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Annual Securities Report

The 106th Business Term (Fiscal 2021)
From April 1, 2021 to March 31, 2022

DAIFUKU

DAIFUKU CO., LTD.

Contents

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[Filing date]	June 27, 2022
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Part 1. Company Information

I. Overview of the Company

1. Key Financial Data

(1) Key financial data of the Daifuku Group

Fiscal year		102nd	103rd	104th	105th	106th
Fiscal year ended		March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Net sales	(million yen)	404,925	459,486	443,694	473,902	512,268
Ordinary income	(million yen)	41,105	55,842	40,976	45,846	51,253
Net income attributable to shareholders of the parent company	(million yen)	29,008	39,567	28,063	32,390	35,877
Comprehensive income	(million yen)	33,433	40,800	25,627	33,345	46,368
Net assets	(million yen)	191,474	222,885	237,356	262,012	292,059
Total assets	(million yen)	373,013	409,982	410,887	445,456	483,322
Net assets per share	(yen)	1,493.69	1,738.20	1,850.28	2,040.07	2,307.38
Net income per share	(yen)	235.62	314.54	222.96	257.13	284.71
Diluted net income per share	(yen)	–	–	–	–	–
Equity ratio	(%)	50.4	53.3	56.7	57.7	60.2
Return on equity	(%)	17.7	19.5	12.4	13.2	13.1
Price-earnings ratio	(times)	27.0	18.3	30.7	42.2	30.9
Cash flows from operating activities	(million yen)	11,497	8,559	13,706	38,229	56,691
Cash flows from investing activities	(million yen)	(5,600)	5,937	(14,791)	(6,132)	(9,828)
Cash flows from financing activities	(million yen)	13,444	(6,893)	(18,354)	(8,932)	(27,550)
Cash and cash equivalents at end of year	(million yen)	85,152	90,903	70,883	94,079	118,672
Number of employees	(person)	9,193	9,857	10,863	11,697	12,436

Notes: 1. The number of employees represents the number of persons actually working at the Group.
2. Diluted net income per share are not stated, as there are no dilutive shares.
3. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the 106th fiscal year. Key financial data for the 106th fiscal year reflect these accounting standards.

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

Fiscal year		102nd	103rd	104th	105th	106th
Fiscal year ended		March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Net sales	(million yen)	223,267	246,790	243,400	239,592	266,460
Ordinary income	(million yen)	33,903	39,026	30,400	36,811	39,831
Net income	(million yen)	25,205	33,760	18,699	26,039	28,652
Common stock	(million yen)	31,865	31,865	31,865	31,865	31,865
Total number of shares issued	(Thousand shares)	126,610	126,610	126,610	126,610	126,610
Net assets	(million yen)	156,294	179,719	186,021	204,574	221,919
Total assets	(million yen)	257,703	278,695	277,107	301,560	330,068
Net assets per share	(yen)	1,242.59	1,428.46	1,477.46	1,623.53	1,761.03
Dividend per share	(yen)	70.00	90.00	75.00	80.00	90.00
[Interim dividend per share included above]	(yen)	[25.00]	[30.00]	[30.00]	[30.00]	[35.00]
Net income per share	(yen)	204.73	268.38	148.56	206.72	227.37
Diluted net income per share	(yen)	–	–	–	–	–
Equity ratio	(%)	60.6	64.5	67.1	67.8	67.2
Return on equity	(%)	18.6	20.1	10.2	13.3	13.4
Price-earnings ratio	(times)	31.1	21.5	46.1	52.4	38.7
Payout ratio	(%)	34.2	33.5	50.5	38.7	39.6
Number of employees	(persons)	2,632	2,772	2,928	3,042	3,202
[Average number of temporary employees not included above]	(persons)	[369]	[375]	[428]	[449]	[432]
Total shareholder return	(%)	232.1	213.3	255.3	402.0	331.4
[Benchmark: TOPIX Total Return Index]	(%)	[115.9]	[110.0]	[99.6]	[141.5]	[144.3]
Highest share price	(yen)	8,010	6,430	7,300	13,500	11,550
Lowest share price	(yen)	2,527	4,290	4,560	6,340	7,410

Notes:
1. The number of employees represents the number of persons actually working at the Group.
2. Diluted net income per share are not stated, as there are no dilutive shares.
3. The highest and lowest share prices are quoted prices on the First Section of the Tokyo Stock Exchange.
4. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the 106th fiscal year. Key financial data for the 106th fiscal year reflect these accounting standards.

2. History

Month/Year	Summary
May 1937	Founded as Sakaguchi Kikai Seisakusho Ltd. with 300,000 yen in capital.
July 1939	Establishes the Mitejima Factory (now Osaka Headquarters location).
May 1941	Kanematsu Shoten (now Kanematsu Corporation) joins the Company's management.
March 1944	Changes Company name to Kanematsu Kiko Co., Ltd. Establishes Tokyo Sales Office (now Tokyo Head Office).
March 1945	Establishes the Fukuchiyama Factory (located in Fukuchiyama City, Kyoto).
August 1947	Changes Company name to Daifuku Machinery Works Co., Ltd.
October 1953	Separates the Fukuchiyama Factory to establish Fukuchiyama Daifuku Machinery Works Co., Ltd.
April 1957	Sells Fukuchiyama Daifuku Machinery Works Co., Ltd.
October 1961	Listed on the Second Section of the Osaka Securities Exchange.
July 1962	Listed on the Second Section of the Tokyo Stock Exchange.
January 1963	Inaugurates the Komaki Plant (now the Komaki Works).
October 1968	Listed on the Second Section of the Nagoya Stock Exchange.
August 1969	Listed on the First Section of the Tokyo, Osaka and Nagoya Stock Exchanges.
April 1975	Establishes Contec Co., Ltd.
April 1975	Inaugurates the Hino Plant (now Shiga Works).
February 1983	Establishes Daifuku U.S.A. Inc. (now Daifuku America Corporation) in the United States.
May 1984	Changes Company name to Daifuku Co., Ltd.
May 1985	Establishes Daifuku Canada Inc.
January 1986	Establishes Daifuku Mechatronics (Singapore) Pte. Ltd.
September 1989	Establishes Daifuku Europe Ltd. in the United Kingdom.
May 1991	Establishes Daifuku (Thailand) Limited.
January 1993	Establishes a Taiwan-based subsidiary (now Taiwan Daifuku Co., Ltd.).
June 1994	Opens a material handling and logistics demo center, *Hini Arata Kan*, within the Shiga Works.
	Establishes Daifuku (Malaysia) Sdn. Bhd.
February 1995	Acquires shares of Taiwan-based Pioneer Automation Co., Ltd. (Daifuku Pioneer Co., Ltd. in April 1996) (now Taiwan Daifuku Co., Ltd.) to make it a subsidiary.
April 1995	Establishes Clean Factomation, Inc. in South Korea.
	Establishes P.T. Daifuku Indonesia.
December 1996	Establishes Daifuku Magic Technology Corporation (now Daifuku Plusmore Co., Ltd.).
April 1997	Daifuku U.S.A. Inc. changes its name to Daifuku America Corporation. Establishes ATS Co., Ltd. (now Daifuku Korea Co., Ltd.).
February 1999	Establishes Daifuku Business Service Corporation.
March 1999	Relocates the Osaka Plant functions to the Shiga Works.
March 2000	Establishes Daifuku Unix Corporation by merging two Japanese affiliates Daifuku Magic Technology Corporation and Unix Corporation.
March 2002	Establishes Daifuku (Shanghai) Ltd. (now Daifuku (China) Co., Ltd.).
March 2003	Establishes Daifuku Qubica Ltd. (Daifuku QubicaAMF Co., Ltd. in December 2006, acquiring shares of QubicaAMF Worldwide LLC) (now Daifuku Plusmore Co., Ltd.).
April 2004	Acquires the material handling business from Kito Corporation.
June 2004	Delisted from the First Section of the Nagoya Stock Exchange.
April 2005	Establishes Daifuku Manufacturing Expert Co., Ltd. (now Daifuku Manufacturing Technology Co., Ltd.).
July 2005	Establishes Daifuku Carwash-Machine (Shanghai) Ltd. (now Daifuku (China) Manufacturing Co., Ltd.).
August 2005	Establishes Taiwan Daifuku Co., Ltd.
September 2005	Establishes Jiangsu Daifuku Rixin Automation Co., Ltd. (now Daifuku (China) Automation Co., Ltd.).
October 2005	Establishes Daifuku India Private Limited.
October 2006	Relocates the Komaki Plant (now the Komaki Works) functions to the Shiga Works.
March 2007	Contec Co., Ltd. listed on the Second Section of the Tokyo Stock Exchange.
December 2007	Acquires shares of U.S.-based Jervis B. Webb Company to make it a subsidiary.
January 2008	Integrates two affiliates in Taiwan leading to Taiwan Daifuku.
	Acquires shares of Osaka Machinery Works Co., Ltd. to make it a subsidiary (absorbed by Daifuku Manufacturing Technology in March 2011).
April 2009	Establishes Daifuku Plusmore Co., Ltd. by merging two Japanese affiliates, Daifuku QubicaAMF Co., Ltd. and Daifuku Unix Corporation.

Month/Year	Summary
January 2011	Acquires the car wash machine business from YASUI Corporation. Establishes Daifuku Webb Holding Company (now Daifuku North America Holding Company) in the U.S. to oversee two affiliates, Daifuku America Corporation and Jervis B. Webb Company.
March 2011	Establishes Daifuku Manufacturing Technology Co., Ltd. by merging two Japanese affiliates, Daifuku Manufacturing Expert and Osaka Machinery Works.
April 2011	Acquires shares of Logan Teleflex (UK) Ltd. (now Daifuku Logan Ltd.) to make it a subsidiary.
April 2012	Acquires the cleanroom material handling system service business from Hitachi Plant Technologies, Ltd. Acquires shares of Iwasaki Seisakusho Co., Ltd. to make it a subsidiary.
August 2012	Acquires shares of South Korea-based Hallim Machinery Co., Ltd. to make it a subsidiary.
November 2012	Daifuku Webb Holding Company (now Daifuku North America Holding Company) acquires share of Elite Holding Company (now Elite Line Services, Inc.) to make it a subsidiary. Establishes Daifuku (Suzhou) Cleanroom Automation Co., Ltd. in China.
January 2013	Establishes Daifuku de México, S.A. de C.V.
July 2013	Delisted from the First Section of the Osaka Securities Exchange, in line with the integration of cash equity market of Osaka Securities Exchange into the Tokyo Stock Exchange.
October 2013	Daifuku Webb Holding Company (now Daifuku North America Holding Company) acquires share of Wynright Corporation to make it a subsidiary.
November 2013	Begins operations of the Daifuku Shiga Mega Solar within the Shiga Works.
December 2014	Acquires shares of New Zealand-based BCS Group Limited (now Daifuku Oceania Limited) to make it a subsidiary.
January 2015	Daifuku Webb Holding Company changes its name to Daifuku North America Holding Company.
December 2017	Establishes Daifuku Europe GmbH in Germany.
April 2019	Acquires shares of India-based Vega Conveyors and Automation Private Limited to make it a subsidiary.
June 2019	Acquires shares of Netherlands-based Scarabee Aviation Group B.V. to make it a subsidiary.
August 2019	Establishes Daifuku Intralogistics Vietnam Company Limited.
August 2020	BCS Group Limited changes its name to Daifuku Oceania Limited.
March, 2022	Conducts a public tender offer for the listed subsidiary Contec Co., Ltd. (delisted from the Tokyo Stock Exchange in April 2022.).
April 2022	Listed on the Prime Market on the Tokyo Stock Exchange, shifting from the First Section, along with a change in the market classification.

3. Description of Business

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

Daifuku Co., Ltd.

Daifuku Co., Ltd. engages primarily in manufacturing and sales of material handling systems and equipment, and car wash machines. The Company purchases the electronics to be incorporated into its products from the Contec Co., Ltd., and entrusts the designing and manufacturing of logistics systems to consolidated companies in Japan, such as Daifuku Manufacturing Technology Co., Ltd.

Other consolidated companies, including companies in Daifuku North America Holding Company and Clean Factomation, Inc., combine the components of material handling systems delivered by the Company and other parts locally produced or procured to sell, install and provide after-sales services.

Contec Co., Ltd. and its subsidiaries

Contec Co., Ltd. and its consolidated companies develop, manufacture and sell personal computer peripheral devices, industrial computers and network equipment.

