles of Japan's Corporate Governance Code

Daifuku complies with all of the Principles of Japan's Corporate Governance Code revised on June 11, 2021.

\* Marks in each principle



Principles for the Prime  
Market adopted from April  
4, 2022



Principles to be disclosed  
in corporate governance  
reports

## Section 1: Securing the Rights and Equal Treatment of Shareholders

### General Principle 1

Companies should take appropriate measures to fully secure shareholder rights and develop an environment in which shareholders can exercise their rights appropriately and effectively.

In addition, companies should secure effective equal treatment of shareholders.

Given their particular sensitivities, adequate consideration should be given to the issues and concerns of minority shareholders and foreign shareholders for the effective exercise of shareholder rights and effective equal treatment of shareholders.

See each Principle and Supplementary Principle for details.

### Principle 1.1: Securing the Rights of Shareholders

Companies should take appropriate measures to fully secure shareholder rights, including voting rights at the general shareholder meeting.

The voting rights exercise rate at the general meeting of shareholders remains at a high level according to the policies described in each Supplementary Principle. At the ordinary general meeting of shareholders held in June 2022, the rate was 88%.

### Supplementary Principle 1.1.1

When the board recognizes that a considerable number of votes have been cast against a proposal by the company and the proposal was approved, it should analyze the reasons behind opposing votes and why many shareholders opposed, and should consider the need for shareholder dialogue and other measures.

We seek advice from a third-party organization to strive for objective analysis, and the Board of Directors decides whether a dialogue focusing on the results of exercising voting rights is necessary.

**Supplementary Principle 1.1.2**

When proposing to shareholders that certain powers of the general shareholder meeting be delegated to the board, companies should consider whether the board is adequately constituted to fulfill its corporate governance roles and responsibilities. If a company determines that the board is indeed adequately constituted, then it should recognize that such delegation may be desirable from the perspectives of agile decision-making and expertise in business judgment.

Daifuku stipulates in its Articles of Incorporation that the Company may pay dividends of surplus, etc. by a resolution of the Board of Directors, regardless of the resolution of the general meeting of shareholders. To enhance the common interests of shareholders by flexibly deciding dividends, etc. and to ensure the fairness of the decisions, four out of nine directors are outside directors.

**Supplementary Principle 1.1.3**

Given the importance of shareholder rights, companies should ensure that the exercise of shareholder rights is not impeded. In particular, adequate consideration should be given to the special rights that are recognized for minority shareholders with respect to companies and their officers, including the right to seek an injunction against illegal activities or the right to file a shareholder lawsuit, since the exercise of these rights tend to be prone to issues and concerns.

We stipulate the procedures for minority shareholders to exercise their rights in the Stock Handling Rules and take care not to interfere with the exercise of rights.

**Principle 1.2: Exercise of Shareholder Rights at General Shareholder Meetings**

Companies should recognize that general shareholder meetings are an opportunity for constructive dialogue with shareholders, and should therefore take appropriate measures to ensure the exercise of shareholder rights at such meetings.

At the Ordinary General Meeting of Shareholders held in June 2022, we delivered a livestream of the shareholders' meeting over the Internet, mainly to provide our shareholders with opportunities

for remote participation and prevent the spread of COVID-19 infections, for the second year in a row. The shareholders who watched the video were not able to exercise voting rights or ask questions; however, we accepted questions before the meeting and answered the majority of questions on the day (at hybrid participatory virtual ordinary general meeting of shareholders).

**Supplementary Principle 1.2.1**

Companies should provide accurate information to shareholders as necessary in order to facilitate appropriate decision-making at general shareholder meetings.

We are working to improve convenience by colorizing convening notices, posting skill matrices and independence criteria in the notice, and making them viewable from smartphones.

**Supplementary Principle 1.2.2**

While ensuring the accuracy of content, companies should strive to send convening notices for general shareholder meetings early enough to give shareholders sufficient time to consider the agenda. During the period between the board approval of convening the general shareholder meeting and sending the convening notice, information included in the convening notice should be disclosed by electronic means such as through TDnet<sup>1</sup> or on the company's website.

<sup>1</sup> TDnet: The Tokyo Stock Exchange operates a real-time internet service (Timely Disclosure network) which distributes the information provided by listed companies on a timely basis in accordance with its listing rules.

We strive for early shipping and disclose the convening notice on websites of the Tokyo Stock Exchange and Daifuku at least three weeks before the date of the event.

**Supplementary Principle 1.2.3**

The determination of the date of the general shareholder meeting and any associated dates should be made in consideration of facilitating sufficient constructive dialogue with shareholders and ensuring the accuracy of information necessary for such dialogue.

Daifuku strives to ensure that the general meeting of shareholders is not held on days when many other companies are holding their meetings. In addition, we have delivered a livestream of the ordinary general meeting of shareholders since June 2021, so that shareholders are able to participate in multiple general meetings of shareholders on the same day.

## Prime Market

**Supplementary Principle 1.2.4**

Bearing in mind the number of institutional and foreign shareholders, companies should take steps for the creation of an infrastructure allowing electronic voting, including the use of the Electronic Voting Platform, and the provision of English translations of the convening notices of general shareholder meeting.

In particular, companies listed on the Prime Market should make the Electronic Voting Platform available, at least to institutional investors.

Daifuku makes effective use of the Electronic Voting Platform. We prepare English translations of the convening notices and disclose them on websites of the Tokyo Stock Exchange and Daifuku.

**Supplementary Principle 1.2.5**

In order to prepare for cases where institutional investors who hold shares in street name express an interest in advance of the general shareholder meeting in attending the general shareholder meeting or exercising voting rights, companies should work with the trust bank (*shintaku ginko*) and/or custodial institutions to consider such possibility.

Based on discussions with trust banks, etc., we will take measures in line with the desire of shareholders.

**Principle 1.3: Basic Strategy for Capital Policy**

Because capital policy may have a significant effect on shareholder returns, companies should explain their basic strategy with respect to their capital policy.

Return on equity (ROE) is one of our management targets as an indicator of increasing corporate value. Under its three-year business plan Value Transformation 2023, which started in April 2021, we aim to maintain an ROE of 10% or higher each fiscal year mainly by improving net income. With respect to shareholder return, we aim to achieve a consolidated dividend payout ratio of 30% or more on a three-year average.

## Specific Disclosure

**Principle 1.4: Cross-Shareholdings**

When companies hold shares of other listed companies as cross-shareholdings<sup>2</sup>, they should disclose their policy with respect to doing so, including their policies regarding the reduction of cross-shareholdings. In



addition, the board should annually assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks from each holding cover the company's cost of capital. The results of this assessment should be disclosed. Companies should establish and disclose specific standards with respect to the voting rights as to their cross-shareholdings, and vote in accordance with the standards.

<sup>2</sup> Cross-shareholding: There are cases where listed companies hold the shares of other listed companies for reasons other than pure investment purposes, for example, to strengthen business relationships. Cross-shareholdings here include not only mutual shareholdings but also unilateral ones.

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. Daifuku has established a firm relationship of trust with its customers through after-sales services as well as the delivery of products. Circumstances including these trade relations will also be taken into consideration when the economic rationale of cross-shareholdings, such as market capitalization, book value, transaction amounts, dividends, ROE, and risk of shareholdings, is examined. Shares, which the Board of Directors regards as having no significance, will be sold on a timely basis.

With respect to the voting rights attached to cross-shareholdings, we will make decisions individually with an emphasis on improving the corporate value of the cross-shareholding partners over the medium to long term. At the time of the assessment, special attention will be paid to whether the cross-shareholding partner has been tarnished by scandals or has committed an antisocial act. If the cross-shareholding partner has been involved in such circumstances, its managerial approach to improvement shall be scrutinized. Audit reports concerning that partner shall also be scrutinized.

When a cross-shareholder indicates its intention to sell the Company's shares, Daifuku shall not hinder the sale of the cross-held shares.

### **Supplementary Principle 1.4.1**

When cross-shareholders (i.e., shareholders who hold a company's shares for the purpose of cross-shareholding) indicate their intention to sell their shares, companies should not hinder the sale of the cross-held shares by, for instance, implying a possible reduction of business transactions.

See Principle 1.4.

#### **Supplementary Principle 1.4.2**

Companies should not engage in transactions with cross-shareholders which may harm the interests of the companies or the common interests of their shareholders by, for instance, continuing the transactions without carefully examining the underlying economic rationale.

See Principle 1.4.

#### **Principle 1.5: Anti-Takeover Measures**

Anti-takeover measures must not have any objective associated with entrenchment of the management or the board. With respect to the adoption or implementation of anti-takeover measures, the board and *kansayaku* should carefully examine their necessity and rationale in light of their fiduciary responsibility to shareholders, ensure appropriate procedures, and provide sufficient explanation to shareholders.

Daifuku had previously introduced anti-takeover measures but abolished them with the closing of the ordinary general meeting of shareholders held in June 2018.

#### **Supplementary Principle 1.5.1**

In case of a tender offer, companies should clearly explain the position of the board, including any counteroffers, and should not take measures that would frustrate shareholder rights to sell their shares in response to the tender offer.

If its shares are subject to a tender offer, Daifuku will disclose its opinion to help shareholders decide whether to accept the tender offer. In addition, we will take no measures to unfairly prevent shareholders from giving up their shares in response to the tender offer.

#### **Principle 1.6: Capital Policy that May Harm Shareholder Interests**

With respect to a company's capital policy that results in the change of control or in significant dilution, including share offerings and management buyouts, the board and *kansayaku* should, in order not to unfairly harm the existing shareholders' interests, carefully examine the necessity and rationale from the perspective of their fiduciary responsibility to shareholders, should ensure appropriate procedures, and provide sufficient explanation to shareholders.

With respect to a capital policy that results in a change of control or in significant dilution, including share offerings and management buyouts, the Board of Directors and Audit & Supervisory Board members shall carefully examine the necessity and rationale, and ensure that appropriate

procedures are carried out in order not to unfairly harm the interests of existing shareholders. In addition, we will fully explain the background and purpose to gain the understanding of shareholders.

**Specific Disclosure****Principle 1.7: Related Party Transactions**

When a company engages in transactions with its directors or major shareholders (i.e., related party transactions), in order to ensure that such transactions do not harm the interests of the company or the common interests of its shareholders and prevent any concerns with respect to such harm, the board should establish appropriate procedures beforehand in proportion to the importance and characteristics of the transaction. In addition to their use by the board in approving and monitoring such transactions, these procedures should be disclosed.

The rules of the Board of Directors stipulate that, with respect to a conflict-of-interest transaction between a director and the Group, the director shall seek prior approval for the transaction from the Board of Directors and report it to the Board of Directors even after the fact. With respect to transactions with directors, Audit & Supervisory Board members, and their close relatives, we conduct a survey on the existence of transactions at the beginning of every fiscal year and report findings of material facts about related-party transactions to the Board of Directors. Any transactions between related parties are disclosed in accordance with applicable laws and the rules established by the Tokyo Stock Exchange.

## Section 2: Appropriate Cooperation with Stakeholders Other Than Shareholders

### General Principle 2

Companies should fully recognize that their sustainable growth and the creation of mid- to long-term corporate value are brought about as a result of the provision of resources and contributions made by a range of stakeholders, including employees, customers, business partners, creditors and local communities. As such, companies should endeavor to appropriately cooperate with these stakeholders.