Daifuku North America Holding Company and its subsidiaries

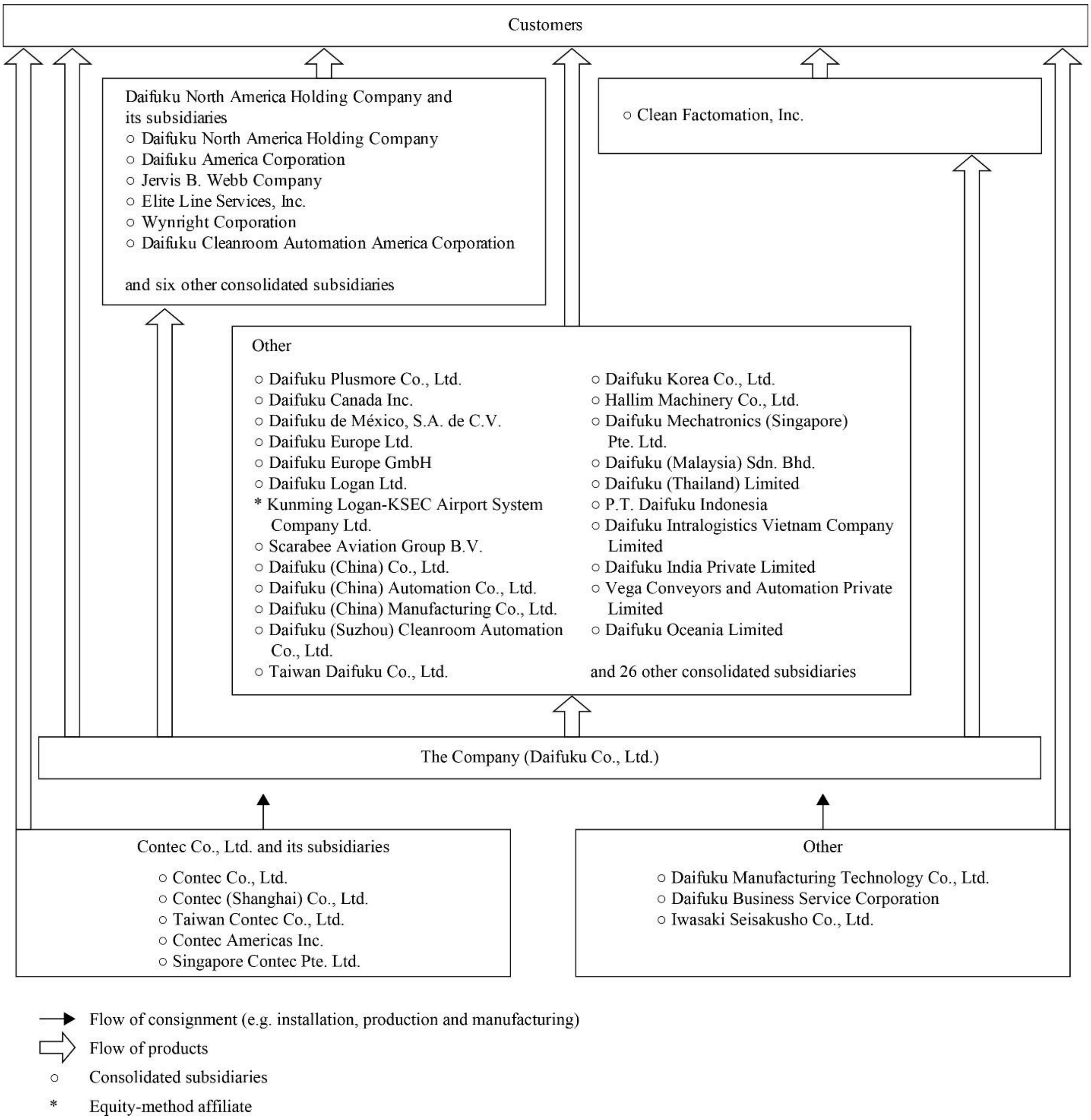
Daifuku North America Holding Company and its consolidated companies manufacture and sell material handling systems and equipment mainly in North America.

Clean Factomation, Inc.

Clean Factomation, Inc. provides cleanroom transport systems mainly to semiconductor manufacturers in South Korea.

The following diagram illustrates the structure of our business.

Business Diagram



4. Subsidiaries and Other Affiliated Entities

Consolidated subsidiaries

Company name	Address	Capital	Principal business	Daifuku's percentage of voting rights (%)	Concurrent appointments of officers	Business transactions with the Company	Remarks
Contec Co., Ltd.	Nishiyodogawa-ku, Osaka, Japan	1,119 million yen	Manufacturing and sales of electronics, etc.	92.6	–	Manufacturing the Company's electronic components	Note 1
Daifuku North America Holding Company	Michigan, U.S.A.	USD 2,010	A holding company with operating companies that manufacture and sell logistics systems, etc.	100.0	1	Manufacturing and sales of the Company's products	
Daifuku Canada Inc.	Ontario, Canada	CAD 400 thousand	Sales of logistics systems, etc.	100.0	–	Sales of the Company's products	
Daifuku Europe GmbH	Moenchengladbach, Germany	EUR 500 thousand	Sales of logistics systems, etc.	100.0	–	Sales of the Company's products	
Daifuku Mechatronics (Singapore) Pte. Ltd.	Techplace, Singapore	SGD 500 thousand	Sales of logistics systems, etc.	100.0	1	Sales of the Company's products	
Daifuku (Thailand) Limited	Sriracha, Thailand	THB 152,700 thousand	Manufacturing and sales of logistics systems, etc.	100.0	–	Manufacturing and sales of the Company's products	
Daifuku Korea Co., Ltd.	Incheon Metropolitan City, South Korea	KRW 11,100,000 thousand	Manufacturing and sales of logistics systems, etc.	100.0	–	Manufacturing and sales of the Company's products	
Clean Factomation, Inc.	Hwaseong, Gyeonggi, South Korea	KRW 3,000,000 thousand	Manufacturing and sales of logistics systems, etc.	100.0	1	Manufacturing and sales of the Company's products	
Daifuku (China) Co., Ltd.	Shanghai, China	CNY 112,482 thousand	Sales of logistics systems, etc.	100.0	1	Sales of the Company's products	
Daifuku (China) Automation Co., Ltd.	Changshu, Jiangsu, China	CNY 267,353 thousand	Manufacturing and sales of logistics systems, etc.	100.0 [44.5]	2	Manufacturing and sales of the Company's products	Notes 2 and 3
Daifuku (China) Manufacturing Co., Ltd.	Shanghai, China	CNY 66,333 thousand	Manufacturing and sales of logistics systems, etc.	100.0 [51.0]	1	Manufacturing and sales of the Company's products	Note 2
Taiwan Daifuku Co., Ltd.	Tainan, Taiwan	TWD 200,000 thousand	Manufacturing and sales of logistics systems, etc.	100.0	–	Manufacturing and sales of the Company's products	
Daifuku Oceania Limited	Auckland, New Zealand	NZD 5,711 thousand	Manufacturing and sales of logistics systems, etc.	100.0	–	Manufacturing and sales of the Company's products	
56 other companies							

Notes: 1. Contec Co., Ltd. became a wholly-owned subsidiary of the Company after the Company acquired all of its shares on May 6, 2022.
In accordance with the proviso to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act and Article 4, Paragraph 2, Item 3 of the Order for Enforcement of the Financial Instruments and Exchange Act, the company is exempted from filing the annual securities report for the year ended March 2022.
2. The figure in brackets in the "Percentage of voting rights" column shows the percentage of the voting rights the Company holds indirectly, which is included in the figure without brackets.
3. Is a specified subsidiary.
4. In addition to consolidated subsidiaries, the Company has one equity-method affiliate, which is not included in the above as the investment is considered not significant.

5. Employees

(1) Information about consolidated companies

As of March 31, 2022

Segment	Number of employees (persons)
Daifuku Co., Ltd.	3,202
Contec Co., Ltd. and its subsidiaries	519
Daifuku North America Holding Company and its subsidiaries	4,568
Clean Factomation, Inc.	865
Other	3,282
Total	12,436

Note: The number of employees represents the number of persons actually working.

(2) Information about reporting company

As of March 31, 2022

Number of employees (persons)	Average age (years)	Average years of service (years)	Average annual salary (yen)
3,202 [432]	41.0	15.1	7,674,522

Notes: 1. The number of employees represents the number of persons actually working at the Company.
2. Average annual salary includes bonuses and extra wages.
3. The figure shown in bracket in the number of employees indicates the annual average number of temporary employees for the period, not included in the figure outside the bracket.
4. Temporary employees include those working under a fixed-term employment, and excludes staff dispatched from other companies.

(3) Labor union

The Group has Daifuku Union that was organized in February 1948. As of March 31, 2022, the union has 2,663 members.

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

II. Overview of Business

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

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

(1) Management policy

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

In addition, under the three-year business plan "Value Transformation 2023" ("business plan") that started in April 2021, based on major changes in the environment surrounding the Group, such as the new normal and expanding global automation needs, we are promoting DX^2 (DX Squared)*.

*DX^2 (DX Squared) = Digital Transformation × Daifuku Transformation

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

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

- Consolidated net sales: 600.0 billion yen (512.2 billion yen)
- Operating margin: 10.5% (9.8%)
- ROE (return on equity): 10% or higher (13.1%)
- Consolidated dividend payout ratio: 30% or more on a three-year average from the fiscal year ended March 31, 2022 to the fiscal year ending March 31, 2024 (31.6%)

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

See the Company's statement "Daifuku Announces New Three-Year Business Plan and Related Items" (announced on February 5, 2021) for details on the business plan, and "Formulation of Daifuku Environmental Vision 2050" (announced on February 5, 2021) for Daifuku Environmental Vision 2050, and "Formulation of the Sustainability Action Plan" (announced in Japanese on April 1, 2021) for Sustainability Action Plan, on the Company's website.

Figure: Concept of the Three-Year Business Plan "Value Transformation 2023"

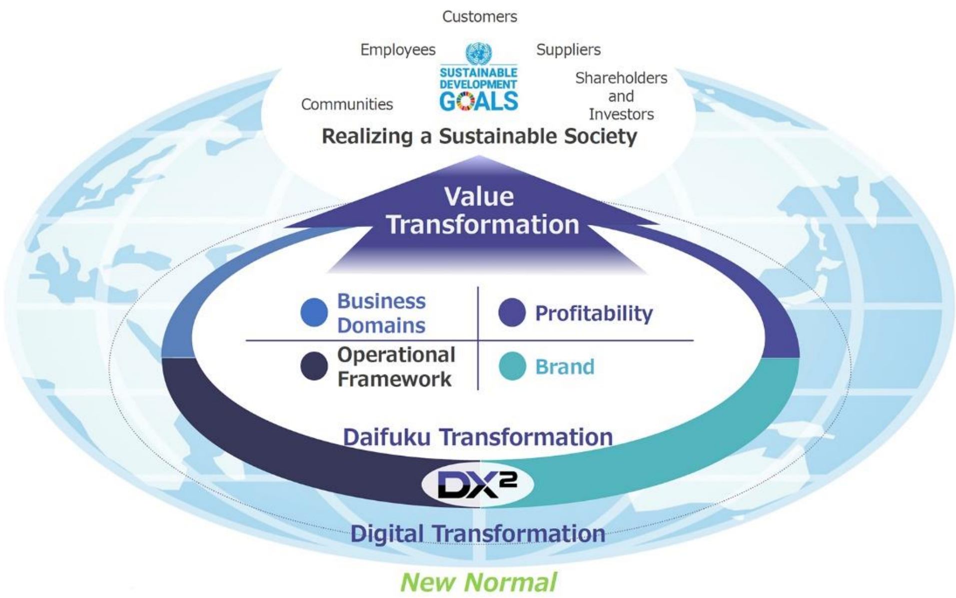
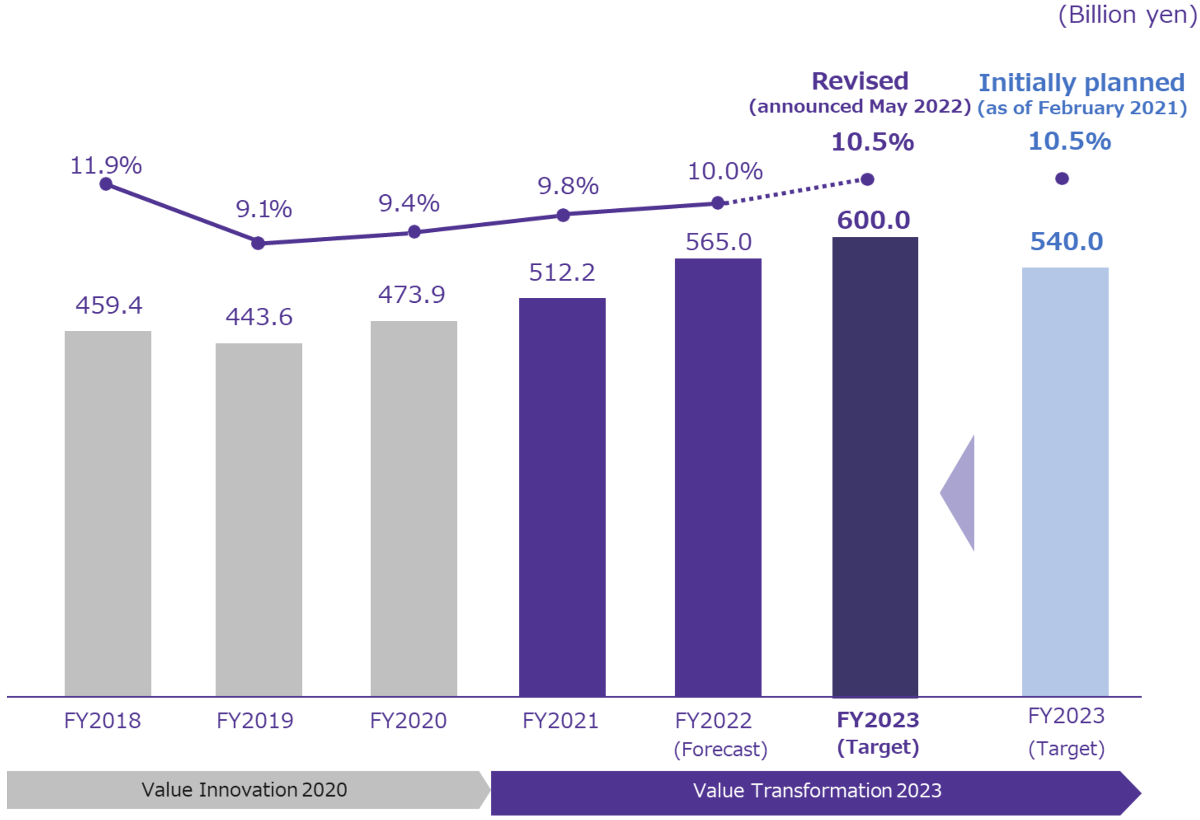


Figure: Target for the Final Year of "Value Transformation 2023"



(2) Management environment

i. Business environment

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

ii. Competitive environment

With the expansion of the material handling market, emerging competitors from China and other countries have been entering and growing, joining the traditional Western competitors, and competition is expected to intensify in the future. We will succeed in this highly competitive environment by taking advantage of the Group's strength: providing the best systems globally using its integrated framework that encompasses everything from consulting and manufacturing to installation and after-sales service, together with its extensive lineup of both products and services, including in-house developed software.