The board and the management should exercise their leadership in establishing a corporate culture where the rights and positions of stakeholders are respected and sound business ethics are ensured.

#### 1. Appropriate cooperation with stakeholders

Daifuku strongly emphasizes that its sustainable growth and the creation of corporate value over the medium to long term are brought about as a result of the provision of resources and contributions made by a range of stakeholders, including employees, customers, business partners, creditors and local communities. In appropriate cooperation with these stakeholders, we will implement our management philosophy and achieve the goals of our three- to four-year business plan.

#### 2. Establishing a corporate culture where the rights and positions of stakeholders are respected and sound business ethics are ensured

In April 2020, Daifuku established the Sustainability Committee chaired by the President and CEO (hereinafter, the "CEO"), which deliberates on overall sustainability issues, including appropriate cooperation with stakeholders. Based on the Committee's escalation, the Board of Directors adopted and disclosed the Sustainability Action Plan, which is positioned as a framework for appropriate cooperation with stakeholders. See Exhibit 2 for details on the Sustainability Action Plan.

In addition, Daifuku has formulated the Group Code of Conduct and strives to establish a corporate attitude whereby it respects the rights and standpoints of its stakeholders and sound corporate ethics. See Principle 2.2 for details.

### Principle 2.1: Business Principles as the Foundation of Corporate Value Creation Over the Mid- to Long-Term

Guided by their position concerning social responsibility, companies should undertake their businesses in order to create value for all stakeholders while increasing corporate value over the mid- to long-term. To

this end, companies should draft and maintain business principles that will become the basis for such activities.

Daifuku drafts and executes a three- to four-year business plan based on its management philosophy, which is the basis for increasing corporate value over the medium to long term.

## <Management Philosophy>

### Automation that Inspires

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

### We will

1. strive to realize a sustainable society that minimizes burdens on people and the environment, respects human rights, and encourages responsible manufacturing.
2. work together with customers around the world to create optimal smart logistics solutions that incorporate innovative technologies.
3. ensure a fair and open corporate culture that respects diversity and allows each individual to excel. Further, we will strengthen our fundamental management practices globally to have a high level of transparency.

## **Principle 2.2: Code of Conduct**

Companies should draft and implement a code of conduct for employees in order to express their values with respect to appropriate cooperation with and serving the interests of stakeholders and carrying out sound and ethical business activities. The board should be responsible for drafting and revising the code of conduct, and should ensure its compliance broadly across the organization, including the front line of domestic and global operations.

## **1. Formulation of the Group Code of Conduct**

In April 2019, we established a Group Code of Conduct, which defines the fundamental principles we (all directors, officers and employees of the Group) should follow with the aim of realizing the company creed and management philosophy.

In performing our duties as members of the Daifuku Group, we act faithfully in accordance with the Group Code of Conduct under the following Basic Stance.

### <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.

## 2. Enlightenment measures of the Group Code of Conduct

Booklets containing the Group Code of Conduct are distributed not only to the Company but also to officers and employees of subsidiaries in Japan and overseas with translated versions as necessary, and the officers of the subsidiaries convey the Group’s spirit. In addition, with the aim of spreading this code more globally, in 2021 we created a Compliance Guidebook that explains the Group Code of Conduct in an easy-to-understand manner. We made the Guidebook multilingual and gave a detailed explanation in a video to the Group companies together with the CEO message.

### Supplementary Principle 2.2.1

The board should review regularly (or where appropriate) whether or not the code of conduct is being widely implemented. The review should focus on the substantive assessment of whether the company’s corporate culture truly embraces the intent and spirit of the code of conduct, and not solely on the form of implementation and compliance.

The current Group Code of Conduct was established by the Board of Directors in 2019 after reviewing the former Corporate Code of Conduct established in 2004 in light of changes in the social and business environment surrounding the Group, and was distributed within the Group. The Group Code of Conduct is based on the spirit of our management philosophy in which we consistently advocate a “fair and open corporate culture.”

### Principle 2.3: Sustainability Issues, Including Social and Environmental Matters

Companies should take appropriate measures to address sustainability issues, including social and environmental matters.

Daifuku recognizes that the risks and opportunities arising from sustainability issues have a significant impact on corporate value, and has established the Sustainability Committee chaired by the CEO to deliberate on overall sustainability issues.

Specific issues are identified in the Sustainability Action Plan. See Exhibit 2 for details. The progress of the Sustainability Action Plan is managed by the Sustainability Committee and material matters in particular will be reported to the Board of Directors. In addition, the results of these efforts are disclosed on our website.

Sustainability Action Plan

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

**Supplementary Principle 2.3.1**

The board should recognize that dealing with sustainability issues, such as taking care of climate change and other global environmental issues, respect of human rights, fair and appropriate treatment of the workforce including caring for their health and working environment, fair and reasonable transactions with suppliers, and crisis management for natural disasters, are important management issues that can lead to earning opportunities as well as risk mitigation, and should further consider addressing these matters positively and proactively in terms of increasing corporate value over the mid-to long-term.

See General Principle 2 and Principle 2.3 for the response to overall sustainability issues.

With respect to global environmental issues such as climate change, we disclose information based on TCFD with the management philosophy of “We will strive to realize a sustainable society that minimizes burdens on people and the environment, respects human rights, and encourages responsible manufacturing.” See Supplementary Principle 3.1.3 for details.

Among sustainability issues, regarding “respect for human rights,” which is premised on efforts in the value chain, we adopted a new human rights policy in October 2021 in addition to the existing Group Code of Conduct and CSR procurement standards. Currently, we are developing a human rights due diligence system in addition to a system to reduce and prevent human rights risks through our business. These new systems are scheduled to start operation by the end of the fiscal year ending March 31, 2023.

(Reference)

See the following for details on our sustainability initiatives.

Daifuku Report

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

DAIFUKU PROFILE

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

ESG Data

[www.daifuku.com/sustainability/data/esg-data](http://www.daifuku.com/sustainability/data/esg-data)

Sustainability Management

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

## Sustainability Action Plan

[www.daifuku.com/sustainability/management/plan](http://www.daifuku.com/sustainability/management/plan) (See Exhibit 2.)

### **Principle 2.4: Ensuring Diversity, Including Active Participation of Women**

Companies should recognize that the existence of diverse perspectives and values reflecting a variety of experiences, skills and characteristics is a strength that supports their sustainable growth. As such, companies should promote diversity of personnel, including the active participation of women.

Under our management philosophy, “We will 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.” Based on this philosophy, we will seek to ensure diversity, for instance by promoting the active participation of women within the Company.

#### Specific Disclosure

### **Supplementary Principle 2.4.1**

Companies should present their policies and voluntary and measurable goals for ensuring diversity in the promotion to core human resources, such as the promotion of women, foreign nationals and midcareer hires to middle managerial positions, as well as disclosing their status.

In addition, in light of the importance of human resource strategies for increasing corporate value over the mid-to long-term, companies should present its policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation.

## **1. Concept of ensuring diversity, policies for human resource development and internal environment development to ensure diversity**

We are promoting the employment of diverse human resources based on our management philosophy and the development of an environment where each employee is able to work actively with a sense of “motivation” and “ease of work.” Under the three-year business plan Value Transformation 2023, with the themes of adopting diverse human capital management systems and creating a global corporate culture, we are working to develop and promote human resources and improve employee engagement.

## **2. Status of ensuring diversity**

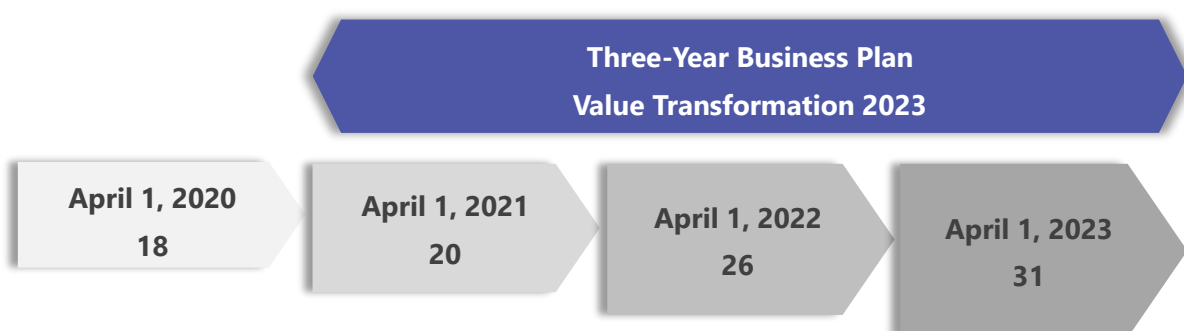
### **1) Policies and goals for promoting women to managerial positions**

To facilitate the active participation of women, we are developing and expanding a reinstatement support system that enables us to fully demonstrate our abilities and grow while



striving to balance childcare and work in time and economic terms. In addition to increasing the ratio of female employees, the number of female employees working as practical leaders and section managers is increasing and their field of activity is expanding. In addition, in the general employer action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace, we have set a target of increasing the number of female managers to 30 or more by April 1, 2023, compared with the previous target of 24 or more by March 31, 2025, as shown in the figure below. We will increase the number of female executives who are involved in management decision-making in the future.

## Changes in the number of female managers



### 2) Policies for promoting foreign nationals to managerial positions

With the globalization of our business, the number of foreign employees is increasing each year through both regular hiring and mid-career hiring. In addition to graduates of Japanese universities, we also carry out regular recruitment of graduates of overseas universities. Of the regular hires in the fiscal year ended March 31, 2024, 13.5% are foreign employees. We will continue to actively hire foreign employees. Four foreign managers are employed as of April 1, 2023. We expect that the number of foreign managers will continue to increase in line with globalization.

### 3) Policies for promoting mid-career professionals to managerial positions

We are actively hiring mid-career personnel, and the ratio of mid-career hires among full-time employees is 42.7% as of April 1, 2023. The same applies to the promotion to managerial positions. Mid-career hires accounted for 41.1% of assistant managers and 31.5% of managerial positions, as of April 1, 2023. Going forward, we will continue to introduce a professional system (a system different from the conventional remuneration system) in response to the sophistication of duties and actively hire mid-career personnel as qualified managers.

**Principle 2.5: Whistleblowing**

Companies should establish an appropriate framework for whistleblowing such that employees can report illegal or inappropriate behavior, disclosures, or any other serious concerns without fear of suffering from disadvantageous treatment. Also, the framework should allow for an objective assessment and appropriate response to the reported issues, and the board should be responsible for both establishing this framework, and ensuring and monitoring its enforcement.

**1. Development of whistleblowing system**

Daifuku has set up a whistleblower contact point mainly for consultations on violations of the law and misconduct. Accordingly, we have established whistleblowing system rules and their operational standards and operate them across the Group.

In addition to the internal reporting desk, we have a multilingual external reporting desk (with neutral external contractors) for whistleblowers. Anonymous reports are accepted by these reporting desks. In addition to executives and employees of Daifuku and the Daifuku Group, ongoing business partners (suppliers) are also free to use this system.

In the fiscal year ended March 31, 2023, 17 whistleblowers used this system. We have a counseling room for human resources matters such as the work environment.

**2. Operational status**

The Internal Reporting Secretariat is responsible for the administration of this system and verifies the facts of the report, determines the course of action to take, and handles investigations, among other duties. Should a compliance problem be identified through the investigation, we will take corrective action and measures to prevent a recurrence. If we determine that the results of the investigation are significant to the Group, we will report them to the Compliance Committee and the Audit & Supervisory Board.

The confidentiality of people involved in internal report work is maintained and we work to protect whistleblowers from unfair treatment deriving from their act of filing a report.

To buttress the effectiveness of this system, the CEO communicates messages through internal company networks, and we carry out continuous compliance training for employees. Going forward, we will continue to develop and operate a whistleblowing system that ensures higher reliability and effectiveness, with the aim of further strengthening compliance management and increasing corporate value.

See page 95, Daifuku Report 2022 for details.

<http://www.daifuku.com/ir/library/annualreport/>

#### Supplementary Principle 2.5.1

As a part of establishing a framework for whistleblowing, companies should establish a point of contact that is independent of the management (for example, a panel consisting of outside directors<sup>4</sup> and outside *kansayaku*<sup>5</sup>). In addition, rules should be established to secure the confidentiality of the information provider and prohibit any disadvantageous treatment. Furthermore, matters such as not holding a specific position in the parent company or other subsidiaries and not having specific kinship ties with controlling shareholders is also required for outside *kansayaku* under the Companies Act.

<sup>4</sup> Outside director: A director who satisfies certain requirements such as not holding specific positions, including the position of executive director, in the company or its subsidiaries (Article 2, Paragraph 15 of the Companies Act). Furthermore, matters such as not holding a specific position in the parent company or other subsidiaries and not having specific kinship ties with controlling shareholders is also required for outside directors under the Companies Act.

<sup>5</sup> Outside *kansayaku*: A *kansayaku* who satisfies certain requirements such as not holding specific positions, including the position of director, in the company or its subsidiaries (Article 2, Paragraph 16 of the Companies Act).

See Principle 2.5.

#### Specific Disclosure

#### Principle 2.6: Roles of Corporate Pension Funds as Asset Owners

Because the management of corporate pension funds impacts stable asset formation for employees and companies' own financial standing, companies should take and disclose measures to improve human resources and operational practices, such as the recruitment or assignment of qualified persons, in order to increase the investment management expertise of corporate pension funds (including stewardship activities such as monitoring the asset managers of corporate pension funds), thus making sure that corporate pension funds perform their roles as asset owners. Companies should ensure that conflicts of interest which could arise between pension fund beneficiaries and companies are appropriately managed.

Daifuku's basic policy on the investment of reserves to be applied to its defined benefit pension plan (hereinafter, "pension assets") is to achieve the total returns that are deemed necessary in the long term while taking medium-term downside risks into consideration, to ensure the payment of pension benefits to pension scheme members, recipients, etc. in the future.

- Daifuku shall appoint, evaluate, and manage asset managers in accordance with this basic policy.
- Daifuku shall seek the safe and efficient management of its pension assets by establishing the Pension Assets Management Committee.
- The Pension Assets Management Committee shall be chaired by the Chief Financial Officer (CFO). Committee members shall be the officers responsible for operations, such as personnel affairs, general affairs, finance and accounting, the chairperson of the labor union executive committee, and the head of the health insurance society. If a suspected conflict of interest might arise as a result of such members' participation in deliberations, such members shall be excluded from deliberations as appropriate.

## **Section 3: Ensuring Appropriate Information Disclosure and Transparency**

### **General Principle 3**

Companies should appropriately make information disclosure in compliance with the relevant laws and regulations, but should also strive to actively provide information beyond that required by law. This includes both financial information, such as financial standing and operating results, and non-financial information, such as business strategies and business issues, risk and governance.

The board should recognize that disclosed information will serve as the basis for constructive dialogue with shareholders, and therefore ensure that such information, particularly non-financial information, is accurate, clear and useful.

The Group aims to realize fair, highly transparent management by being proactive in information provision other than statutory disclosure, not to mention disclosing information appropriately in compliance with relevant laws and regulations.

### **1. Information disclosure in compliance with the relevant laws and regulations**

We have established the Disclosure Committee chaired by the CEO that ensures the timely disclosure of financial results, information related to corporate decisions, and information related to the occurrence of material facts. In the event of a disaster or similar, the committee will cooperate with departments related to risk management.

We have established a disclosure policy to ensure appropriate information disclosure and transparency.

[www.daifuku.com/ir/policy/governance/disclosure-policy](http://www.daifuku.com/ir/policy/governance/disclosure-policy)

### **2. Information disclosure beyond that required by laws and regulations**

We have created the Daifuku Report as integrated reporting with enhanced non-financial information to enhance information disclosure. In particular, we have posted comments from outside directors continuously since the 2015 edition of the Annual Report.

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

In addition to the Daifuku Report, we also use our website to provide information as follows.

Financial Highlights

[www.daifuku.com/ir/financials/fhighlight](http://www.daifuku.com/ir/financials/fhighlight)

Three-Year Business Plan

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

Corporate Governance

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

DAIFUKU PROFILE

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

## Specific Disclosure

### Principle 3.1: Full Disclosure

In addition to making information disclosure in compliance with relevant laws and regulations, companies should disclose and proactively provide the information listed below (along with the disclosures specified by the principles of the Code) in order to enhance transparency and fairness in decision-making and ensure effective corporate governance:

- i) Company objectives (e.g., business principles), business strategies and business plans;
- ii) Basic views and guidelines on corporate governance based on each of the principles of the Code;
- iii) Board policies and procedures in determining the remuneration of the senior management and directors;
- iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and *kansayaku* candidates; and
- v) Explanations with respect to the individual appointments/dismissals and nominations based on iv).

#### **i) Company objectives (e.g., business principles), business strategies and business plans**

We have formulated and disclose our management philosophy, business strategies, and business plans. See Principle 2.1 for the management philosophy, and Principle 5.2 for business strategies and business plans.

#### **ii) Basic views and guidelines on corporate governance based on each of the principles of the Code**

Daifuku Group's Basic Policy for Corporate Governance summarizes the basic views and guidelines on corporate governance based on each of the principles of the Code.

#### **iii) Board policies and procedures in determining the remuneration of senior management and directors**

We disclose these policies and procedures in securities reports, etc.

#### **iv) Board policies and procedures in the appointment/dismissal of senior management and the nomination of directors and *kansayaku* candidates**

We use the Advisory Committee. See Supplementary Principle 4.10.1.

## v) Explanations with respect to individual appointments/dismissals and nominations based on iv)

We summarize the background of each candidate and the reasons for their selection as a candidate in the proposal for the election of directors in the convening notice.

### Supplementary Principle 3.1.1

These disclosures, including disclosures in compliance with relevant laws and regulations, should add value for investors, and the board should ensure that information is not boiler-plate or lacking in detail.

We strive to disclose specific and easy-to-understand information in securities reports, by increasing the number of explanations using charts.

Prime Market

### Supplementary Principle 3.1.2

Bearing in mind the number of foreign shareholders, companies should, to the extent reasonable, take steps for providing English language disclosures.

In particular, companies listed on the Prime Market should disclose and provide necessary information in their disclosure documents in English.

We disclose convening notices, financial statements, financial results briefing materials, securities reports, corporate governance reports, Daifuku Report, timely disclosures, etc. in English.

Prime Market

### Supplementary Principle 3.1.3

Specific Disclosure

Companies should appropriately disclose their initiatives on sustainability when disclosing their management strategies. They should also provide information on investments in human capital and intellectual properties in an understandable and specific manner, while being conscious of the consistency with their own management strategies and issues.

In particular, companies listed on the Prime Market should collect and analyze the necessary data on the impact of climate change-related risks and earning opportunities on their business activities and profits, and enhance the quality and quantity of disclosure based on the TCFD recommendations, which are an internationally well-established disclosure framework, or an equivalent framework.

## **1. Disclosure on sustainability initiatives**

The Group positions its three-year business plan Value Transformation 2023, which started in April 2021, and the Sustainability Action Plan (hereinafter, the “Plan”) as the two wheels of its business strategy. We will contribute to realizing a sustainable society through our business activities. The Board of Directors receives status reports from the Sustainability Committee chaired by the CEO, which manages the progress of the Plan, to achieve the goals, and provides effective supervision. We regularly disclose details of our initiatives in the Daifuku Report and our website. See Exhibit 2 for details on the Plan.

## **2. Investing in human capital**

To realize the reform of the personnel system and the transformation of internal perceptions set forth in the three-year business plan, we will work to develop and appoint human resources through global talent management and improve employee engagement across the Group.

### **1) Human resources management**

We are building a human resources management platform across the Group, working to unify the evaluation, compensation, and development policies common to the Group, and building a talent management system for the promotion of human resources that transcends the boundaries of global business units. In addition, our employee engagement is defined as a relationship (career realization) that allows employees and the company to grow together based on employees’ willingness to contribute voluntarily (motivation to work) and an environment where employees can demonstrate their abilities (ease of work). We will foster a sense of unity and improve productivity for the entire Group, and work to promote detailed and considerate human resources management that responds to the diverse features of individuals.

### **2) Promoting diversity**

We are promoting the development of an environment where each employee is able to work with a sense of “motivation” and “ease of work.” As part of work style reforms, we have introduced a work-from-home system for all employees to improve productivity and harmonize work-life balance. See Supplementary Principle 2.4.1 for the appointment of female managers. In addition to the target number of female managers, in the Plan we have set a target for the acquisition rate for male childcare leave (10% in the fiscal year ending March 31, 2024) and a target for the employment rate of persons with disabilities (statutory employment rate to achieve in the fiscal year ending March 31, 2024).

### **3) Human resources development**



We encourage our employees by providing self-motivated learning opportunities and a position-specific training system, as well as a global leadership training program for the next generation, including candidates for senior management of non-Japan Group companies. In addition, the training attendance record is managed by the talent management system (human resources database), due to promotion requirements.

### **3. Investing in intellectual property**

One of the themes of the Plan is to contribute to a smart society through technological development and the provision of products and services. As material issues, we have specified innovative technology development and invention promotion, and list the amount of innovation investment (R&D expense + digital transformation (DX) investment amount) and the number of patent registrations in KPIs.

The amount of innovation investment in the fiscal year ended March 31, 2022 was 13 billion yen. We regard the number of patent registrations as one of the pillars of our intellectual property strategy, and will focus on enhancing quality by actively discovering high-quality patents in addition to the number of patents. We will also focus on promoting open innovation through industry-academia collaboration, which will lead to investment and commercialization in promising new fields.

### **4. Impact of climate change risks and opportunities on our business activities and profits**

#### **1) Response to the TCFD recommendations**

In 2019, we expressed our assent to the TCFD recommendations and in May 2020 we disclosed information on the impact of climate change risks and opportunities on our business activities and profits. As a result of scenario analysis at the time of disclosure, as a risk, the taxation of carbon tax may result in a decrease of 560 million yen on an income basis. As an opportunity, we believe that the risk will be outweighed by changes in the environment, such as increasing needs for e-commerce and low-temperature logistics, as well as the expansion of Daifuku Eco-Products (our eco-friendly products). We will scrutinize them further.

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

Based on the Sustainability Committee's escalation to the Board of Directors, following the announcement of our assent to the TCFD recommendations, we formulated Daifuku Environmental Vision 2050, which aims for a world where material handling systems have zero environmental impact in 2050, and bears the slogan "One-Daifuku Zero." In February 2021, we disclosed our vision for the future and our milestone target for 2030 at the same time as the three-year business plan.