(3) Business and financial issues to address with priority

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

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

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

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

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

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

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

i. Sustainability management

The Group positions the business plan and the Sustainability Action Plan as the cornerstones of its business strategy. The Sustainability Committee, chaired by the President and CEO, was established in April 2020 as an organization to promote sustainability management, and its efforts are reported to the Board of Directors as appropriate. The Sustainability Action Plan sets five themes in line with the SDGs (Sustainable Development Goals): "Contribute to a smart society," "Maintain and improve the quality of products and services," "Enhance operational framework," "Respect human dignity," and "Contribute to the environment through our business." Together with identifying 18 material issues associated with each theme, it summarizes a three-year action plan.

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

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

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

ii. Thorough compliance and strengthening of Group governance

Compliance is a prerequisite for all business activities. Rather than being satisfied with just following the law, through education and training, we will thoroughly ensure and instill the idea that the present and the future of the Group rest on high ethical standards and responsible behaviors of each and every one of us, on a global basis. Regarding corporate governance, four (4) out of nine (9) directors have been elected as outside directors in the fiscal year ended March 31, 2022, and with individuals with experience in corporate management; specialists in finance, accounting, and the law; those with experience outside of Japan; and the appointment of women, diversity of the Board of Directors is ensured.

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

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

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

(4) Environmental Vision and Sustainability Action Plan

i. Daifuku Environmental Vision 2050

The Company formulated the Daifuku Environmental Vision 2050, a new environmental vision looking toward 2050, in February 2021. In the new Vision, the Company has set a goal to create material handling systems with zero environmental impact by 2050, and toward that goal has established targets for issue areas until 2030: 1) climate change and energy and 2) resource recycling. See the Figure and Tables below for details. During its implementation period from 2021 to 2030, the Vision shall be driven Groupwide by the Sustainability Committee with the CEO as chair.

In fiscal 2022, we will make actual plans in every business to achieve the target values for CO_2 reduction, and implement those plans thoroughly in procurement and production processes and various products.

Figure: Daifuku Environmental Vision 2050

Table: Crucial Issue Areas for 2030

Crucial Issue Areas for 2030	
Accelerating climate change and energy responses	We will strive to reduce CO_2 emissions in our value chain by reducing the energy use of our products operated at customer sites and by working together with our suppliers. We will work on CO_2 emissions reductions compliant with the Paris Agreement by promoting energy conservation and introducing renewable energy sources throughout the Daifuku Group.
Building a foundation to promote the resource recycling	To promote resource recycling throughout the product lifecycle, we will enhance the recyclability rate of our products. We will build a resource-recycling framework at all our production sites.

Table: 2030 Targets

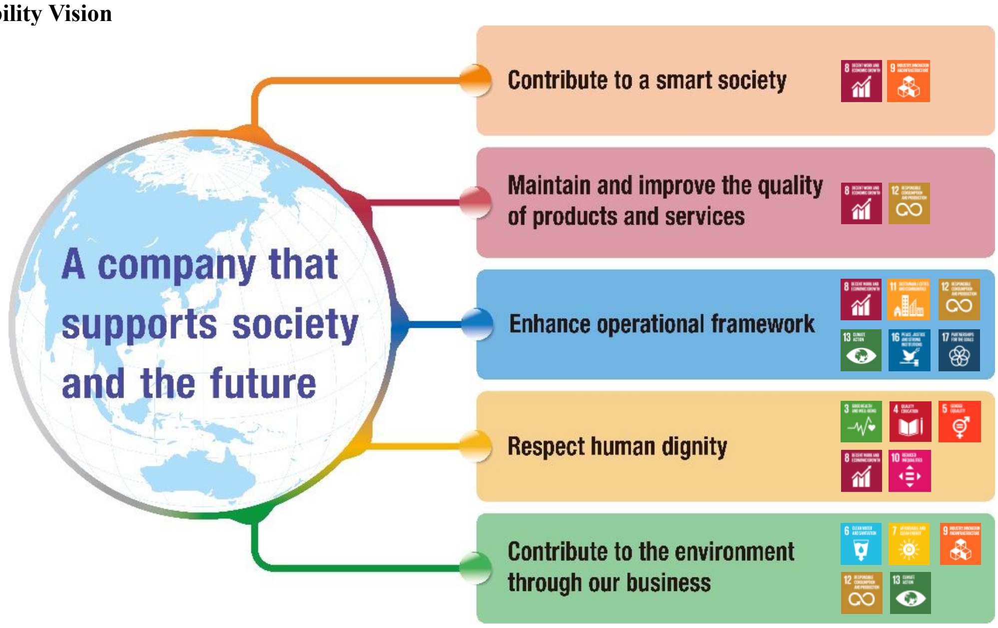
Issue Area	2030 Target
Climate Change and Energy	70% or higher sales ratio of projects that include eco-friendly products[*1]
	Overall avoided CO_2 emissions[*2] of 300,000 tons or more
	25% or more reduction in total CO_2 emissions by Daifuku (from FY2018 levels)
	50% or more corporate participation in supply chain CO_2 reduction program
Resource Recycling	90% or higher recyclability rate for new products
	Resource recycling at global production sites[*3]

*1 Projects that contributed to our customers' environmental activities through Daifuku Eco-Products.
*2 CO_2 volume after subtracting all CO_2 emissions from Daifuku products and services provided to our customers from CO_2 emissions in fiscal 2011, used as a base standard for environmental performance at the time.
*3 By the end of fiscal 2022, we will announce a target following an assessment of resource recycling at our production sites.

ii. Sustainability Action Plan

The Group formulated the Sustainability Action Plan, setting targets for five themes and providing specific action plans to take, after identifying the critical issues (materiality) on sustainability. We will make our contribution to achieve the SDGs with the efforts of all of our employees towards materiality through all facets of our business. We aim to achieve a sustainable society and improve our corporate value.

Sustainability Vision



Note: SDG icons

- Decent work and economic growth
- Industry, innovation and infrastructure
- Responsible consumption and production
- Sustainable cities and communities
- Climate action
- Peace, justice and strong institutions
- Partnerships for the goals
- Good health and well-being
- Quality education
- Gender equality
- Reduced inequalities
- Clean water and sanitation
- Affordable and clean energy

Table: Daifuku Sustainability Action Plan

Theme	Aspirations for 2030	Materiality	2030 Goals	SDGs	KPI (Key Performance Indicator)
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	8	i. Innovation investment amount[*1] ii. Patent registrations
		Develop new business domains	Expand realm of business using business strategy (including M&A and alliances)	9	Penetration into new markets and new business conditions; commercialization of new products
		Cater to customer needs through smart logistics	Use cutting-edge technology to improve efficiency and automate to create value for customers	9	Introduction of cutting-edge technology to products and services
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	8	New/Expanded production sites to achieve production in optimal conditions; and other countermeasures
		Pursue product quality and safety	Earn customer trust in product quality and safety	12	i. Number of serious accidents related to product/system safety[*2] ii. Rate of certification[*3] in ISO 9001 integrated in production sites iii. Number of employees who obtain safety assessor credentials[*4]
Enhance operational framework	Carry out both business operations and social responsibility	Strengthen governance	Further strengthen Group governance system	—	i. Improving effectiveness of the Board of Directors ii. Enhancing internal perception iii. Carrying out sound internal audits
		Ensure compliance	Eliminate serious cases of corruption	16	Carrying out anti-corruption training
		Manage risk	Implement Group risk management, including non-Japan subsidiaries	11	Implementing countermeasures against major risks
		Ensure responsible procurement in the supply chain	Implement global CSR procurement	8, 12, 13, 17	Establishing a CSR procurement system and expand range of operations
		Strengthen information security	Thoroughly implement internal global standards and continued operations	—	i. Number of global information security education sessions ii. Number of global e-mail training sessions
		Ensure transparent information disclosure and strategic communication	Strengthen stakeholder engagement	17	i. Number of dialog meetings held with shareholders and investors ii. Enhancing communication with stakeholders

Theme	Aspirations for 2030	Materiality	2030 Goals	SDGs	KPI (Key Performance Indicator)
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		i. Frequency rate: Japan (non-Japan) ii. Severity rate: Japan (non-Japan) iii. Number of occupational safety and health trainees iv. Number of serious accidents*5
		Achieve diversity and inclusion	Create an environment where a diversity of human resources can remain active		i. Number of female managers ii. Employment rate of people with disabilities iii. Paternity leave acquisition rate
		Create a workplace environment that motivates employees	Achieve a workplace environment where employees experience comfort, health and prosperity		i. Paid leave acquisition rate ii. Maintaining high rate of stress check testing iii. Holding events to encourage mental and physical health
		Cultivate human resources	Provide opportunities for growth according to the individual's career ambitions		i. Strengthening education for managerial employees and candidates ii. Developing training using online resources and promoting autonomous learning
		Respect human rights	Respect human rights of all people involved in our business		i. Promotion of workplace understanding of human rights ii. Carrying out due diligence for human rights
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		i. Daifuku's total CO_2 emissions reduction rate (over FY2018) ii. Participation rate in CO_2 emissions reduction programs*6 throughout the supply chain iii. Resource recycling at global production sites
		Expand environmentally friendly products and services	Maximize value for customers through being environmentally friendly		i. Avoided CO_2 emissions*7 ii. Sales ratio of projects that include environmentally friendly products*8 iii. Recyclability rate of new products

*1: R&D expenses + Digital Transformation (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: Accidental deaths occurring during work at Daifuku (labor accidents)

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

*7: CO_2 volume after subtracting all CO_2 emissions from our products/services provided to our customers from CO_2 emissions in fiscal 2011, used as a base standard for environmental performance at the time

*8: Projects that have contributed to customers in terms of environmental consideration through Daifuku Eco-Products

iii. Correspondence to the revision of the Corporate Governance Code

In Japan's Corporate Governance Code revised on June 2021, two new major principles were added: (a) Ensuring diversity in the core human resources of the company and (b) Dealing with sustainability issues. The Group has already been addressing most of the new principles through the Sustainability Action Plan and other actions. We will disclose the results and progress of the Sustainability Action Plan for fiscal 2021 in the Daifuku Report to be issued around the end of August 2022. See "2. Business Risks" for details pertaining to climate change in sustainability.

The following describes "Ensuring diversity in the core human resources of a company" including the use of KPIs that are not covered in the Sustainability Action Plan.

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

a. 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 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 and targets

18 as of April 1, 2020

20 as of April 1, 2021

26 as of April 1, 2022

30 as of April 1, 2023 (target)

b. 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 fiscal 2022, 8.6% are foreign employees. We will continue to actively hire foreign employees. Four foreign managers are employed as of April 1, 2022. We expect that the number of foreign mangers will continue to increase in line with globalization.

c. 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 44.3% as of April 1, 2022. The same applies to the promotion to managerial positions. Mid-career hires accounted for 45.8% of assistant managers and 36.2% of managerial positions, as of April 1, 2022. 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.

2. Business Risks

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

(1) Risk management system

i. Establishment of Risk Management Committee

The Company established the Risk Management Committee in April 2022 for the purpose of managing significant risks that affect the achievement of the Group's management goals in a cross-organizational manner. The Sustainability Committee has been responsible for risk management. However, risks surrounding business and management environment are rapidly changing and uncertainty in business is growing. In response to the situation, the Group has established the independent committee that integrates Groupwide risk management activities to build a stronger management system that supports swift decision-making and strong risk-taking. The Risk Management Committee is chaired by the CEO, and composed of global business heads, division managers, and responsible persons of the Safety and Health Management Division, Corporate Functions unit and other units. The Committee holds several general meetings annually, and reports significant risk management issues to the Board of Directors as appropriate.

ii. Management systems for normal time and for emergencies

The Company has established the Risk Management Committee to separately operate the system for normal time and that for emergencies. The Committee promotes risk management actions in normal time, and controls risks before they become apparent. On the other hand, the Company has developed a business continuity plan (BCP) promotion system to address a crisis in emergencies after a risk becomes apparent. The BCP promotion system works together with the Risk Management Committee and also makes preparations before occurrence of a crisis. In addition, the Company has established a system and procedures to address any crises, based on which the Company trains its employees regularly.