### 3) Enhancing the quality and quantity of disclosures related to climate change

In principle, the basic framework for responding to climate change will be reviewed in line with the drafting of three- to four-year business plans. The Committee will report to the Board of Directors whenever new risks or opportunities arise. The Committee regularly reports to the Board of Directors on progress and performance concerning indicators and targets.

We will disclose the above contents through our website, etc.

#### **Principle 3.2: External Auditors**

External auditors and companies should recognize the responsibility that external auditors owe toward shareholders and investors, and take appropriate steps to secure the proper execution of audits.

The accounting auditor (PricewaterhouseCoopers Aarata) and Daifuku recognize the responsibility that the accounting auditor has with respect to shareholders and investors, and take appropriate steps to secure the proper execution of audits. See our audit status in the securities report for details.

#### **Supplementary Principle 3.2.1**

The *kansayaku* board should, at minimum, ensure the following:

- i) Establish standards for the appropriate selection of external auditor candidates and proper evaluation of external auditors; and
- ii) Verify whether external auditors possess necessary independence and expertise to fulfill their responsibilities.

The Audit & Supervisory Board formulates criteria for the appropriate selection of accounting auditor candidates and proper evaluation of accounting auditors. In addition, the Audit & Supervisory Board verifies that accounting auditors possess the necessary independence and expertise to fulfill their responsibilities. See our audit status in the securities report for details.

#### **Supplementary Principle 3.2.2**

The board and the *kansayaku* board should, at minimum, ensure the following:

- i) Give adequate time to ensure high quality audits;
- ii) Ensure that external auditors have access, such as via interviews, to the senior management including the CEO and the CFO;
- iii) Ensure adequate coordination between external auditors and each of the *kansayaku* (including

attendance at the *kansayaku* board meetings), the internal audit department and outside directors; and  
 iv) Ensure that the company is constituted in the way that it can adequately respond to any misconduct, inadequacies or concerns identified by the external auditors.

**i) Give adequate time to ensure high quality audits**

The CFO and the Audit & Supervisory Board hear the audit plan from the accounting auditor and confirm the appropriateness and sufficiency of the audit time. In addition, the CFO and the Audit & Supervisory Board receive reports from the accounting auditor on the results of quarterly reviews and year-end audits, and confirm the status of audit time plans and actual results.

**ii) Ensure that external auditors have access, such as via interviews, to senior management, including the CEO and the CFO**

The accounting auditor and the CEO hold individual interviews once a year for a general exchange of views, in addition to regular quarterly financial interviews. The accounting auditor and the CFO hold quarterly interviews to exchange opinions.

**iii) Ensure adequate coordination between external auditors and each of the *kansayaku* (including attendance at the *kansayaku* board meetings), the internal audit department and outside directors**

Audit & Supervisory Board members communicate closely with the accounting auditor as follows.

- Explanation of audit plan, and results of quarterly review and year-end audit
- A system to ensure that the duties of the accounting auditor are properly performed, and measures to ensure independence
- Hearing the results of inspections by external organizations

The full-time Audit & Supervisory Board member collaborates with the accounting auditor in audits of inventories, visits to factories and installation sites, and internal control system (J-SOX) evaluation tests. The Audit Division is also present at the audit results report meeting.

The Audit Division collaborates with the accounting auditor in internal control system (J-SOX) evaluation tests.

The Audit & Supervisory Board holds regular meetings with the CEO and outside directors to exchange opinions on issues related to management and audits, fully considering communications with the above-mentioned accounting auditor.

**iv) Ensure that the company is constituted in the way that it can adequately respond to any misconduct, inadequacies or concerns identified by the external auditors**

When the accounting auditor identifies misconduct, inadequacies, concerns, etc., Daifuku investigates the cause, reports it to senior management including the heads of global business units, creates recurrence prevention measures, and reports them to the accounting auditor. Further, we verify whether recurrence prevention measures are active to implement the PDCA cycle.

## Section 4: Responsibilities of the Board

### General Principle 4

Given its fiduciary responsibility and accountability to shareholders, in order to promote sustainable corporate growth and the increase of corporate value over the mid- to long-term and enhance earnings power and capital efficiency, the board should appropriately fulfill its roles and responsibilities, including:

- (1) Setting the broad direction of corporate strategy;
- (2) Establishing an environment where appropriate risk-taking by the senior management is supported; and
- (3) Carrying out effective oversight of directors and the management (including *shikkoyaku*<sup>7</sup> and so-called *shikkoyakuin*<sup>8</sup>) from an independent and objective standpoint.

<sup>7</sup> *Shikkoyaku*: According to the Companies Act, Companies with Three Committees (Nomination, Audit and Remuneration) must appoint one or more *shikkoyaku* from directors or non-directors by a resolution of the board and delegate business administration to *shikkoyaku*. Also, authority to make certain kinds of business decisions may be delegated to *shikkoyaku*.

<sup>8</sup> *Shikkoyakuin*: There are cases where a Company with *Kansayaku* Board or a Company with Supervisory Committee creates positions with the title of “*shikkoyakuin*” for persons who are delegated by the board a certain range of discretion regarding business administration. Unlike *shikkoyaku* in Companies with Three Committees (Nomination, Audit and Remuneration), *shikkoyakuin* is not a statutory position.

Such roles and responsibilities should be equally and appropriately fulfilled regardless of the form of corporate organization — i.e., Company with *Kansayaku* Board (where a part of these roles and responsibilities are performed by *kansayaku* and the *kansayaku* board), Company with Three Committees (Nomination, Audit and Remuneration), or Company with Supervisory Committee.

### 1. Setting the direction of corporate strategy

The Board of Directors actively discussed the formulation of the three-year business plan Value Transformation 2023, Sustainability Action Plan, and Daifuku Environmental Vision 2050, and the review of the management philosophy, etc.; and has decided the basic direction of our corporate strategy.

### 2. Establishing an environment where appropriate risk-taking by senior management is supported

To facilitate swift and decisive risk-taking by management and make important decisions under highly effective supervision, we strive to secure outside directors with sufficient mass and ensure

highly reliable audits. In addition, to carry out swift and decisive risk-taking by management, we have established the management philosophy and three-year business plan as follows.

- Management philosophy:  
We will ensure a fair and open corporate culture that respects diversity and allows each individual to excel.
- Three-year business plan Value Transformation 2023:  
The Group will promote DX<sup>2</sup> (DX Squared), in response to rapid changes in the environment surrounding the Group, including the new normal and the global expansion and diversification of automation needs. The Group will transform the value provided to its customers and other stakeholders through the promotion of both digital transformation (DX) and the transformation of the Daifuku Group itself (Daifuku Transformation).

### 3. Carrying out effective oversight of directors and the management from an independent and objective standpoint

More than one third of the Board of Directors consists of independent outside directors and the Board is designed with an emphasis on diversity. To supplement the functions of the Board of Directors, Daifuku has an Advisory Committee, which deliberates on the nomination, election and dismissal, and the remuneration of management team members.

#### Principle 4.1: Roles and Responsibilities of the Board (1)

The board should view the establishment of corporate goals (business principles, etc.) and the setting of strategic direction as one major aspect of its roles and responsibilities. It should engage in constructive discussion with respect to specific business strategies and business plans, and ensure that major operational decisions are based on the company's strategic direction.

The main roles and responsibilities of the Board of Directors is to establish Daifuku's management philosophy, etc. to determine the strategic direction. It undertakes constructive discussions about specific management policies, management plans, and other aspects. Based on this direction, it makes major operational decisions.

#### Specific Disclosure

#### Supplementary Principle 4.1.1

The board should clearly specify its own decisions as well as both the scope and content of the matters delegated to the management, and disclose a brief summary thereof.

The Board of Directors delegates matters other than the important matters stipulated in the rules of the Board of Directors, such as the determination of management policies, business plans, and

corporate governance system, to management.

#### **Supplementary Principle 4.1.2**

Recognizing that a mid-term business plan (*chuuki keiei keikaku*) is a commitment to shareholders, the board and the senior management should do their best to achieve the plan. Should the company fail to deliver on its mid-term business plan, the reasons underlying the failure of achievement as well as the company's actions should be fully analyzed, an appropriate explanation should be given to shareholders, and analytic findings should be reflected in a plan for the ensuing years.

The Board of Directors prepares a three- to four-year business plan in consideration of the prevailing social and economic conditions and business environment. We recognize that the three- to four-year business plan is one of our commitments to shareholders. In the event of a shortfall in the business plan targets, the cause will be analyzed to evaluate and reflect the analysis in the following business plan, and then the issues will be explained to shareholders and investors. The above review was considered in the formulation and announcement of the three-year business plan Value Transformation 2023, which started in April 2021.

#### **Supplementary Principle 4.1.3**

Based on the company objectives (business principles, etc.) and specific business strategies, the board should proactively engage in the establishment and implementation of a succession plan for the CEO and other top executives and appropriately oversee the systematic development of succession candidates, deploying sufficient time and resources.

On receiving a report from the Advisory Committee, the Board of Directors decides on the preparation of a succession plan, the identification of qualities required of a successor, and the appointment of specific successor candidates.

In selecting corporate officers who will serve as a pool for future senior management and the CEO, sufficient deliberation is conducted in light of criteria such as personality/humanity, insight, business execution ability, management perspective, and awareness of management participation. In addition, as a promising human resources pool in the future, we use internal selection systems for leadership training and senior manager (corporate officer candidate) training, and we work to enhance this by having outside directors serve as training instructors. As for the successor to the CEO, outside directors have many opportunities to directly understand the character and way of thinking of successor candidates by participating in important meetings other than Board meetings, such as management advisory meetings, officers meetings, and Compliance Committee meetings. This helps facilitate discussions in the Advisory Committee.

### **Principle 4.2: Roles and Responsibilities of the Board (2)**

The board should view the establishment of an environment that supports appropriate risk-taking by the senior management as a major aspect of its roles and responsibilities. It should welcome proposals from the management based on healthy entrepreneurship, fully examine such proposals from an independent and objective standpoint with the aim of securing accountability, and support timely and decisive decision-making by the senior management when approved plans are implemented.

Also, the remuneration of the management should include incentives such that it reflects mid- to long-term business results and potential risks, as well as promotes healthy entrepreneurship.

The Board of Directors intensively deliberates on important matters stipulated in the rules of the Board of Directors, while delegating normal business operations to corporate officers to support swift and decisive decision-making. Our directors strive to identify risks that should be taken and risks that should be avoided by attending officers meetings held mainly by corporate officers. See Supplementary Principle 4.2.1 for medium- to long-term performance incentives.

#### **Supplementary Principle 4.2.1**

The board should design management remuneration systems such that they operate as a healthy incentive to generate sustainable growth, and determine actual remuneration amounts appropriately through objective and transparent procedures. The proportion of management remuneration linked to mid- to long-term results and the balance of cash and stock should be set appropriately.

The remuneration for executive directors consists of base salary as fixed compensation, a bonus as short-term performance-linked compensation, and medium- to long-term performance-linked equity compensation. See “Remuneration for officers” in the securities report for details.

#### **Supplementary Principle 4.2.2**

The board should develop a basic policy for the company’s sustainability initiatives from the perspective of increasing corporate value over the mid- to long- term.