(2) Preconditions of risk analysis

The Group considers the following preconditions should be analyzed for risk analysis:

- The business is significantly affected by the trend in capital investment of a customer in a certain industry.
- The business generally involves long-term plant installation.
- The Group operates globally, and nearly 70% of its net sales are from outside of Japan.
- The results and scale of the Group are rapidly growing and are expected to continue growing.
- Logistics systems are recognized as important social infrastructure and attracting more attention in society.

(3) Operation of risk management

The Group regularly conducts a risk assessment in accordance with the Risk Management Rules.

Crucial risk factors that significantly affect the business activities of the Group are extracted, and those factors are mapped with two assessment axes of frequency and consequence to grasp and manage risks.

The assessment covers all business units and subsidiaries inside and outside of Japan. In accordance with the results of the assessment, an external agency adjusts the measures through the survey in the Group and with their expert knowledge. The results in 2021 had a higher consequence in risks associated with changes in the business environment compared with the results of the 2019 assessment. This assessment reflected the COVID-19 pandemic, US-China trade friction, global semiconductor shortage and other factors.

Significant risks

According to the results of the risk assessment and other data, the management has recognized that the risk factors described below may have a material impact on the financial position, operating results and cash flows of consolidated companies: Risks projected in normal business operation are described in i. to vi. Factors described in "vii. Risks of COVID-19 pandemic" are of higher priority under the current situation, and those in "viii. Risks associated with climate change" should be disclosed in accordance with international frameworks.

i. Risks associated with changes in business environment

Economic crisis and business fluctuation

- Impacts of trends of capital investment in the industry of our customers

  The electronics sector, mainly composed of semiconductor and flat-panel display sectors, accounts for the largest portion of net sales of the Group, together with the commerce and retail sector. The electronics sector is susceptible to larger impacts of business fluctuation and resulting trends in capital investment. Net sales for this sector were 189.9 billion yen for fiscal 2018, 144.1 billion yen for fiscal 2019, 137.0 billion yen for fiscal 2020, and 151.3 billion yen for fiscal 2021. The fluctuations in the sales for the sector are larger than those in other sectors. The Group carefully monitors trends in the industry of customers to reflect them timely in its business plans. However, the trends of capital investment in the semiconductor and flat-panel display sectors change quickly in a short term due to their extremely high speed of innovation, and furthermore, geopolitical risks related to the transfer of advanced technologies are increasing these days. These and other factors may affect the earnings forecast beyond our expectations.

- Impacts of soaring raw material and logistics costs, delay in delivery of raw material, etc.

  The outlook of the economy is more uncertain with a global supply shortage of semiconductors and other parts, soaring energy and raw material prices, disrupted logistics networks, and a severer shortage of labor mainly in North America. The Group will consider soaring prices and delay in delivery of parts, rising labor costs for installations, and other factors thoroughly in the management of costs and delivery dates, and will make every effort to minimize these impacts on future projects by checking the terms of contracts, etc. when receiving orders. However, these and other factors may affect the earnings forecast beyond our expectations.

- Impact of Russia's invasion of Ukraine

  The Company has an office in St. Petersburg, Russia, but it mainly provides servicing and maintenance of systems delivered in the past. Its sales in Russia and Ukraine are extremely small, and the direct impact on the Group's results, including future results, will be limited. On the other hand, the situation may affect the world economy. The Group will carefully monitor the economic impacts of rising energy and food prices and supply chain disruption on consumption, and will make every effort to minimize these impacts on its business activities. However, these and other factors may affect the earnings forecast beyond our expectations.

Management of projects in which our non-Japan subsidiaries are involved

Around 65% of the net sales of the entire Group for fiscal 2021 were from outside of Japan. Therefore, the Group recognizes that cooperation with its non-Japan subsidiaries responsible for local production, installation, and services, and in particular, project budget management in subsidiaries responsible for installation are crucial, as well as in the Company, a manufacturer and exporter of the Group's main products. While the Group is improving project management accuracy of the budget and progress, the difficulty of project management varies according to the conditions of the individual projects, such as installation sites, delivery dates, the progress of construction including buildings, and technical factors. In addition, the degree of concentration of several projects may make securing workers difficult, resulting in rising construction costs. Furthermore, the economy is more uncertain as described in "Impacts of soaring raw material and logistics costs, delay in delivery of raw material, etc." above. These and other factors may affect the earnings forecast beyond our expectations.

ii. Risks associated with compliance

The Group has grown rapidly, and subsidiaries and employees have increased accordingly. In the fiscal year ended March 31, 2022, the Group has 69 consolidated subsidiaries and 12,436 employees. Among those, the number of employees of the consolidated non-Japan subsidiaries is 8,643 (69.5%). To raise and spread compliance awareness, and respond to a wide range of compliance risks including scandals, the Group has taken the measures described below:

- Participation of outside directors in the Compliance Committee
- Internal audit by Audit & Supervisory Board Office independent from the business units
- Review of the whistleblowing system
- Establishment of the Legal and Compliance Division and development of regulations to prevent corruption, breaches of competition laws, etc.
- Establishment of the Audit & Supervisory Board Office that assists with the duties of Audit & Supervisory Board and its members to enhance the effectiveness of audits conducted by the Audit & Supervisory Board members
- Establishment of the Risk Management and Governance Office (presently the Governance Promotion Department) to strengthen Group governance
- Establishment of the International Trade Management Department to develop a compliance system for import and export transactions

In addition to these, the Group conducts initiatives to raise compliance awareness continuously throughout the Group. In fiscal 2021, the initiatives included the preparation of the Compliance Guidebook that describes the Group Code of Conduct, translation of the Guidebook into several languages, and explanation of views on compliance by the CEO to the entire Group. However, compliance risks may be apparent due to a significant increase in the management scope and stricter laws and regulations.

iii. Risks associated with human resources

The shortage of engineers and skilled personnel is an important issue in the material handling system sector due to the global shortage of labor and the growth of e-commerce. The Group recognizes the shortage of human resources with expertise or skills as a risk.

Accordingly, the Group is actively hiring and promoting women, foreign nationals, and mid-career professionals. Furthermore, the Group conducted an engagement survey that asks about motivation and comfort in workplaces of the Group employees in Japan in fiscal 2021 for the purpose of nurturing a sense of belonging in them and improving productivity. The Group plans to conduct the survey on Group employees outside of Japan. However, the risks above may have a greater impact beyond our expectations due to the increasingly severe war for talent and increased mobility of human resources.

The Group will establish a training system intended to train successors (officers and executives) through clarifying key positions, identifying employee competencies (required behavior and attitude), and other measures, but it will take a certain period of time for the system to work.

iv. Risks of large-scale natural disasters

The occurrence of large-scale natural disasters such as earthquakes and tsunamis is a risk that suspends business activities due to disruption of lifelines or difficulty of commute.

The Group conducts natural disaster hazard surveys at sites and drills and training such as safety confirmation, formulates response plans in chronological order (timeline) at the occurrence, as well as increasing emergency stockpile as measures against large-scale disasters. In addition, the Group conducts business consequence analysis, review of the system table of each business unit, and other measures as necessary, to improve the effectiveness of plans such as the business continuity plan (BCP).

The Group makes efforts to minimize and limit the damages of large-scale natural disasters and to reduce their consequences through these initiatives. However, if a disaster is far larger (a Nankai Trough Earthquake, a super-large typhoon, etc.), its impact may be larger than expected.

The Group classifies infections that spread worldwide as large-scale natural disasters. The impact of the COVID-19 pandemic will be described later.

v. Reputation risks

Reputation risks (damage caused by rumors) by the spread of misinformation, wrong advertisement, or infelicities are growing these days due to widespread social media. The public is very severe about human rights and environmental issues in particular. If the Group does not take responsible actions for these issues together with its suppliers, the brand image and social credibility of the Group will deteriorate, and the operating results and financial position of the Group may be damaged. Thus, the Group conducts media training for its officers and prepares guidelines to strengthen its responses against the risk.

vi. Risks of cyberattacks and information leakage

Information is one of the four major management resources along with human resources, goods, and capital. Recently, information leaks from cyberattack and internal fraud have increased in the world, and awareness of threats of information risks are significantly increasing.

Thus, the Group reorganized the Information Security Committee and appointed the CEO as chairperson in fiscal 2022, thereby enhancing information security measures in a Groupwide manner.

The Group administers the Computer Security Incident Response Team (CSIRT), an organization that is centered on the Information Security Committee and deals with computer security incidents such as information leaks by cyberattacks. This will enable the Group to identify the possible scope of cyberattacks and damage, take first-response measures to prevent the spread of damage, investigate preventive measures of reoccurrence, and conduct employee training and drills on a regular basis. However, the tricks or skills to obtain and use information illegally are becoming more cunning, and it may be impossible to prevent all of them.

vii. Risks of COVID-19 pandemic

Major risks caused by the COVID-19 pandemic include limited commute, transfer, or activities in the Group and customer companies, delay or suspension of business activities resulting from infected cases, delay or cancellation of capital investment by customers due to business recession, and decreased profitability due to production cutback.

The Group has already established the BCP system to prepare for earthquakes, tsunamis, and other disasters, and has been accumulating know-how and knowledge to respond to disasters and emergencies. In response to the COVID-19 pandemic, which became apparent in January 2020, the Group has established a special task force to address the pandemic, with the CEO as its head. Each business unit checks the situation of the infection and reports necessary information to the Board of Directors as appropriate.

The Group has put the highest priority on the lives, health, and safety of its employees and their families, customers, and business partners; complied with guidelines issued by governments and administrative agencies inside and outside of Japan; and promoted working from home. These and other measures prevented significant troubles in the Group's business activities.

However, the COVID-19 pandemic has not ended yet, and the strict COVID-19 policies of China are expected to affect the global economy. The Group recognizes that the scope of damage by those risks may expand.

viii. Risks associated with climate change

The Group considers severe global environmental problems as one of the critical factors of the social environment surrounding the Group.

The Company has set the Sustainability Committee (chaired by the CEO) that presents agendas on sustainability management, including those on climate change, provides reports, and gives information to the Board of Directors as appropriate. The Committee is composed of global business heads and associated corporate officers in charge.

After briefing from the Sustainability Committee, the Board of Directors determines necessary measures.

In May 2019, we declared our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

In 2020, we disclosed information consistent with the framework of the TCFD recommendations on our website:
https://www.daifuku.com/sustainability/assets/pdf/environmental-management/tcfd_2020.pdf

Following organizational changes and so forth, the four core elements and the initiatives of TCFD as of now are as follows:

1) Governance
- We have established the Sustainability Committee under the direct control of the CEO.
- After receiving reports from the Committee, the Board of Directors determines necessary measures.

2) Strategy
- Scenario analysis showed that the impact of climate change on our business performance is minor, despite an increase in business costs.
- On the other hand, we expect growth in demand for our products and services, which will exceed the above negative impact.

3) Risk management
- The Sustainability Committee manages risks in a centralized manner and reports those that have a high priority to the Board of Directors.

4) Metrics and targets
- We formulated Daifuku Environmental Vision 2050 in 2021.
- We have set the targets for 2030 based on the Vision.

The scenario analysis in 2) above was conducted to analyze climate change risks based on two assumptions, a temperature rise of 4 degrees Celsius and that of less than 1.5 degrees Celsius within the 21st century (see Table: Overview of Scenario Analysis on Climate Change Risks). The Daifuku Environmental Vision 2050 described in 4) above aims to respond mainly to transition risks and opportunities of climate change, and shows KPIs and other metrics to create material handling systems with zero environmental impact by 2050. For an overview, see "1. Management Policy, Management Environment, and Issues to Address, (4) Environmental Vision and Sustainability Action Plan." We will disclose the progress of the above actions in the Daifuku Report to be issued around the end of August 2022.

Table: Overview of Scenario Analysis on Climate Change Risks

Rise in temperature in the 21st century	Envisioned risk	Envisioned opportunity
Greenhouse gases are emitted around the world without significant change **4 degrees Celsius**	➢ Delays in incoming and outgoing products, damage to production equipment, and shutdowns of our factories due to increased incidence of typhoons, heavy rains, flooding, etc. ➢ Risk of employees experiencing heatstroke in factories and other facilities associated with high temperatures	**Increase in demand for products and services** ➢ Expansion of cold chain and e-commerce markets ➢ Growing demand for labor savings ➢ Increase in demand from customers for contributions to reducing CO_2 emissions
Rapidly tightened regulations related to greenhouse gas emissions **Less than 1.5 degrees Celsius**	➢ Increase in procurement and operating costs due to carbon tax, etc.	

As mentioned above, companies are subjected to rigorous assessments based not only on their economic value but also on their societal value. The Group will actively use external assessments in terms of environment, society and governance (ESG), and sustainability, and focus on direct dialog with our investors in order to implement the PDCA cycle and continuously improve our risk management.

For more information on the external assessments, see the following page:
https://www.daifuku.com/sustainability/external-evaluation/

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

(1) Operating Results and Financial Review

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

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

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

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

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

The average exchange rates used for transactions during the fiscal year ended March 31, 2022 were 110.39 yen to the U.S. dollar (106.44 yen in the previous fiscal year), 17.13 yen to the Chinese yuan (15.42 yen), and 0.0963 yen to the Korean won (0.0905 yen). As a result of exchange rate fluctuations, orders increased in value by about 34.5 billion yen, sales by about 14.7 billion yen, and operating income by about 0.9 billion yen, respectively, compared with the previous fiscal year.