In addition, in light of the importance of investments in human capital and intellectual properties, the board should effectively supervise the allocation of management resources, including such investments, and the implementation of business portfolio strategies to ensure that they contribute to the sustainable growth of the company.



The Board of Directors has adopted the following basic policies regarding its own sustainability initiatives.

## 1. Formulation of basic policies on our sustainability initiatives

The Group positions its three-year business plan Value Transformation 2023 and the Sustainability Action Plan (hereinafter, the “Plan”) as the two wheels of its business strategy. We will contribute to realizing a sustainable society through our business activities. From an environmental standpoint, Daifuku has set a goal of creating material handling systems with zero environmental impact by 2050 and has established targets for identified issue areas to be achieved by 2030 as stated in its Environmental Vision 2050, which was formulated in conjunction with the business plan.

See Exhibit 2 for details on the Plan.

## 2. Allocation of management resources and supervision of business portfolio strategies

In the Plan, as for human capital, we set KPIs for (1) strengthening education for managerial employees and candidates; and (2) developing training using online resources and encouraging autonomous learning. In addition, changes in personnel are reported to the Board of Directors every month. The status of promotions, major transfers, and training is also reported as appropriate.

Similarly, for investments related to intellectual property, the amount of innovation investment (total of R&D investment and DX investment amount) and the number of patent registrations have been converted into KPIs. The amount of innovation investment in the fiscal year ended March 31, 2022 was 13 billion yen.

See Principle 5.2 for the implementation of business portfolio strategies.

### Principle 4.3: Roles and Responsibilities of the Board (3)

The board should view the effective oversight of the management and directors from an independent and objective standpoint as a major aspect of its roles and responsibilities. It should appropriately evaluate company performance and reflect the evaluation in its assessment of the senior management.

In addition, the board should engage in oversight activities in order to ensure timely and accurate information disclosure, and should establish appropriate internal control and risk management systems.

Also, the board should appropriately deal with any conflict of interests that may arise between the company and its related parties, including the management and controlling shareholders.

The Board of Directors carries out effective oversight of management and directors from an independent and objective standpoint. See Supplementary Principles 4.3.1 to 4.3.3 for management personnel, Supplementary Principle 4.3.4 for the risk management system, General Principle 3 for information disclosure, and Principle 1.7 for the management of conflicts of interest.

### **Supplementary Principle 4.3.1**

The board should ensure that the appointment and dismissal of the senior management are based on highly transparent and fair procedures via an appropriate evaluation of the company's business results.

We ensure fair and highly transparent procedures using the Advisory Committee.

### **Supplementary Principle 4.3.2**

Because the appointment/dismissal of the CEO is the most important strategic decision for a company, the board should appoint a qualified CEO through objective, timely, and transparent procedures, deploying sufficient time and resources.

- The Board of Directors resolves to appoint a CEO following an examination by the Advisory Committee using objective criteria based on the qualities of the candidate.
- The Advisory Committee considers the qualities required of the CEO, the appointment and evaluation of specific successor candidates, etc., and reports to the Board of Directors.

### **Supplementary Principle 4.3.3**

The board should establish objective, timely, and transparent procedures such that a CEO is dismissed when it is determined, via an appropriate evaluation of the company's business results, that the CEO is not adequately fulfilling the CEO's responsibilities.

The Board of Directors resolves to dismiss a CEO following an examination by the Advisory Board using objective criteria, if the CEO's qualities that existed at the time of appointment are lacking.

### **Supplementary Principle 4.3.4**

The establishment of effective internal control and proactive enterprise risk management systems has the potential to support sound risk-taking. The board should appropriately establish such systems on an enterprise basis and oversee the operational status, besides utilizing the internal audit department.

## 1. Company-wide risk management system

Under the direction of the CEO, we plan and promote company-wide risk management measures. Based on the Risk Management Rules, we have established a risk management promotion framework consisting of the heads of business units. Daifuku conducts risk assessments on a regular basis (generally once a year) for the entire Group worldwide to appropriately understand the risks that affect the Group's business. For each risk, the department in charge is working to mitigate the risk and minimize the impact of risks that do occur based on the level of criticality. The Sustainability Promotion Department centrally manages and reports high-priority risks to the Board of Directors.

## 2. Use of internal audit unit

The Audit Division, which is responsible for establishing and operating an internal audit system, has been established under the direct control of the Board of Directors. As one of the functions, from the viewpoint of implementing risk management, the Audit Division verifies and evaluates the development and operation status of the internal control system and promotes improvements.

### **Principle 4.4: Roles and Responsibilities of *Kansayaku* and the *Kansayaku* Board**

*Kansayaku* and the *kansayaku* board should bear in mind their fiduciary responsibilities to shareholders and make decisions from an independent and objective standpoint when executing their roles and responsibilities including the audit of the performance of directors' duties, appointment and dismissal of *kansayaku* and external auditors, and the determination of auditor remuneration.

Although so-called "defensive functions," such as business and accounting audits, are part of the roles and responsibilities expected of *kansayaku* and the *kansayaku* board, in order to fully perform their duties, it would not be appropriate for *kansayaku* and the *kansayaku* board to interpret the scope of their function too narrowly, and they should positively and proactively exercise their rights and express their views at board meetings and to the management.

The Audit & Supervisory Board consists of four members, three of whom are outside members, ensuring an independent and objective position and making appropriate decisions. See Supplementary Principle 4.4.1 for details.

In addition, as stated in the Objectives of the Daifuku Group's Basic Policy for Corporate Governance (hereinafter, the "Policy"), the Group aims to build sustainable growth and increase corporate value through fair, transparent, and swift decision-making and will reinforce its internal system to avoid

risks and prevent misconduct. In line with the Policy, each Audit & Supervisory Board member actively and proactively exercises authority and appropriately expresses opinions to management.

#### **Supplementary Principle 4.4.1**

Given that not less than half of the *kansayaku* board must be composed of outside *kansayaku* and that at least one full-time *kansayaku* must be appointed in accordance with the Companies Act, the *kansayaku* board should, from the perspective of fully executing its roles and responsibilities, increase its effectiveness through an organizational combination of the independence of the former and the information gathering power of the latter. In addition, *kansayaku* or the *kansayaku* board should secure cooperation with outside directors so that such directors can strengthen their capacity to collect information without having their independence jeopardized.

The Audit & Supervisory Board consists of four Audit & Supervisory Board members. Of these, three are outside Audit & Supervisory Board members who execute their roles and responsibilities including the audit of the performance of directors' duties, election and dismissal of Audit & Supervisory Board members and accounting auditors, and the determination of auditor remuneration, from an independent and objective standpoint.

To enhance the effectiveness of audits by Audit & Supervisory Board members, the Audit & Supervisory Board Office has been established to assist the duties of Audit & Supervisory Board members and the Audit & Supervisory Board. Currently, an audit officer assumes the role of general manager of the Office. An audit officer system has been established for the purpose of strengthening audit-related functions. The audit officer is equivalent to corporate officers and attends meetings of the Board of Directors.

Full-time Audit & Supervisory Board members report the collected information to outside Audit & Supervisory Board members at meetings of the Audit & Supervisory Board. Outside Audit & Supervisory Board members also attend important meetings such as meetings of the Board of Directors and officers meetings with the accounting auditor to collect information and, at the same time, express their opinions as necessary.

The Audit & Supervisory Board holds regular meetings with the CEO and outside directors to deepen mutual recognition and relationships of trust by exchanging opinions on issues related to management and audits.

#### **Principle 4.5: Fiduciary Responsibilities of Directors and *Kansayaku***

With due attention to their fiduciary responsibilities to shareholders, the directors, *kansayaku* and the management of companies should secure the appropriate cooperation with stakeholders and act in the interest of the company and the common interests of its shareholders.

Directors, Audit & Supervisory Board members, and senior management recognize their fiduciary responsibilities to shareholders and act to enhance the interests of the company and the common interests of its shareholders. We will focus on appropriate cooperation with stakeholders not only for economic benefits but also for increasing social value.

**Principle 4.6: Business Execution and Oversight of the Management**

In order to ensure effective, independent and objective oversight of the management by the board, companies should consider utilizing directors who are neither involved in business execution nor have close ties with the management.

More than one third of the Board of Directors are independent outside directors (four out of nine directors, or 44%), ensuring the effectiveness of independent and objective management supervision. In addition, we have 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, striving to utilize independent outside directors, such as by assigning independent outside directors to the chair.

**Principle 4.7: Roles and Responsibilities of Independent Directors**

Companies should make effective use of independent directors<sup>9</sup>, taking into consideration the expectations listed below with respect to their roles and responsibilities:

- i) Provision of advice on business policies and business improvement based on their knowledge and experience with the aim to promote sustainable corporate growth and increase corporate value over the mid- to long-term;
- ii) Monitoring of the management through important decision-making at the board including the appointment and dismissal of the senior management;
- iii) Monitoring of conflicts of interest between the company and the management or controlling shareholders; and
- iv) Appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management and controlling shareholders.

<sup>9</sup> Independent director: The listing rules of securities exchanges provide that the outside directors, as

defined in the Companies Act, are independent directors where they satisfy independence criteria of securities exchanges and the company determines that they do not have the possibility of conflicts of interest with its shareholders

Independent outside directors provide advice and recommendations from a professional standpoint regarding overall management, ensure management transparency, and supervise business execution by internal directors. Specifically, as follows:

- Strengthening overall corporate governance
- Giving advice on management policies and management improvement from the viewpoint of the sustainable growth of the Group and the medium- to long-term improvement of its corporate value
- Implementing measures for reflecting the opinions of minority shareholders and other stakeholders in Board of Directors' meetings in an appropriate manner
- Election and dismissal of senior management, examination of officers' remuneration, and reporting to the Board of Directors
- Monitoring of conflicts of interest between the company and the management or controlling shareholders

In each case, they fulfill their responsibilities by actively expressing opinions at meetings of the Board of Directors, etc. See pages 100-105, Daifuku Report 2022 for details.

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

## Prime Market

### **Principle 4.8: Effective Use of Independent Directors**

Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid- to long-term. Companies listed on the Prime Market should therefore appoint at least one-third of their directors as independent directors (two directors if listed on other markets) that sufficiently have such qualities.

Irrespective of the above, if a company listed on the Prime Market believes it needs to appoint the majority of directors (at least one-third of directors if listed on other markets) as independent directors based on a broad consideration of factors such as the industry, company size, business characteristics, organizational structure and circumstances surrounding the company, it should appoint a sufficient number of independent directors.

The Board of Directors appoints eligible persons who are capable of fulfilling the duties and responsibilities as persons entrusted with management by shareholders, taking into consideration

their personality and insight, as candidates for directors based on the report from the Advisory Committee. As a result of the ordinary general meeting of shareholders held in June 2022, nine directors, four of whom were independent outside directors, were elected. At 44%, this exceeds the one-third of independent outside directors required for companies listed on the Prime Market. The election of a majority of independent outside directors will be examined as a future issue.

#### **Supplementary Principle 4.8.1**

In order to actively contribute to discussions at the board, independent directors should endeavor to exchange information and develop a shared awareness among themselves from an independent and objective standpoint. Regular meetings consisting solely of independent directors (executive sessions) would be one way of achieving this.

Independent outside directors exchange information and share awareness from an independent and objective standpoint, based on attendance at important meetings and committees, such as Board meetings, officers meetings, management advisory meetings, and the Advisory Committee, and open-minded expressions of opinions. In the evaluation of the Board of Directors' effectiveness, the question, "Is there a constructive discussion and exchange of opinions with an open rather than formal atmosphere?" has been highly evaluated. See our status of corporate governance in the securities report for details.

#### **Supplementary Principle 4.8.2**

Independent directors should endeavor to establish a framework for communicating with the management and for cooperating with *kansayaku* or the *kansayaku* board by, for example, appointing the lead independent director from among themselves.

Outside directors attend not only the Board meetings but also attend management advisory meetings and officers meetings. In addition, we provide opportunities to exchange information with management at meetings of the Advisory Committee, and to regularly exchange information with the Audit & Supervisory Board, including outside Audit & Supervisory Board members.

Prime Market

#### **Supplementary Principle 4.8.3**

Companies that have a controlling shareholder should either appoint at least one- third of their directors (the majority of directors if listed on the Prime Market) as independent directors who are independent of the controlling shareholder or establish a special committee composed of independent persons including independent director(s) to deliberate and review material transactions or actions that conflict with the

interests of the controlling shareholder and minority shareholders.

At this time, we have no controlling shareholders. In the future, if a controlling shareholder emerges, we will respond in accordance with this clause.

Specific Disclosure

**Principle 4.9: Independence Standards and Qualification for Independent Directors**

Boards should establish and disclose independence standards aimed at securing effective independence of independent directors, taking into consideration the independence criteria set by securities exchanges. The board should endeavor to select independent director candidates who are expected to contribute to frank, active and constructive discussions at board meetings.

We have established our own standards based on the independence standards set by the Tokyo Stock Exchange and review them as necessary, and have included them in the convening notice, corporate governance report, and securities report to help shareholders make decisions on exercising their voting rights. As for an outline of what we expect from each independent outside director candidate, the status of their remarks, and the duties they have performed regarding their expected role, we make disclosure in the convening notice.

**Principle 4.10: Use of Optional Approach**

In adopting the most appropriate organizational structure (as stipulated by the Companies Act) that is suitable for a company's specific characteristics, companies should employ optional approaches, as necessary, to further enhance governance functions.

See Supplementary Principle 4.10.1 for details.

Prime Market

**Supplementary Principle 4.10.1**

Specific Disclosure

If the organizational structure of a company is either Company with *Kansayaku* Board or Company with Supervisory Committee and independent directors do not compose a majority of the board, in order to strengthen the independence, objectivity and accountability of board functions on the matters of nomination (including succession plan) and remuneration of the senior management and directors, the company should seek appropriate involvement and advice from the committees, including from the perspective of gender and other diversity and skills, in the examination of such important matters as



nominations and remuneration by establishing an independent nomination committee and remuneration committee under the board, to which such committees make significant contributions.

In particular, companies listed on the Prime Market should basically have the majority of the members of each committee be independent directors, and should disclose the mandates and roles of the committees, as well as the policy regarding the independence of the composition.

As a company listed on the Prime Market, we have formulated the contents required for this clause in our internal rules as follows.

1. Composition:

The Advisory Committee consists of at least one representative director and three or more members, including one or more outside directors, and meets at least three times a year. In the fiscal year ended March 31, 2023, the Committee consists of one representative director and all four outside directors. The Committee is chaired by one of the outside directors.

2. Roles and authority:

When the Board of Directors decides on the following matters, it is to ensure the transparency of the resolution process at the Board meeting and the fairness of the resolution, by receiving an inquiry from the Board of Directors, examining the content in advance and making a report. The Board of Directors makes resolutions respecting the opinions of the Committee.

- Appointment and dismissal of representative directors and election and dismissal of executives of the Board of Directors
- Nomination of candidates for directors and Audit & Supervisory Board members
- Election and dismissal of corporate officer candidates and corporate officers with roles
- Election and dismissal of audit officer candidates and audit officers with roles
- Remuneration of all directors and corporate officers

**Principle 4.11: Preconditions for Board and *Kansayaku* Board Effectiveness**

The board should be well balanced in knowledge, experience and skills in order to fulfill its roles and responsibilities, and it should be constituted in a manner to achieve both diversity, including gender, international experience, work experience and age, and appropriate size. In addition, persons with appropriate experience and skills as well as necessary knowledge on finance, accounting, and the law should be appointed as *kansayaku*. In particular, at least one person who has sufficient expertise on finance and accounting should be appointed as *kansayaku*.

The board should endeavor to improve its function by analyzing and evaluating effectiveness of the board as a whole.

The Board of Directors will continue to consider diversity and size, including gender, internationality, work experience, and age.

The Audit & Supervisory Board appoints persons who have sufficient knowledge of finance and accounting as full-time Audit & Supervisory Board members.

Specific Disclosure

**Supplementary Principle 4.11.1**

The board should identify the skills, etc. that it should have in light of its managing strategies, and have a view on the appropriate balance between knowledge, experience and skills of the board as a whole, and also on diversity and appropriate board size. Consistent with its view, the board should establish policies and procedures for nominating directors and disclose them along with the combination of skills, etc. that each director possesses in an appropriate form according to the business environment and business characteristics, etc., such as what is known as a “skills matrix.” When doing so, independent director(s) with management experience in other companies should be included.

The Board of Directors identifies the skills that it should prepare in the medium to long term through the formulation of the management philosophy and three- or four-year business plans. Broadly speaking, the Board will consist of human resources who “work together with customers around the world to create optimal smart logistics solutions that incorporate innovative technologies” and “excel.”

Regarding the policy and process of appointing candidates for directors, we submit the names of qualified persons who would be able to fulfill the duties and responsibilities to the Advisory Committee as those who could assume the fiduciary responsibility entrusted by the shareholders in view of their respective personalities and insights, and the Board of Directors made a final decision on such persons as candidates. When appointing candidates, we consider the balance of knowledge, experience, and skills of the Board as a whole, diversity including gender and international aspects, and the optimization of Board size, according to the social and business environment. The appearance after being elected at the ordinary general meeting of shareholders is shown as a skill matrix in the convening notice. For the skill matrix, see page 49 of our securities report (translated from Japanese version submitted in June 2022).

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

## Specific Disclosure

**Supplementary Principle 4.11.2**

Outside directors, outside *kansayaku*, and other directors and *kansayaku* should devote sufficient time and effort required to appropriately fulfill their respective roles and responsibilities. Therefore, where directors and *kansayaku* also serve as directors, *kansayaku* or the management at other companies, such positions should be limited to a reasonable number and disclosed each year.

Where directors and Audit & Supervisory Board members also serve as officers of other listed companies or others, important concurrent positions will be stated in the convening notice and the Corporate Governance Report.

## Specific Disclosure

**Supplementary Principle 4.11.3**

Each year the board should analyze and evaluate its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each director. A summary of the results should be disclosed.

For the purpose of enhancing corporate governance, we have taken measures each year since the fiscal year ended March 31, 2016 to remedy any problems in the Board of Directors and enhance the strengths of the Board of Directors by verifying whether the Board of Directors functions properly as a whole in terms of its composition and operation and identifying problems. We have engaged an external evaluation body to analyze and evaluate the Board of Directors' effectiveness in order to ensure the independence and objectivity of the analysis and evaluation.

Overview of evaluation of the Board of Directors' effectiveness for the fiscal year ended March 31, 2022

[Period] January to March 2022

[Subjects] All nine directors and all four Audit & Supervisory Board members

[Method] A questionnaire consisting of 47 questions in total, including seven requiring written answers, to all subjects and interviews with the representative director and four outside directors

[Survey items] (1) Composition of the Board of Directors (2) Operation of the Board of Directors (3) Discussions at the Board of Directors (4) The Board of Directors' monitoring function (5) Training (6) Dialogues with shareholders (investors) (7) Subjects' own actions (8) Operation of committees

### 1. Conclusion

In most of the survey items, evaluation results were higher than the average for all companies. The external body commented that the Board of Directors worked effectively on the whole. For example,

an outside officer said that offices and inside officers had a will to make improvements with a constant awareness of issues and that he or she felt that improvements happened.

## 2. Main evaluation results

- (1) Discussions at the Board of Directors were rated by many as free, active and constructive. High marks were given particularly to the fact that Board members held repeated discussions for matters to be referred to the Board of Directors requested by some officers in previous fiscal year to achieve improvements.
- (2) Some commented that the current system that allowed outside directors to attend and observe different internal meetings other than meetings of the Board of Directors helped enrich discussions at the Board of Directors.
- (3) For interviews on the formulation and implementation of the program for successors to the CEO and other posts, many responded that the successor program was effectively reviewed, discussed and monitored through development of personnel subject to the programs and conscious assignment of personnel.

## 3. Recognition of problems and future actions

- (1) Opportunities for training requisite to officers remain part of the agenda. For the current fiscal year, we will be holding intensive discussions on this matter.
- (2) Insufficiency in sharing of discussions at the Advisory Committee, consisting of the representative director and four outside directors, at the Board of Directors was recognized as a new issue. We will take actions to remedy it.
- (3) The current composition of the Board of Directors is not problematic. However, several respondents called for enhanced diversity, namely women and non-Japanese nationals, as a point to be address in the future. In response to that, we will begin considerations from a medium- and long-term perspective.

In the future, we will hold more in-depth discussions on the matters stated above in an effort to solve issues and to continuously increase the effectiveness of the Board of Directors.

### **Principle 4.12: Active Board Deliberations**

The board should endeavor to foster a climate where free, open and constructive discussions and exchanges of views take place, including the raising of concerns by outside directors.

Our management philosophy is, "We will ensure a fair and open corporate culture that respects diversity and allows each individual to excel." In the evaluation of the Board of Directors' effectiveness in the fiscal year ended March 31, 2022, discussions at the Board of Directors were

rated by many as free, active and constructive.

#### **Supplementary Principle 4.12.1**

The board should ensure the following in relation to the operation of board meetings and should attempt to make deliberations active:

- i) Materials for board meetings are distributed sufficiently in advance of the meeting date;
- ii) In addition to board materials and as necessary, sufficient information is provided to directors by the company (where appropriate, the information should be organized and/or analyzed to promote easy understanding);
- iii) The schedule of board meetings for the current year and anticipated agenda items are determined in advance;
- iv) The number of agenda items and the frequency of board meetings are set appropriately; and
- v) Sufficient time for deliberations.

To further enhance deliberations, Daifuku distributes materials of the Board of Directors to each director and Audit & Supervisory Board members (especially outside directors and outside Audit & Supervisory Board members) prior to the date of the meeting. The year's meeting schedule is determined by the beginning of the fiscal year. In addition, we are striving to properly set the deliberation items and secure time for deliberations for the Board meeting, by establishing a separate "Officers Meeting" in which all directors, all corporate officers, full-time Audit & Supervisory Board members (outside Audit & Supervisory Board members are optional), audit officers, etc. attend to discuss monthly business operations.

#### **Principle 4.13: Information Gathering and Support Structure**

In order to fulfill their roles and responsibilities, directors and *kansayaku* should proactively collect information, and as necessary, request the company to provide them with additional information.

Also, companies should establish a support structure for directors and *kansayaku*, including providing sufficient staff.