Impact of the COVID-19 pandemic

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

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

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

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

Impact of Russia's invasion of Ukraine

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

The earnings forecast for the fiscal year ending March 31, 2023 are as follows: orders received are expected to be 600 billion yen, net sales to be 565 billion yen, operating income to be 56.5 billion yen, ordinary income to be 57.5 billion yen, net income attributable to shareholders of the parent company to be 39.6 billion yen, and operating margin on sales to be 10.0%.

Looking ahead, we anticipate that the situation will remain highly uncertain, with the ongoing COVID-19 pandemic, the economic impact of the situation in Ukraine, soaring prices of raw materials, shortages of parts, and other factors.

In this economic and business environment, the Group will work to increase sales by steadily linking the trend towards automation, which is accelerating due to labor shortages, to orders, and will continue to increase profitability and productivity by promoting digital transformation (DX). In addition, the Group will aim to contribute to realizing a sustainable society and increase its corporate value.

The exchange rate of 117.81 yen to the U.S. dollar (110.39 yen of the actual rate in the fiscal year ended March 2022), 18.56 yen to the Chinese yuan (17.13 yen), and 0.0975 yen to the Korean won (0.0963 yen) is assumed in preparing the plan for the fiscal year ending March 31, 2023. No significant impact from the exchange rate is factored into forecasts.

The Daifuku Group has revised its management target of consolidated net sales for the fiscal year ending March 31, 2024, the final year of its three-year business plan Value Transformation 2023, which was published on February 5, 2021, upward from 540 billion yen to 600 billion yen, as a result of a review taking into account the recent business environment. For details, see the Company's statement "Notice of Revision of the Management Targets for the Three-Year Business Plan" separately announced on May 13, 2022.

The above forecast is calculated mainly in consideration of prospects on the progress of the ordered projects, degrees of likelihood and timing of prospective projects, or progress of the projects during the year, and represents the judgment of the Company based on information presently available. However, actual results may differ materially from forecasts due to various uncertainties, including customers' trends and competitive conditions worldwide as well as various risk factors described in 2. Business Risks.

Results in the fiscal year ended March 31, 2022

Orders received	589,069 million yen	(Previous fiscal year:	451,065 million yen	Up 30.6% YoY)
Net sales	512,268 million yen	(Previous fiscal year:	473,902 million yen	Up 8.1% YoY)
Operating income	50,252 million yen	(Previous fiscal year:	44,566 million yen	Up 12.8% YoY)
Ordinary income	51,253 million yen	(Previous fiscal year:	45,846 million yen	Up 11.8% YoY)
Net income attributable to shareholders of the parent company	35,877 million yen	(Previous fiscal year:	32,390 million yen	Up 10.8% YoY)
Comprehensive income	46,368 million yen	(Previous fiscal year:	33,345 million yen	Up 39.1% YoY)

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

Of the Group, Japanese companies such as Daifuku Co., Ltd. and Contec Co., Ltd. close their books on March 31, while most non-Japan subsidiaries have their fiscal year-end on December 31. The fiscal years show the period from April 2021 to March 2022 for the former and the period from January to December 2021 for the latter.

Figure: Results by Reportable Segments

Daifuku: Orders increased significantly in every business. Sales remained favorable, underpinned by an order backlog from the end of the previous fiscal year.

Daifuku North America: Orders were favorable in cleanroom systems for the semiconductor sector and automotive systems.

Clean Factomation: Orders increased year on year, mainly due to the vigorous investment of semiconductor manufacturers.

(Billion yen)

	Orders (from external customers)			Sales (to external customers)			Segment income (Net income attributable to shareholders of the parent company)		
	FY2020	FY2021	Y/Y change	FY2020	FY2021	Y/Y change	FY2020	FY2021	Y/Y change
Daifuku	184.1	**262.4**	+78.3	199.3	**225.0**	+25.6	26.0	**28.6**	+2.6
Contec	15.3	**19.6**	+4.2	16.2	**15.7**	(0.4)	1.1	**1.2**	+0.0
Daifuku North America*1	119.4	**135.1**	+15.7	137.1	**140.4**	+3.3	6.0	**7.5**	+1.4
Clean Factomation*2	31.0	**36.7**	+5.6	30.5	**28.6**	(1.8)	2.7	**2.0**	(0.6)
Other	101.0	**134.9**	+33.9	89.6	**104.8**	+15.2	2.3	**3.7**	+1.4
Consolidation adjustments and other	–	**–**	–	0.9	**(2.5)**	(3.5)	(5.9)	**(7.3)**	(1.3)
Total (adjusted)	451.0	**589.0**	+138.0	473.9	**512.2**	+38.3	32.3	**35.8**	+3.4

*1 Daifuku North America Holding Company

*2 Clean Factomation, Inc.

i. Daifuku Co., Ltd.

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

Segment income rose, driven by intralogistics systems.

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

ii. Contec Co., Ltd. and its subsidiaries

- Industrial computers
  In the Japanese market, sales remained firm, backed by recovering industry-wide capital investment. In contrast, in the North American market, sales declined year on year, although signs of recovery were seen in sales to the mainstay medical device sector and the airport security-related sector, which had been sluggish in the first half of the fiscal year ended March 31, 2022.
- IoT devices
  Sales of products including measuring and control boards used in factories, etc. increased, reflecting a recovery in industry-wide capital investment.
- Solution products
  Sales of automobile-related systems fell, despite a moderate recovery in capital investment in the automobile-related sector. Meanwhile, service-related sales remained firm, and overall sales were almost flat.

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

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

iii. Daifuku North America Holding Company and its subsidiaries

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

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

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

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

iv. Clean Factomation, Inc.

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

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

v. Other

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

Japan subsidiaries

Daifuku Plusmore Co., Ltd. sells car wash machines for service stations and car dealerships, large vehicle wash machines for trucks and buses, and related products. Sales volume was favorable until the first half of the fiscal year ended March 31, 2022, but it did not reach the results of the previous fiscal year.

Non-Japan subsidiaries

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

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

Orders increased overall, mainly due to strong orders for cleanroom systems, despite a reactionary decline in large orders received in China, South Korea, and other regions in the previous fiscal year. Sales were favorable, underpinned by an order backlog from the previous fiscal year. Segment income increased, bolstered by increased sales.

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

See Figure: Orders and Sales by Industry and Figure: Orders and Sales by Destination for details by business or destination.

Figure: Orders and Sales by Industry

Automobile and auto parts: Sales fell, given a reactionary fall from the previous fiscal year when results benefited from sales for a large project.

Electronics: Orders and sales were driven by cleanroom systems for the semiconductor sector.

Commerce and retail: Orders and sales were driven by the e-commerce sector in Japan and North America.

(Billion yen)

Industry	Orders					Sales				
	FY2020		FY2021		Y/Y change	FY2020		FY2021		Y/Y change
	Orders	Composition	Orders	Composition		Sales	Composition	Sales	Composition	
Automobile, auto parts	49.0	10.9%	**57.5**	**9.8%**	+8.4	80.1	16.9%	**59.0**	**11.5%**	(21.0)
Electronics	129.5	28.7%	**233.4**	**39.6%**	+103.8	137.0	28.9%	**151.3**	**29.4%**	+14.3
Commerce, retail	136.3	30.2%	**156.9**	**26.6%**	+20.5	115.5	24.4%	**155.1**	**30.1%**	+39.6
Transportation, warehousing	23.3	5.2%	**30.6**	**5.2%**	+73	23.5	5.0%	**32.8**	**6.4%**	+9.2
Machinery	12.0	2.7%	**8.0**	**1.4%**	(4.0)	11.2	2.4%	**11.5**	**2.2%**	+0.2
Chemicals, pharmaceuticals	13.9	3.1%	**22.2**	**3.8%**	+8.2	18.3	3.9%	**17.6**	**3.4%**	(0.7)
Food	17.3	3.8%	**16.1**	**2.7%**	(1.1)	17.7	3.7%	**20.0**	**3.9%**	+2.3
Iron, steel, nonferrous metals	3.7	0.8%	**5.2**	**0.9%**	+1.5	4.4	0.9%	**3.5**	**0.7%**	(0.9)
Precision equipment, printing, office equipment	6.1	1.4%	**5.4**	**0.9%**	(0.6)	8.7	1.8%	**6.2**	**1.2%**	(2.4)
Airport	46.0	10.2%	**33.2**	**5.7%**	(12.7)	41.2	8.7%	**43.7**	**8.5%**	+2.4
Other	13.3	3.0%	**20.0**	**3.4%**	+6.6	15.8	3.4%	**13.6**	**2.7%**	(2.2)
Consolidation adjustments and other (*)	–	–	**–**	**–**	–	–	–	**(2.5)**	**–**	(2.5)
Total	451.0	100.0%	**589.0**	**100.0%**	+138.0	473.9	100.0%	**512.2**	**100.0%**	+38.3

(*) The contents of the table have been partially changed due to the application of accounting standards related to revenue recognition.

Figure: Orders and Sales by Destination

Japan: Orders were driven by intralogistics systems and cleanroom systems for the semiconductor sector. Sales were driven by intralogistics systems.

South Korea: Orders remained strong in cleanroom systems for the semiconductor sector.

Taiwan: Orders and sales were strong in cleanroom systems for the semiconductor sector.

(Billion yen)

Region			Orders					Sales				
			FY2020		FY2021		Y/Y change	FY2020		FY2021		Y/Y change
			Orders	Composition	Orders	Composition		Sales	Composition	Sales	Composition	
Japan			152.5	33.8%	**220.5**	**37.4%**	+68.0	163.9	34.6%	**182.7**	**35.5%**	+18.7
Non-Japan			298.5	66.2%	**368.5**	**62.6%**	+69.9	309.9	65.4%	**332.0**	**64.5%**	+22.1
	North America		120.5	26.7%	**131.1**	**22.3%**	+10.6	138.9	29.3%	**136.7**	**26.6%**	(2.2)
	Asia		144.6	32.1%	**204.6**	**34.8%**	+60.0	144.0	30.4%	**164.3**	**31.8%**	+20.3
		China	55.2	12.2%	**63.1**	**10.7%**	+7.9	59.5	12.6%	**57.2**	**11.1%**	(2.2)
		South Korea	45.0	10.0%	**57.8**	**9.8%**	+12.8	43.3	9.2%	**46.5**	**9.0%**	+3.2
		Taiwan	34.0	7.6%	**56.5**	**9.6%**	+22.5	30.5	6.5%	**49.0**	**9.5%**	+18.4
		Other	10.3	2.3%	**27.1**	**4.6%**	+16.7	10.4	2.1%	**11.4**	**2.2%**	+0.9
	Europe		16.2	3.6%	**17.6**	**3.0%**	+1.4	13.3	2.8%	**15.8**	**3.1%**	+2.4
	Latin America		2.6	0.6%	**3.0**	**0.5%**	+0.4	4.1	0.9%	**5.2**	**1.0%**	+1.0
	Other		14.5	3.2%	**12.0**	**2.0%**	(2.4)	9.3	2.0%	**9.9**	**2.0%**	+0.6
Consolidation adjustments and other (*)			–	–	**–**	**–**	–	–	–	**(2.5)**	**–**	(2.5)
Total			451.0	100.0%	**589.0**	**100.0%**	+138.0	473.9	100.0%	**512.2**	**100.0%**	+38.3

(*) The contents of the table have been partially changed due to the application of accounting standards related to revenue recognition.

(2) Financial position

Assets at the end of the fiscal year ended March 31, 2022 stood at 483,322 million yen, an increase of 37,865 million yen from the end of the previous fiscal year. The result principally reflected increases of 24,601 million yen in cash on hand and in banks and 6,452 million yen in raw materials and supplies.

Liabilities at the end of the fiscal year ended March 31, 2022 amounted to 191,263 million yen, an increase of 7,819 million yen from the end of the previous fiscal year. Primary factors included a decrease of 8,787 million yen in short-term borrowings and long-term borrowings (combined total) and increases of 7,915 million yen in electronically recorded obligations and 6,418 million yen in contract liabilities (compared to advances received on uncompleted construction contracts and other at the end of the previous fiscal year).

Net assets at the end of the fiscal year ended March 31, 2022 were 292,059 million yen, an increase of 30,046 million yen from the end of the previous fiscal year. This was mainly attributable to increases of 25,231 million yen in retained earnings and 9,805 million yen in foreign currency translation adjustments.

(3) Cash flows

Cash and cash equivalents at the end of the fiscal year ended March 31, 2022 increased 24,593 million yen from the end of the previous fiscal year, to 118,672 million yen.

Cash flows from operating activities

Cash provided by operating activities totaled 56,691 million yen (38,229 million yen in cash provided in the year-ago period). This was mainly attributable to 50,978 million yen in income before income taxes and non-controlling interests, a decrease of 12,775 million yen in notes and accounts receivables and contract assets.

Cash flows from investing activities

Cash used in investing activities was 9,828 million yen (6,132 million yen in cash used in the year-ago period). Major factors included an outlay of 10,461 million yen for payments for the purchase of property, plant and equipment.