The board and the *kansayaku* board should verify whether information requested by directors and *kansayaku* is provided smoothly.

Support for the fulfillment of duties by directors and Audit & Supervisory Board members is provided by corporate functions including human resources, general affairs, legal, finance, and accounting; safety and health management; and internal audits on an as-needed basis. In addition, the Audit & Supervisory Board Office provides appropriate support for Audit & Supervisory Board

members. Each year, we check the effectiveness of the Board of Directors as a whole to verify whether the information and materials required by directors and Audit & Supervisory Board members are provided smoothly.

#### **Supplementary Principle 4.13.1**

Directors, including outside directors, should request the company to provide them with additional information, where deemed necessary from the perspective of contributing to transparent, fair, timely and decisive decision-making. In addition, *kansayaku*, including outside *kansayaku*, should collect information appropriately, including the use of their statutory investigation power.

Directors, including outside directors, attend important meetings and committees, such as Board meetings, officers meetings, and management advisory meetings, and request additional information from the Company when deemed necessary.

Audit & Supervisory Board members, including outside members, also attend important meetings, meet with the CEO, and exchange the necessary opinions with the accounting auditor, the head of the Audit Division, and corporate auditors of subsidiaries. When it is deemed necessary, they may exercise their investigative authority based on laws and regulations.

#### **Supplementary Principle 4.13.2**

Directors and *kansayaku* should consider consulting with external specialists at company expense, where they deem it necessary.

Directors and Audit & Supervisory Board members, including those outside the Company, hold discussions at important meetings such as Board meetings, officers meetings, and management advisory meetings with the advice of outside experts at the expense of the Company as necessary.

#### **Supplementary Principle 4.13.3**

Companies should ensure coordination between the internal audit department, directors and *kansayaku* by establishing a system in which the internal audit department appropriately reports directly to the board and the *kansayaku* board in order for them to fulfill their functions. In addition, companies should take measures to adequately provide necessary information to outside directors and outside *kansayaku*. One example would be the appointment of an individual who is responsible for communicating and handling requests within the company such that the requests for information about the company by outside directors and outside *kansayaku* are appropriately processed.

## 1. Audit Division

Under the direct control of the Board of Directors, Daifuku has established the Audit Division, which audits the appropriateness of the development and operation of internal control systems within the Group. In internal audits to ensure the appropriateness of operations in the Group, the Audit Division objectively verifies and evaluates the development and operation of internal control systems and provides guidance and advice to the audited unit, while coordinating with the internal audit unit, Audit & Supervisory Board members, and auditing firms of each Group company.

The Audit Division has established a system for reporting to the Board of Directors and the Audit & Supervisory Board, and reports on internal control at meetings of the Board of Directors as necessary.

## 2. Audit officers

Daifuku has established an audit officer system for the purpose of strengthening audit-related functions. The audit officer is at the same level as the corporate officer and attends meetings of the Board of Directors. Currently, one audit officer, who serves as the general manager of the Audit & Supervisory Board Office, supports the duties of the Audit & Supervisory Board members.

## 3. Measures to adequately provide necessary information to outside directors and outside Audit & Supervisory Board members

The Secretary's Office provides appropriate support to outside directors. The Audit & Supervisory Board Office provides support to Audit & Supervisory Board members.

### **Principle 4.14: Director and *Kansayaku* Training**

New and incumbent directors and *kansayaku* should deepen their understanding of their roles and responsibilities as a critical governance body at a company, and should endeavor to acquire and update necessary knowledge and skills. Accordingly, companies should provide and arrange training opportunities suitable to each director and *kansayaku* along with financial support for associated expenses. The board should verify whether such opportunities and support are appropriately provided.

We provide and arrange training opportunities suitable to each director and Audit & Supervisory Board member along with financial support for associated expenses. In addition, as necessary, we provide training to all officers by outside experts, such as those related to sustainability, which has become more important in recent years. The Board of Directors confirms whether such measures are taken appropriately through its effectiveness evaluations of the Board of Directors.

**Supplementary Principle 4.14.1**

Directors and *kansayaku*, including outside directors and outside *kansayaku*, should be given the opportunity when assuming their position to acquire necessary knowledge on the company's business, finances, organization and other matters, and fully understand the roles and responsibilities, including legal liabilities, expected of them. Incumbent directors should also be given a continuing opportunity to renew and update such knowledge as necessary.

See Supplementary Principle 4.14.2.

**Specific Disclosure****Supplementary Principle 4.14.2**

Companies should disclose their training policy for directors and *kansayaku*.

Daifuku prepares the following activities as training for directors and Audit & Supervisory Board members and will conduct and enhance these activities on an ongoing basis.

1. Giving the following lectures on the days of the Board of Directors' meetings and similar
  - Lectures on compliance, which are given by external lawyers
  - Lectures on financial affairs, legal affairs, and other matters, which are given by outside officers, from their specialists' points of view
2. Explanations of Daifuku's business and inspection tours of its key facilities, which are aimed at outside officers
3. Participation in important internal meetings, such as meetings for all presidents of non-Japan subsidiaries
4. Training for acquiring knowledge of financial affairs, legal affairs, and other matters, which is provided for newly appointed officers
5. Offering, introducing, and providing financial support for books and other materials to directors and Audit & Supervisory Board members, which help them fulfill their roles and duties
6. Participation in external training sessions, seminars, and other



## Section 5: Dialogue with Shareholders

### General Principle 5

In order to contribute to sustainable growth and the increase of corporate value over the mid- to long-term, companies should engage in constructive dialogue with shareholders even outside the general shareholder meeting.

During such dialogue, senior management and directors, including outside directors, should listen to the views of shareholders and pay due attention to their interests and concerns, clearly explain business policies to shareholders in an understandable manner so as to gain their support, and work for developing a balanced understanding of the positions of shareholders and other stakeholders and acting accordingly.

In the Sustainability Action Plan, Daifuku sets the number of dialogues with shareholders and investors for the three years up to the fiscal year ending March 31, 2024 as a KPI. In addition to quantitative aspects, we also work to improve quality through (1) quarterly financial results briefings centered on the CEO and the CFO and individual interviews with Japanese and overseas institutional investors, (2) briefing sessions specializing in specific businesses and ESG, centered on the officer in charge, and (3) setting a KPI for the number of ESG-focused dialogues.

We do not engage in direct dialogues with outside directors; however, every year the views of outside directors on topics of interest to investors are expressed in the Daifuku Report.

See Exhibit 2 and the Daifuku Report for details.

#### Specific Disclosure

### Principle 5.1: Policy for Constructive Dialogue with Shareholders

Companies should, positively and to the extent reasonable, respond to the requests from shareholders to engage in dialogue (management meetings) so as to support sustainable growth and increase corporate value over the mid- to long-term. The board should establish, approve and disclose policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders.

1. Information provision through timely disclosure: Timely disclosure is made on an appropriate and timely basis mainly by the Disclosure Committee chaired by the CEO.
2. Investor relations (IR) activities for institutional investors and shareholders in and outside Japan: We hold a results briefing attended by the CEO every quarterly earnings announcement. We also provide as many opportunities as possible for the management to hear the voices of shareholders and investors directly through various meetings including IR activities outside of

Japan, as well as dialogues related to ESG (environment, society, governance) as needed. In December 2022, we held an Investor Relations Day, which was attended by 93 institutional investors and analysts.

3. IR activities for individual investors and shareholders in Japan: We organize a tour of our demo center within the Shiga Works for individual shareholders, and senior management explains the business overview to the tour participants.
4. General Meeting of Shareholders: Management, led by the CEO, strives to explain the questions with as much consideration as possible.
5. We endeavor to enhance the provision of voluntary information through our website, Daifuku Report as integrated reporting, etc.

#### **Supplementary Principle 5.1.1**

Taking the requests and interests of shareholders into consideration, to the extent reasonable, the senior management, directors, including outside directors, and *kansayaku*, should have a basic position to engage in dialogue (management meetings) with shareholders.

For actual dialogues (interviews) with shareholders, we hold quarterly results briefings attended by the CEO and the CFO. The CEO and the CFO also use IT and engage in dialogues with major investors in Japan and overseas. As necessary, officers in charge of individual business strategies also participate in the results briefings.

#### **Supplementary Principle 5.1.2**

At minimum, policies for promoting constructive dialogue with shareholders should include the following:

- i) Appointing a member of the management or a director who is responsible for overseeing and ensuring that constructive dialogue takes place, including the matters stated in items ii) to v) below;
- ii) Measures to ensure positive cooperation between internal departments such as investor relations, corporate planning, general affairs, corporate finance, accounting and legal affairs with the aim of supporting dialogue;
- iii) Measures to promote opportunities for dialogue aside from individual meetings (e.g., general investor meetings and other IR activities);
- iv) Measures to appropriately and effectively relay shareholder views and concerns learned through dialogue to the senior management and the board; and
- v) Measures to control insider information when engaging in dialogue.

- i) The manager who oversees dialogues with shareholders is the corporate officer in charge of corporate functions.

- ii) We have set up a specialized unit in charge of overall IR and SR (shareholder relations) activities, interviews with shareholders/investors by IR managers (other than senior management), internal feedback of shareholders/investors' opinions, and coordination and contact with each unit within the Company.
- iii) In addition to the above i), we deliver a live stream of the general meeting of shareholders (hybrid participatory virtual general meeting of shareholders), and the unit conducts a tour of our demo center and an Investor Relations Day for institutional investors. In addition to the Daifuku Report as integrated reporting, the unit publishes DAIFUKU PROFILE booklets to gain stakeholders' understanding of the Company and discloses them on our website.
- iv) With respect to feedback from the market to senior management and the Board of Directors, in addition to reviews for each quarterly financial results announcement, the unit organizes the operation policy of the general meeting of shareholders, summarizes the general meeting of shareholders including the status of exercise of voting rights of individual institutional investors, summarizes cross-shareholdings, and gives presentations when important reports and statistics are released.
- v) With respect to the management of insider information during dialogues, the unit basically handles important interviews with multiple people and strives for mutual checks.

#### **Supplementary Principle 5.1.3**

Companies should endeavor to identify their shareholder ownership structure as necessary, and it is desirable for shareholders to cooperate as much as possible in this process.

We outsource to a third-party organization to conduct a Japanese and overseas shareholder identification survey.

#### **Principle 5.2: Establishing and Disclosing Business Strategies and Business Plans**

When establishing and disclosing business strategies and business plans, companies should articulate their earnings plans and capital policies, and present targets for profitability and capital efficiency after accurately identifying the company's cost of capital. Also, companies should provide explanations that are clear and logical to shareholders with respect to the allocation of management resources, such as reviewing their business portfolio and investments in fixed assets, R&D, and human capital, and specific measures that will be taken in order to achieve their plans and targets.

Daifuku formulates a three- to four-year business plan in consideration of the prevailing social and economic conditions and business environment. Efforts will be made to establish management strategies, financial strategies and shareholder returns in an integrated manner, giving greater consideration to the capital cost. In the event of a shortfall in the business plan targets, the cause

will be analyzed to evaluate and reflect the analysis in the following business plan, and the issues will then be explained to shareholders and investors. Based on this approach, we formulated and announced the three-year business plan Value Transformation 2023, which started in April 2021.

See Principle 1.3 for the earnings plans and capital policies, Supplementary Principle 3.1.3 for investments in intellectual property, including R&D, and human capital, and Supplementary Principle 5.2.1 for reviewing the business portfolio.