Cash flows from financing activities

Cash used in financing activities was 27,550 million yen (8,932 million yen in cash used in the year-ago period), mainly attributable to payments of cash dividends of 10,720 million yen, outlay of 8,320 million yen in short-term borrowings, and 5,683 million yen in payments from changes in ownership interests in subsidiaries that do not result in a change in the scope of consolidation.

Indicators for consolidated cash flows are as below:

	FY2020	FY2021
Equity ratio (%)	57.7	60.2
Equity ratio based on market capitalization (%)	306.6	229.2
Ratio of interest-bearing liabilities to cash flows (Year)	0.9	0.5
Interest coverage ratio (Times)	61.2	140.1

Equity ratio = (Net assets − Non-controlling interests − Equity warrants)/Total assets
Equity ratio based on market capitalization = Market capitalization of shares/Total assets
Ratio of interest-bearing liabilities to cash flows = Interest-bearing liabilities/Operating cash flows
Instant coverage ratio = Cash flows/Interest paid

Notes:1. The above indicators are calculated based on the figures in the consolidated financial statements.
2. Market capitalization is calculated based on the following formula: Closing price of shares at the end of the period × Number of shares issued at the end of the period (excluding treasury stock).
3. Operating cash flows are used for cash flows.
4. Interest-bearing liabilities are short-term borrowings and long-term borrowings recorded in the consolidated balance sheets that pay interest.
5. Additionally, interest paid is the amount of interest paid in the consolidated statements of cash flows.

(4) Capital resources and liquidity of funds

i. Basic views of financial strategy

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

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

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

ii. Views on distribution of management resource

The Group has set the amount of about 1.5- to 2.0-month net sales as the appropriate level of cash and deposit at hand required for stable business operation, and considers the excessive amount as an additional distributable management resource. The Group will distribute this resource to help increase its corporate value. The Group regards the return of profits to shareholders to be one of its most important management commitments. Regarding the provision of dividends from surplus funds and with a view to returning more profits to shareholders, the Company intends to incorporate a performance-linked dividend policy based on consolidated net income and will allocate the remaining surplus as retained earnings to investment funds for boosting future growth.

The Group will proactively promote investment, such as capital investment and investment for research and development (R&D), for growth to help increase its corporate value. The investment is expected to amount to a total of 74.3 billion yen in the current three-year business plan (the total for three years from the fiscal year ended March 31, 2022 to the fiscal year ending March 31, 2024).

iii. Description of demand for funds

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

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

iv. Capital procurement

The Group effectively uses internal and external funds to secure a stable amount necessary for the maintenance and expansion of its business. The Group companies in Japan use a distribution system to increase the efficiency of their fund operation. In the system, surplus funds are collected by the Company, and then distributed to Group companies that are in short of funds. The Group also understands that maintaining and enhancing a stable ability of external capital procurement is an important management issue. The Group is rated “A” in issuer credit rating by R&I as of the filing date of the Annual Securities Report. Furthermore, the Group has kept a good business relationship with its major partner financial institutions, and also has strong financial position. This proves that the Group can procure operating funds and investment funds necessary for maintenance, expansion, and operation of its business without any problem. The Group sets commitment lines of 30.0 billion yen with financial institutions in Japan to secure a capital procurement measure for emergencies.

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

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

Of the accounting estimates and assumptions used to prepare the consolidated financial statements, those of significance are described in “Item 5. Financial Information, 1. Consolidated Financial Statements, etc., (1) Notes on consolidated financial statements, *Significant accounting estimates*” and “Item 5. Financial Information, 2. Non-consolidated Financial Statements, etc., (1) Notes on non-consolidated financial statements, *Significant accounting estimates*.”

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

i. Production

The results of production by segment for the fiscal year ended March 31, 2022 are as follows:

Segment	Amount (million yen)	YoY change (%)
Daifuku Co., Ltd.	263,817	9.8
Contec Co., Ltd. and its subsidiaries	26,622	0.7
Daifuku North America Holding Company and its subsidiaries	122,763	(1.5)
Clean Factomation, Inc.	20,312	(25.2)
Other	76,397	20.6
Total	509,912	5.8

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

ii. Orders received

The results of orders received by segment for the fiscal year ended March 31, 2022 are as follows:

Segment	Orders (million yen)	YoY change (%)	Order backlog (million yen)	YoY change (%)
Daifuku Co., Ltd.	262,494	42.5	191,421	24.3
Contec Co., Ltd. and its subsidiaries	19,606	27.8	7,459	104.3
Daifuku North America Holding Company and its subsidiaries	135,199	13.2	112,037	(4.5)
Clean Factomation, Inc.	36,779	18.3	21,647	59.9
Other	134,987	33.6	119,316	37.8
Total	589,069	30.6	451,883	20.5

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

iii. Sales

The results of sales by segment for the fiscal year ended March 31, 2022 are as follows:

Segment	Amount (million yen)	YoY change (%)
Daifuku Co., Ltd.	225,057	12.9
Contec Co., Ltd. and its subsidiaries	15,798	(2.7)
Daifuku North America Holding Company and its subsidiaries	140,473	2.4
Clean Factomation, Inc.	28,671	(6.2)
Other	102,267	12.9
Total	512,268	8.1

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

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

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

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

i. Views, analysis and discussion on the status of operating results, etc. of the fiscal year ended March 31, 2022

In the fiscal year ended March 31, 2022, orders increased significantly by 30.6%, and sales also increased by 8.1%, underpinned by an extensive order backlog from the end of the previous fiscal year, achieving new record highs in orders and sales. Operating income increased by 12.8%, ordinary income increased by 11.8%, and net income attributable to shareholders of the parent company by 10.8%. ROE was 13.1%, almost at the same level as the previous fiscal year.

Continuing vigorous investment in logistics systems in Japan and the U.S. significantly affected the operating results. This has resulted in largely increased net sales and income for intralogistics systems. In addition, the order backlog secured at the end of the fiscal year achieved a new record high. In particular, e-commerce is one of the important areas in our business strategy, and this sector is expected to attract more investment for improving efficiency, mainly in automation ((1) Operating Results and Financial Review, Figure: Orders and Sales by Industry).

Semiconductor and flat-panel display sectors, which were once challenged by significant shifts in the market, are going strong now, especially due to progress in digitalization. These sectors have been attracting proactive investment. Since some projects are larger in scale due to die shrink and other factors, we will focus on improving profitability by cost reduction, while managing risks carefully.

We expected the automotive system sector to recover along with the normalization of economic activities, but the results have been sluggish since additional costs were needed for a new large project outside of Japan. Although uncertainty factors such as suspension of automotive production according to shortage of semiconductor devices still remain, we will take a shift to electric vehicles as a good opportunity for us, and will make efforts to recover our earning power.

In the airport system sector, which was expected to be affected by the COVID-19 pandemic, orders were solid and sales were favorable. These results were bolstered by long-term projects of airport management companies which were not affected significantly. Passengers are returning to flights, and North America, the largest market in the sector, is the first on the list. The sector is attracting more investment, especially in smarter airports. The Group will steadily link these demands to orders.

See "(1) Operating Results and Financial Review" for details of the analysis of the operating results of the Group, and "1. Management Policy, Management Environment, and Issues to Address" for details of issue analysis, future measures, etc.

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

In its three-year business plan "Value Transformation 2023" which started from the fiscal year ended March 31, 2022, the Group set consolidated net sales of 540 billion yen as one of its management targets for the final year of the plan, the fiscal year ending March 31, 2024. However, the Group revised this target upward to 600 billion yen since the sales in intralogistics systems and cleanroom systems are strong and are expected to remain at a higher level. The Group aims at operating margin of 10.5% as planned for the same year. In addition, the target for ROE is 10% or more for the whole period of the plan.

(8) Future management policies

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

In the profit structure of the Group, Daifuku earns about 80% of the net income attributable to shareholders of the parent company ((1) Operating Results and Financial Review, Figure: Results of Reportable Segments). The issues of the Group are to increase the earning power of the segments other than Daifuku, especially the companies outside of Japan, as well as to further increase the profitability of Daifuku.

Furthermore, as described in "Item 1. Overview of the Company, 3. Description of Business," production and sales of material handling systems, the main business of the Group, are conducted through close coordination by the companies in the Group. Thus, Groupwide initiatives are crucial. For details, see "1. Management Policy, Management Environment, and Issues to Address, (1) Management policy."

4. Material Contracts, etc.

Not applicable

5. Research and Development (R&D) Activities

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

The total amount of R&D expenditures that the Group paid is 10,735 million yen in the fiscal year ended March 31, 2022. The expenditures by reportable segments are described below.

(Million yen)

Segment	FY2020	FY2021
Daifuku Co., Ltd.	7,421	8,504
Contec Co., Ltd. and its subsidiaries	1,124	1,014
Daifuku North America Holding Company and its subsidiaries	165	529
Clean Factomation, Inc.	213	283
Other	239	404
Total	9,165	10,735

R&D activities by reportable segments are described below.

(1) Daifuku Co., Ltd.

i. Intralogistics systems for manufacturers and distributors

Daifuku has developed a lifter with a high storage/retrieval throughput for the Shuttle Rack-M, vehicle-type mini load automated warehouse systems, suitable for sorting and picking mainly at distribution centers for individual shipments and online/mail orders. This has strengthened its product portfolio. A model installable in refrigerated storage has also been added to the portfolio.

The Company has launched Sorting Shuttle, a multi-tier piece-sorter system. Sorting Shuttle has chutes displaced at several tiers. Shuttles move three-dimensionally to transport goods to the chutes. This reduces the footprint of the system significantly, compared with the conventional piece-sorter systems.

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

For the semiconductor sector, the Company ongoingly develops transport and storage systems for the most advanced circuit line width of five to three nanometers. In addition, the Company is developing transport and storage systems for the packaging sector, a so-called back-end process, since a higher cleanliness level is now required in this sector.

For the flat-panel display sector, the Company has been reviewing fundamental design of the systems for the eighth and tenth generation panel production to enhance its competitiveness.

The Company continues to develop software to increase transport efficiency, to reduce vibration, or to facilitate maintenance with use of IoT and AI technologies. In addition, it has been developing systems with extensibility to connect fabs (factories) with ease.

iii. Automotive systems for automobile production lines

The Company is developing component technology that enables a higher level of automation in automobile production lines, and new conveyor systems for main lines to convey automobile bodies in the assembly process. Automotive electrification has increased the weight to be conveyed, and the types and numbers of parts to be assembled and the assembly processes vary by the type of automobiles. These and other factors have complicated assembly processes and routes, resulting in increased changes and remodeling of conveyor systems after the start of operation. In response to these needs, the Company has developed measures to handle the increased weight to be conveyed, as well as measures to save space, and to facilitate process/route changes or system contraction/expansion.

iv. Airport systems

Daifuku's Self Bag Drop (SBD) systems delivered to five major Japanese airports started operation. The SBD system enables fully automated baggage transport without the need for handling by staff. Passengers check in through a terminal at a kiosk in advance, and attach a printed tag to their baggage. This has reduced the time required for check-in at the check-in counters to approximately a quarter.

In addition, the baggage handling systems delivered first in Japan adopt high-efficiency motors to save power consumption during operation and standby. In addition, initiatives to reduce CO_2 emissions with the system have started.

v. Car wash machines

In April 2022, the Company launched a new model Treus and Cordia, a higher model of drive-through car wash machines. Both models adopt the white-themed simple design of our Good Design Award-winning Twinfect Riscia, launched in February 2021. These models also have the proven functions of Twinfect Riscia such as several types of LED lighting for safety at night and easy operability of control panels, and newly added remote support and remote monitoring functions. In addition, newly added spray nozzles for rinsing reduced washing time and improved the capacity.

The total amount of R&D expenditures that the Company paid for i. to v. described above and other is 8,504 million yen.

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

For the industrial computer sector, Contec has developed DX-U1200 Series, AI computers with improved learning functions, and started sales of the series in July 2021. In addition, it has developed new products for VPC-5000 Series, computers for factory automation (FA), and started sales of the products in April 2022. Both series have excellent ability in AI inference. Contec aims to sell them for a variety of fields and applications such as image inspection apparatuses for FA, information terminals that support factory facilities and social infrastructure, and medical devices and security equipment that require a high level of multi-processing.

For the IoT device sector, Contec has developed three additional models for CPI Series, measurement controllers, and started sales of the models in November 2021. The series is easy to use for FA. Contec aims to sell the series to FA and measurement control sectors.

For the solution products sector, Contec has developed SolarView SC, a system that controls captive consumption in solar power generation, and started sales of the system in September 2021. Contec has joined a number of demonstration studies of megasolar systems and other projects for more than 30 years, and contributes to solar power generation business of its various customers with the solutions developed by using its experiences in those projects.

The amount of R&D expenditures that Contec paid is 1,014 million yen.

(3) Daifuku North America Holding Company and its subsidiaries

Daifuku North America improves its airport baggage handling systems to meet the customer needs and to enhance its competitiveness.

It focuses on developing picking and sorting systems in the intralogistics system sector.

Daifuku North America improves its automotive systems to meet the increasing need for more silent facilities. It aims to add more competitive products in its product line by changing the drive from conventional chains to belts or by other measures.

The total amount of R&D expenditures that Daifuku North America paid is 529 million yen.

(4) Clean Factomation, Inc.

Clean Factomation improves the 200-mm systems delivered before, and develops equipment for back-end processes to meet the needs of their customers who are semiconductor manufacturers in South Korea.

The total amount of R&D expenditures that Clean Factomation paid is 283 million yen.

III. Information about Facilities

1. Overview of Capital Expenditures

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

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

2. Major Facilities

Major facilities of the Group are as follows.

(1) Reporting company

As of March 31, 2022

Office (location)	Segment	Description of facilities	Carrying amount (million yen)						Number of employees (persons)
			Buildings and structures	Machinery and vehicles	Land (area: 1,000 m^2)	Leased assets	Other	Total	
Headquarters and Osaka Branch (Nishiyodogawa-ku, Osaka)	Daifuku Co., Ltd.	Headquarters and other facilities	3,266	0	1,277 [10]	4	202	4,751	484
Tokyo Head Office and Tokyo Branch (Minato-ku, Tokyo)	Daifuku Co., Ltd.	Headquarters and other facilities	250	1	– [–]	23	39	315	411
Shiga Works (Hino-cho, Gamo-gun, Shiga)	Daifuku Co., Ltd.	Facilities for production, R&D and other	7,505	3,442	3,991 [1,160]	712	1,685	17,337	1,407
Komaki Works (Komaki, Aichi)	Daifuku Co., Ltd.	Other facilities	254	3	77 [53]	–	60	396	317
Tokai Branch (Toyota, Aichi)	Daifuku Co., Ltd.	Other facilities	159	5	53 [2]	–	9	228	63
Chugoku Branch (Kaita-cho, Aki-gun, Hiroshima)	Daifuku Co., Ltd.	Other facilities	44	0	3 [1]	–	0	48	15
Fujisawa Branch (Fujisawa, Kanagawa)	Daifuku Co., Ltd.	Other facilities	54	4	242 [5]	4	2	309	26
Mie Works (Kameyama, Mie)	Daifuku Co., Ltd.	Other facilities	17	0	122 [2]	–	0	139	12

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

2. In addition to the above, the Group rents/leases following major facilities.

As of March 31, 2022

Office (location)	Segment	Description of facilities	Land (area: 1,000 m^2)	Annual rent/ lease payment (million yen)
Tokyo Head Office and Tokyo Branch (Minato-ku, Tokyo)	Daifuku Co., Ltd.	Headquarters Other facilities (rent)	–	519
Shiga Works (Hino-cho, Gamo-gun, Shiga)	Daifuku Co., Ltd.	Facilities for production and other (lease)	–	175
Komaki Works (Komaki, Aichi)	Daifuku Co., Ltd.	Other facilities (rent)	–	140

(2) Subsidiaries in Japan

As of March 31, 2022

Company name	Office (location)	Segment	Description of facilities	Carrying amount (million yen)						Number of employees (persons)
				Buildings and structures	Machinery and vehicles	Land (area: 1,000 m^2)	Leased assets	Other	Total	
Contec Co., Ltd.	Headquarters (Nishiyodogawa -ku, Osaka), five sales offices and one factory	Contec Co., Ltd. and its subsidiaries	Facilities for production and other	561	105	1,389 [13]	3	63	2,124	333

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

(3) Subsidiaries outside Japan

As of March 31, 2022

Company name	Office (location)	Segment	Description of facilities	Carrying amount (million yen)						Number of employees (persons)
				Buildings and structures	Machinery and vehicles	Land (area: 1,000 m^2)	Leased assets	Other	Total	
Daifuku North America Holding Company	U.S. Factories (Michigan, etc., U.S.A.)	Daifuku North America Holding Company and its subsidiaries	Production facilities, etc.	5,341	2,218	1,347 [603]	–	3,498	12,405	4,568
Clean Factomation, Inc.	South Korea Factory (Asan-si, South Korea)	Clean Factomation, Inc.	Production facilities, etc.	400	55	321 [33]	–	611	1,388	865
Daifuku (Thailand) Limited	Thailand Factory (Chonburi, Thailand)	Other	Production facilities, etc.	663	62	328 [61]	–	379	1,433	343
Hallim Machinery Co., Ltd.	South Korea Factory (Hwaseong, Gyeonggi, South Korea)	Other	Production facilities, etc.	480	32	461 [10]	–	50	1,025	119
Daifuku Korea Co., Ltd.	South Korea Factory (Incheon Metropolitan City, South Korea)	Other	Production facilities, etc.	751	15	215 [7]	–	31	1,013	119
Daifuku (China) Automation Co., Ltd.	China Factory (Changshu, Jiangsu, China)	Other	Production facilities, etc.	1,172	289	– [–]	–	899	2,361	445
Taiwan Daifuku Co., Ltd.	Taiwan Factory (Tainan, Taiwan)	Other	Production facilities, etc.	332	168	– [–]	–	454	955	317
Daifuku (China) Manufacturing Co., Ltd.	China Factory (Shanghai, China)	Other	Production facilities, etc.	–	188	– [–]	–	824	1,012	314
Daifuku (Suzhou) Cleanroom Automation Co., Ltd.	China Factory (Suzhou, Jiangsu, China)	Other	Production facilities, etc.	142	862	– [–]	–	440	1,445	242

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

2. Figures for Daifuku North America Holding Company are consolidated figures of the company and its subsidiaries.

3. Planned Additions, Retirements and Other Changes of Facilities

There are no significant planned additions, retirements or other changes of facilities as of March 31, 2022.

IV. Information about Reporting Company

1. Company's Shares, etc.

(1) Total number of shares

i. Authorized shares

Type	Total number of shares authorized to be issued (shares)
Common stock	250,000,000
Total	250,000,000

ii. Issued shares

Type	Number of issued shares as of fiscal year end (March 31, 2022) (shares)	Number of issued shares as of filing date (June 27, 2022) (shares)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common stock	126,610,077	126,610,077	First Section of the Tokyo Stock Exchange (as of fiscal year end); Prime Market (as of the filing date)	The number of shares constituting one unit is 100 shares.
Total	126,610,077	126,610,077	–	–

(2) Share warrants

i. Stock option plans

Not applicable

ii. Rights plans

Not applicable

iii. Share warrants for other uses

Not applicable

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

Not applicable

(4) Changes in number of issued shares, share capital and legal capital surplus

Date	Changes in total number of issued shares (shares)	Balance of total number of issued shares (shares)	Changes in share capital (million yen)	Balance of share capital (million yen)	Changes in legal capital surplus (million yen)	Balance of legal capital surplus (million yen)
December 12, 2017 (Note 1.)	2,480,000	126,090,077	13,928	28,944	–	8,998
December 27, 2017 (Note 2.)	520,000	126,610,077	2,920	31,865	–	8,998

Notes: 1. Public offering
Issue price: 5,858 yen
Issue value: 5,616.4 yen
Amount capitalized: 5,616.4 yen
Total paid-in amount: 13,928 million yen

2. Third-party allotment (capital increase through third-party allotment in relation to the offering by way of over-allotment)
Issue price: 5,858 yen
Amount capitalized: 5,616.4 yen
Allotted to: Mizuho Securities Co., Ltd.

(5) Shareholding by shareholder category

As of March 31, 2022

Category	Shareholding status (number of shares constituting one unit: 100 shares)								Shares less than one unit (shares)
	National and local governments	Financial institutions	Financial service providers	Other corporations	Foreign investors, etc.		Individuals and other	Total	
					Non-individuals	Individuals			
Number of shareholders (persons)	–	98	50	390	738	45	18,914	20,235	–
Number of shares held (units)	–	515,461	20,036	82,990	502,693	122	143,486	1,264,788	131,277
Percentage of shareholdings (%)	–	40.75	1.58	6.56	39.75	0.01	11.34	100.00	–

Note: Of the 486,370 shares of treasury stock, 4,863 units are included in "Individuals and other," and 70 shares are included in "Shares less than one unit."

(6) Major shareholders

As of March 31, 2022

Name	Address	Number of shares held (thousands of shares)	Percentage of shares held to the total number of issued shares (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	19,383	15.37
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	8,783	6.96
Mizuho Bank, Ltd.	1-5-5 Otemachi, Chiyoda-ku, Tokyo	4,117	3.26
Sumitomo Mitsui Banking Corporation	1-1-2 Marunouchi, Chiyoda-ku, Tokyo	3,570	2.83
MUFG Bank, Ltd.	2-7-1 Marunouchi, Chiyoda-ku, Tokyo	3,354	2.66
Daifuku Supplier Shareholder Association	3-2-11 Mitejima, Nishiyodogawa-ku Osaka	3,054	2.42
Nippon Life Insurance Company	1-6-6 Marunouchi, Chiyoda-ku, Tokyo	2,745	2.18
Chuo-Nittochi Group Co., Ltd.	1-4-1 Kasumigaseki, Chiyoda-ku, Tokyo	2,690	2.13
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Custody Business Department, Tokyo Branch, the Hongkong and Shanghai Banking Corporation Limited)	One Lincoln Street, Boston, MA, USA 02111 (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	2,588	2.05
J.P. MORGAN BANK LUXEMBOURG S.A. 381593 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	European Bank and Business Center 6, Route de Treves, L-2633, Senningerberg, Luxembourg (Shinagawa Intercity A, 2-15-1 Konan, Minato-ku, Tokyo)	2,269	1.80
Total	–	52,559	41.67

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

The Master Trust Bank of Japan, Ltd. (Trust Account)	19,383 thousand shares
Custody Bank of Japan, Ltd. (Trust Account)	8,783 thousand shares

2. In addition to the above, the Company has 486 thousand shares of treasury stock (0.38% of issued shares). Also, 106 thousand shares of the Company's shares are held by the Custody Bank of Japan, Ltd. (Trust Account E) as Board Benefit Trust (BBT). The 106 thousand shares are recognized as treasury stock in the consolidated and non-consolidated financial statements as of the end of the fiscal year, but are not included in the above mentioned 486 thousand shares of treasury stock.

3. Sumitomo Mitsui Trust Bank, Limited and two other companies have filed the Change Report of the Statement of Large-Volume Holdings (No.4) on January 7, 2022. These companies are not included in the above list of major shareholders because we were unable to confirm the actual number of shares held as of March 31, 2022. The detail of the Change Report is as follows:

Name	Address	Number of shares held (thousands of shares)	Percentage of shares held to the total number of issued shares (%)
Sumitomo Mitsui Trust Bank, Limited and two other	1-4-1, Marunouchi, Chiyoda-ku, Tokyo	7,763	6.13

(7) Voting rights

i. Issued shares

As of March 31, 2022

Category	Number of shares (shares)	Number of voting rights (units)	Description
Shares with no voting rights	–	–	–
Shares with restricted voting rights (treasury stock, etc.)	–	–	–
Shares with restricted voting rights (other)	–	–	–
Shares with full voting rights (treasury stock, etc.)	(Treasury stock) Common stock 486,300	–	–
Shares with full voting rights (other)	Common stock 125,992,500	1,259,925	–
Shares less than one unit	Common stock 131,277	–	Shares less than one unit (100 shares)
Total number of shares issued	126,610,077	–	–
Voting rights held by all shareholders	–	1,259,925	–

Notes: 1. 70 shares of treasury stock are included in shares less than one unit.

2. "Shares with full voting rights (other)" includes 106,500 shares (1,065 voting rights) of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets of Board Benefit Trust (BBT) as of March 31, 2022.

ii. Treasury stock, etc.

As of March 31, 2022

Name of shareholder	Address of shareholder	Number of shares held under own name (shares)	Number of shares held under the name of other (shares)	Total number of shares held (shares)	Percentage of shares held to the total number of issued shares (%)
(Treasury stock) Daifuku Co., Ltd.	3-2-11 Mitejima, Nishiyodogawa-ku Osaka	486,300	–	486,300	0.38
Total	–	486,300	–	486,300	0.38

Note: In addition to the above, 106,500 shares are recognized as treasury stock in the consolidated and non-consolidated financial statements. This reflects the accounting treatment that recognizes the Company and the Custody Bank of Japan, Ltd. (Trust Account E) (hereinafter "Trust Account") as a single entity under BBT plan, requiring for an entry that treats the Company's stock transferred to the Trust Account as treasury stock.