The underlying financial strategy is included in the message from the corporate officer in charge of finance in the Daifuku Report. See pages 42-43, Daifuku Report 2022 for details.

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

### **Supplementary Principle 5.2.1**

In formulating and announcing business strategies, etc., companies should clearly present the basic policy regarding the business portfolio decided by the board and the status of the review of such portfolio.

Our “basic policy regarding business portfolio” and “status of the review of business portfolio” are as follows.

#### Basic policy regarding business portfolio

##### (1) Material handling as the core

The business related to material handling shall be our core business.

##### (2) Well-balanced management resource allocation

We will allocate management resources properly based on our business model.

##### (3) Allocate management resources under transparent and rational discipline

We will help establish a management foundation suitable for a global company by selecting the best management index for considering the business portfolio and analyzing it across the entire Company.

#### Status of the review of business portfolio

Based on discussions and supervision of the Board of Directors, Daifuku reviews its business portfolio as necessary. Especially when formulating the next-year business plan at the end of each fiscal year, it is one of the issues to be considered. We will disclose the outline of this review as needed, such as when the medium-term business plan is announced, and make improvements through a subsequent dialogue with investors.

Under the previous medium-term business plan Value Innovation 2020 (the fiscal years ended

March 2018-2021), we increased the capacity of our main production site in Japan, prepared core places for strengthening software development capabilities, improved operational efficiency by updating software, and focused on investing in expanding sales in the logistics market in building a new plant of a Group affiliate in North America, any of which have contributed to growth of the Group. In the current three-year business plan Value Transformation 2023 (the fiscal years ended March 2022-2024), we allocate management resources in consideration of both economic and social needs, to improve the efficiency of local production for the Airport business in North America, where orders have increased rapidly during the period of the previous business plan Value Innovation 2020, and renovate factories of a Chinese subsidiary that has actively worked to conserve the environment as well as increase productivity.

**FOR IMMEDIATE RELEASE**

May 13, 2022

**Daifuku Co., Ltd.** (Stock code: 6383)  
Representative: Hiroshi Geshiro, President and CEO  
Contact: Tetsuya Hibi, Corporate Officer  
Finance and Accounting Division Manager  
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**Notice of Revision of the Management Targets  
for the Three-Year Business Plan, Value Transformation 2023**

Daifuku Group has revised its management target for consolidated net sales for the fiscal year ending March 2024, the final year of its three-year business plan Value Transformation 2023, which was published on February 5, 2021, as a result of a review taking into account the recent business environment. Details are as follows:

**1. Revision to the management target**

	Initially planned	Revised
Consolidated net sales	JPY 540 billion	JPY 600 billion

**2. Reasons**

In the three-year business plan Value Transformation 2023 that started in the fiscal year ended March 2022, demand for capital investment for semiconductor production lines far exceeded expectations at the time of planning and is expected to remain at a high level in the future. For this reason, Daifuku has revised its consolidated net sales target.

The management target for the operating margin remains unchanged from the initially planned 10.5%.

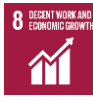


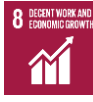























**\*Disclaimer**

The above forecast values are our projections based on information available at the time of this release and contain various uncertainties. Actual results may differ materially from forecast values due to factors such as changes in the business performance of the Company or the Group.

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Daifuku Sustainability Action Plan

Themes	Aspirations for 2030	Materiality			Key Performance Indicators (KPIs)		Targets		
			2030 Goals	SDGs		Scope	FY2021	FY2022	FY2023
Contribute to a smart society	Provide products and services, and develop new technology to solve social challenges	Promote innovative technological development and invention	Innovate to create new value for the distribution system		① Innovation investment amount (*1) ② Patent registrations (cumulative total)	Global	① 15.0 billion yen ② 3,600 patents	① 15.0 billion yen ② 3,800 patents	① 15.0 billion yen ② 4,000 patents
		Develop new business domains	Expand realm of business using business strategy (including M&A and alliances)		Penetration into new markets and new business conditions; commercialization of new products	Global	• Collaborative research with universities and companies • Provide new automated solutions • Develop new customers, expand business area globally • Expand service business		
		Cater to customer needs through smart logistics	Use cutting-edge technology to improve efficiency and automate to create value for customers		Introduction of cutting-edge technology to products/services	Global	• Use wireless/5G tech and rechargeable batteries • Introduce high-efficiency systems and predictive maintenance systems using AI tech • Reduce energy consumption with more sophisticated power supply equipment • Make maintenance services more efficient with use of IoT		
Maintain and improve the quality of products and services	Build and maintain systems that provide reliable, safe and high-quality products	Optimize production through globalization	Achieve global optimized production		New/expanded production sites to achieve production in optimal conditions; and other countermeasures	Global	• Build a procurement network globally and share production technology • Strengthen ability to respond at non-Japan subsidiaries (in sales, production/service) • Optimally distributed production through consolidation/in-sourcing		
		Pursue product quality and safety	Earn customer trust in product quality and safety		① Number of serious accidents related to product/system safety (*2) ② Rate of ISO 9001 global multi-site certification (*3) in production sites ③ Number of employees who obtain safety assessor credentials (*4)	①②Global ③Japan	① 0 occurrences ② 60% ③ 160 people	① 0 occurrences ② 60% ③ 190 people	① 0 occurrences ② 65% ③ 220 people
Enhance operational framework	Carry out both business operations and social responsibility	Strengthen governance	Further strengthen Group governance system	—	① Improving effectiveness of the Board of Directors ② Enhancing internal perceptions ③ Carrying out sound internal audits	Global	① Carry out efforts to improve effectiveness ② Implement measures to propagate Group Code of Conduct globally ③ Carry out internal audits in Japanese business units and non-Japan subsidiaries (total 300 cases, 3 years) and maintain compliance with internal evaluations		
		Ensure compliance	Eliminate serious cases of corruption		Carrying out anti-corruption training	Global	Carry out training and follow-ups for Japanese and global parties with authority to accept/place orders		
		Manage risk	Implement Group risk management, including non-Japan subsidiaries		Implementing countermeasures against major risks	Global	•Carry out regular risk assessments •Form risk management policy and spread awareness of it •Implement important risk countermeasures •Carry out risk response training		
		Ensure responsible procurement in the supply chain	Implement global CSR procurement	   	Establishing a CSR procurement system and expand range of operations	Global	Review CSR Procurement Standards and formulate new guidelines to be applied in Japan and abroad		
		Strengthen information security	Thoroughly implement internal global standards and continued operations	—	① Number of global information security education sessions ② Number of global e-mail training sessions	Global	① 2 sessions ② 3 sessions	① 4 sessions ② 4 sessions	① 4 sessions + education follow-up training ② 4 sessions
		Ensure transparent information disclosure and strategic communication	Strengthen stakeholder engagement		① Number of dialog meetings held with shareholders and investors (*5)  ② Enhancing communication with stakeholders	①Global ②Japan	① 370 meetings (ESG-related: 10 meetings)  ② Carry out events for science and engineering students; get employees to participate in social contribution activities	① 1,200 companies (ESG-related: 20 companies)  ② Carry out events for science and engineering students; get employees to participate in social contribution activities	① 1,200 companies (ESG-related: 20 companies)  ② Carry out events for science and engineering students; get employees to participate in social contribution activities
Respect human dignity	Seek to provide peace of mind and comfort to people	Protect employee safety and health	Eliminate labor accidents and major accidents in operations		① Frequency rate: Japan (non-Japan) ② Severity rate: Japan (non-Japan) ③ Number of occupational safety and health trainees ④ Number of serious accidents (*6)	Global	① 0.4 (0.9) ② 0.02 (0.03) ③ 1,500 trainees ④ 0 accidents	① 0.4 (0.8) ② 0.01 (0.02) ③ 1,600 trainees ④ 0 accidents	① 0.3 (0.6) ② 0.01 (0.02) ③ 1,700 trainees ④ 0 accidents
		Achieve diversity and inclusion	Create an environment where a diversity of human resources can remain active	 	① Number of female managers ② Employment rate of people with disabilities ③ Paternity leave acquisition rate	Japan	① 19 people ② 2.3% ③ 5%	① 25 people ② 2.3% ③ 8%	① 30 people ② 2.3% ③ 10%
		Create a workplace environment that motivates employees	Achieve a workplace environment where employees experience comfort, health and prosperity	 	① Paid leave acquisition rate ② Maintaining high rate of stress check testing ③ Holding events to encourage mental and physical health	Japan	① 73% ② 96%  ③ Continued events centered on main facilities	① 76% ② 96%	① 80% ② 96%
		Cultivate human resources	Provide opportunities for growth according to the individual's career ambitions		① Strengthening education for managerial employees and candidates ② Developing training using online resources and promoting autonomous learning	Japan	① Provide education according to the qualities of candidates up for promotion ② Establish on-demand library for training and education		
		Respect human rights	Respect human rights of all people involved in our business	 	① Promotion of workplace understanding of human rights ② Carrying out due diligence for human rights	Global	① Carry out human rights training for Group employees ② Formulate policies and carry out due diligence for human rights and ensure wide-spread human rights knowledge inside and outside the Company		
Contribute to the environment through our business	Make efforts in the workplaces and in all regions that reduce our burden on the global environment	Keep business operations environmentally friendly	Enhance measures to reduce environmental footprint, such as in climate change and resource depletion	   	① Daifuku's total CO <sub>2</sub> emissions reduction rate (over FY2018) ② Participation rate in CO <sub>2</sub> emissions reduction programs (*7) throughout the supply chain ③ Recycling rate of waste	①③Global ②Japan	① 2.5% reduction ② 32% ③ Survey global sites; establish goals	① 5.0% reduction ② 34% ③ 99%	① 7.5% reduction ② 36% ③ 99%
		Expand environmentally friendly products and services	Maximize value for customers through being environmentally friendly	  	① Avoided CO <sub>2</sub> emissions (*8) ② Sales ratio of projects that include environmentally friendly products (*9) ③ Recyclability rate for new products	Global	① 30,000 t-CO <sub>2</sub> ② 43% ③ 90%	① 60,000 t-CO <sub>2</sub> ② 46% ③ 90%	① 90,000 t-CO <sub>2</sub> ② 49% ③ 90%

\*1: R&D expenses + DX investment amount

\*2: Accidents caused by the malfunction of our products or systems leading to death or serious illness/injury during operations (injury or illness requiring 30 days or more of treatment)

\*3: Carrying out reviews based on unified standards under the same schedule and certification authority, and obtaining and maintaining certification

\*4: Credentials meant chiefly for designers that certify knowledge and abilities in the field of safety based on international safety standards

\*5: In fiscal 2022, KPI changed to: “Number of companies with which dialog meetings were held”

\*6: Accidental deaths occurring during work at Daifuku (labor accidents)

\*7: Daifuku's own framework on efforts (sharing of goals and supporting measures to reduce emissions, etc.) to reduce CO<sub>2</sub> emissions at suppliers

\*8: CO<sub>2</sub> emissions produced from our products/services provided to our customers are subtracted from the CO<sub>2</sub> emissions produced from our products/services in FY2011—the base year for environmental performance.

\*9: Projects that have contributed to customers in terms of environmental consideration through certified Daifuku Eco-Products, etc.