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

Share ownership plan for officers

i. Outline of share ownership plan for officers

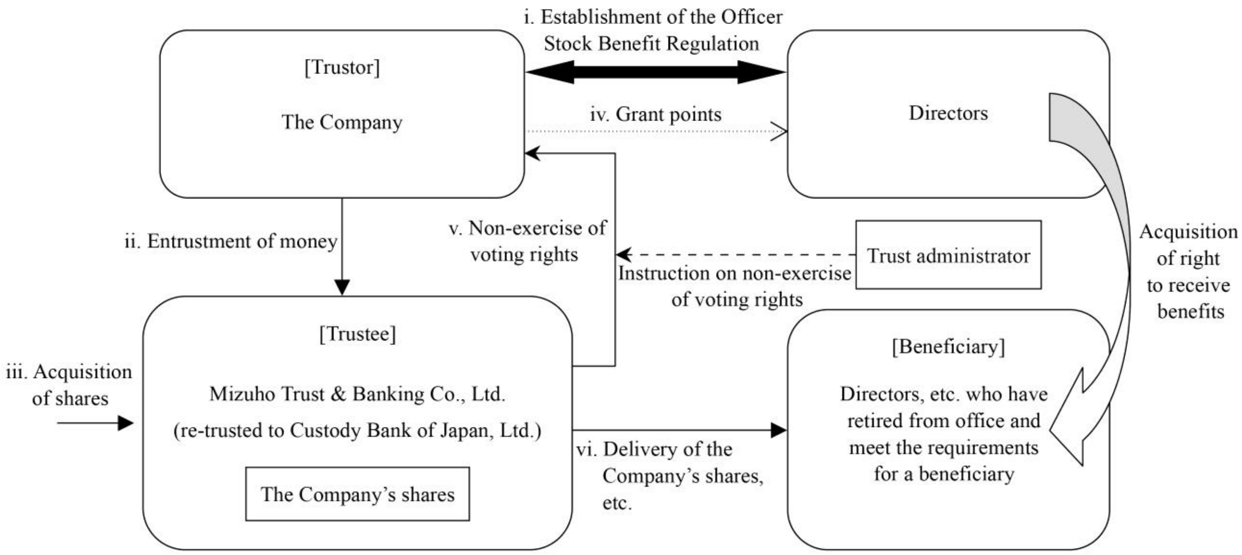
On August 26, 2016, the Company introduced Board Benefit Trust (BBT) plan (the “Plan”) as equity compensation scheme, based on the resolution passed at the 100th Ordinary General Meeting of Shareholders held on June 24, 2016 and the Board of Directors’ meeting that followed.

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

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

A resolution to make an additional contribution for the continuation of the Plan was passed at the Board of Director’s meeting held on November 8, 2019. Treasury stock was disposed through third-party allotment on November 25, 2019. The scheme of the Plan is as follows.

Overview of Board Benefit Trust (BBT)



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

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

The total number of shares to be acquired by the Trust is 180,000 shares.

90,000 shares on August 26, 2016

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

Shares to be acquired going forward are undecided.

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

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

2. Acquisition and Disposal of Treasury Stock

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

(1) Acquisition by resolution of General Meeting of Shareholders

Not applicable

(2) Acquisition by resolution of Board of Directors' meeting

Not applicable

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

Category	Number of shares (shares)	Total value (yen)
Treasury stock acquired during the fiscal year ended March 31, 2022	1,502	14,866,110
Treasury stock acquired during the current period (from April 1, 2022 to the filing date of this Annual Securities Report)	167	1,369,040

Notes: 1. Shares acquired by purchase of shares less that one unit during the period from June 1, 2022 to the filing date of this Annual Securities Report are not included in treasury stock acquired during the current period.

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

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

Category	Fiscal year ended March 31, 2022		Current period (from April 1, 2022 to the filing date of this Annual Securities Report)	
	Number of shares (shares)	Total amount disposed (yen)	Number of shares (shares)	Total amount disposed (yen)
Acquired treasury stock offered to subscribers for subscription	–	–	–	–
Acquired treasury stock canceled	–	–	–	–
Acquired treasury stock transferred for merger, share exchange, share delivery or company split	–	–	–	–
Other (sale due to the request for purchase of shares less than one unit of shares)	–	–	8	7,344
Treasury stock held	486,370	–	486,529	–

Notes: 1. Shares acquired due to purchase or sales of shares less than one unit of shares during the period from June 1, 2022 to the filing date of this Annual Securities Report are not included in the other (sale due to the request for purchase of shares less than one unit of shares) and treasury stock held during the current period.

2. 12,700 shares (12,700 shares for the fiscal year ended March 31, 2022 , 0 for the current period) distributed from the Custody Bank of Japan, Ltd. (Trust Account E) to the Beneficiaries based on the Officer Stock Benefit Regulation established by the Company are not included in the amount of treasury stock disposed shown above. Shares held by the Custody Bank of Japan, Ltd. (Trust Account E) (106,500 shares for the fiscal year ended March 31, 2022, 106,500 shares as of the end of the current period) are not included in the treasury stock held.

3. Dividend Policy

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

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

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

Based on this policy, for the year ended March 31, 2022, the Board of Directors has decided at the meeting held on May 13, 2022 to make the annual dividend payment of 90 yen per share (interim dividend of 35 yen and year-end dividend of 55 yen), an increase of 5 yen from our initial plan.

Furthermore, to enable us to flexibly pay dividends from any surplus funds, our Articles of Incorporation stipulate that the Board of Directors may determine the dividend to be paid from surplus funds without requiring a resolution from the General Meeting of Shareholders regarding matters stipulated in Article 459, Paragraph 1 of the Companies Act (The determination of articles that permit the Board of Directors to decide dividend payments from surplus funds), except when otherwise provided for in separate laws or regulations, and that the record date for dividends from surplus funds will be September 30 and March 31.

Dividends of surplus whose record date falls within the year ended March 31, 2022 are as follows:

Resolution date	Total dividend payment (million yen)	Dividend per share (yen)
Resolved by the Board of Directors on November 5, 2021	4,414	35
Resolved by the Board of Directors on May 13, 2022	6,936	55

4. Corporate Governance

(1) Overview of corporate governance

i. Basic stance on corporate governance

The Group (collectively referring to the Company and its subsidiaries; hereinafter the same applies) actively strives to enhance its corporate governance with the aim of ensuring the sustained growth of the Group and improving its medium- to long-term corporate value. The Group's corporate governance system is established based on the following basic stance:

(i) Company Creed, Management Philosophy, Group Code of Conduct

The Group will achieve sustainable growth of its corporate value and fulfill its corporate social responsibility based on its company creed and the management philosophy revised on October 2021. The new management philosophy, "Automation that Inspires" incorporates our determination that we aim to create a sustainable society that delivers prosperity and enhance well-being, protects environment and human rights through our core competence―automated material handling technology.

Company Creed

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.

In addition, we have established the Group Code of Conduct that defines the fundamental principles we (all directors, officers and employees of the Daifuku Group) should follow with the aim of realizing the Group's company creed and management philosophy. In 2021, we created the Compliance Guidebook that explains the Group Code of Conduct in an easy-to-understand manner. We gave a detailed explanation to the Group companies including non-Japan subsidiaries together with a message from President and CEO ("CEO").

Group Code of Conduct

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.

(ii) Daifuku Group's basic policy for corporate governance

The Group has clarified "Daifuku Group's Basic Policy for Corporate Governance" (hereinafter the "Policy") and summarized the status of the initiatives the Group is taking on all the 83 items of the Japan's Corporate Governance Code revised in 2021. 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 securities reports and the Daifuku Report as integrated reporting.

For more information, see the following page:
https://www.daifuku.com/ir/policy/governance/

ii. Enhancement of the corporate governance system

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

First, to enhance the composition of outside directors, we appointed persons with corporate management experience keeping in mind diversity as well as a policy to gradually increase the number of outside directors. As a result of such effort, nine members now compose the Board of Directors, including five inside directors and four outside directors (out of which one is a woman) elected at the Ordinary General Meeting of Shareholders held on June 24, 2022. Outside directors account for 44% of the Board of Directors.

[Table] Enhancement of the composition of outside directors

	June 2018	June 2019	June 2020	June 2021	June 2022
Number of directors (outside directors)	10 (3)	11 (4)	8 (4)	9 (4)	9 (4)
Percentage of outside directors	30%	36%	50%	44%	44%
Number of female directors	0	1	1	1	1

Secondly, we have introduced an audit officer system.

- April 2019: The Company introduced an audit officer system for the purpose of reinforcing internal audit and internal control assessment function.
- April 2020: To enhance the effectiveness of audits conducted by Audit & Supervisory Board members and the Audit & Supervisory Board, the Company has established the Audit & Supervisory Board Office to assist with the duties of Audit & Supervisory Board members and appointed an audit officer as the general manager of the Office.
- Audit Officers are at the same level as Corporate Officers and attend Board of Directors' meetings.

In addition, main points of the revised Corporate Governance Code required by the Tokyo Stock Exchange and the Company's response status ("▸" indicates the Company's response) are as follows.

(i) Enhancing board independence

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

▸44% (4 out of 9)

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

▸We have established a voluntary Advisory Committee (nomination/remuneration). In the 106th fiscal year, the Committee comprised four outside directors and one representative director, and was chaired by one of these outside directors.

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

▸We have disclosed a skill matrix (see below).

Appoint independent directors having managerial experiences at other companies

▸Appointed two (2) persons.

(ii) Ensuring diversity in the core human resources of the company

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

▸Goal for promoting female managers: Thirty (30) persons (as of April 1, 2023)

Result: 26 persons (as of April 1, 2022)

Status of foreign employees: Foreign nationality ratio of regular hires 8.6% (as of April 1, 2022)

Number of foreign managers: Four (4) persons (as of April 1, 2022)

Status of career hires: Career recruitment ratio 44.3% (as of April 1, 2022), career recruitment ratio for managers 36.2% (as of April 1, 2022)

We will continue to recruit various talents.

(iii) Dealing with sustainability issues

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

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

Develop a basic policy on sustainability and disclose our initiatives

▸In 2020, we disclosed information on the impact of climate change risks and opportunities on our business activities, profits, etc.

▸In 2021, we announced Daifuku Environmental Vision 2050 (issue areas and targets by 2030).

For more information on (ii) and (iii), see "1. Management Policy, Management Environment, and Issues to Address, (4) Environmental Vision and Sustainability Action Plan."

(iv) Main issues other than the above

Promote the use of electronic voting platforms and disclose in English

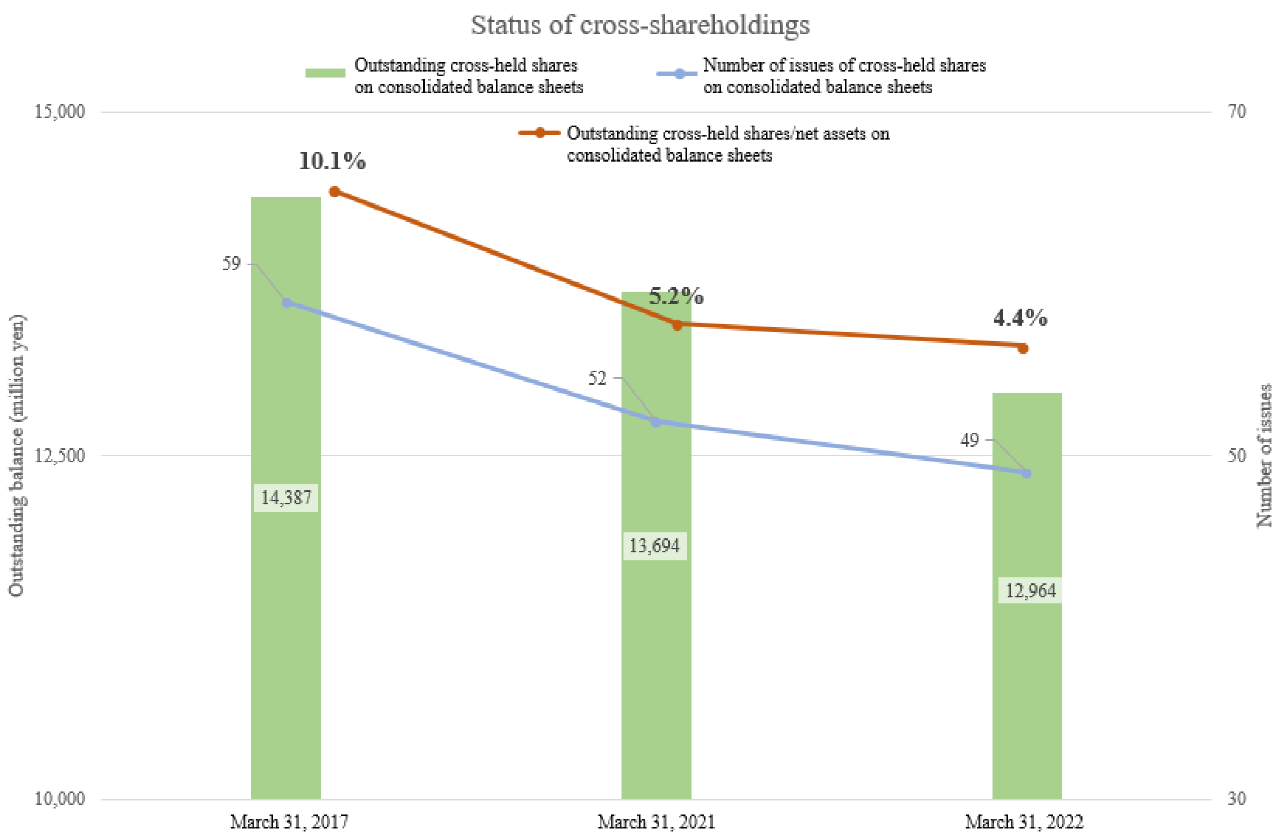
▸We have already been using the Electronic Voting Platform. We disclose financial statements, financial results briefing materials, corporate governance reports, convening notices, timely disclosures, Daifuku Report, etc. in English.

In addition to the main points of the revised Corporate Governance Code, the Company has engaged in the following initiatives.

Cross-shareholdings on consolidated balance sheets

Our basic policy is to reduce cross-shareholdings. In November 2021, we clarified our policy that we would no longer hold new shares for strategic purposes, and that shares, which the Board of Directors regards as having no significance through its examination, would be sold. As of March 31, 2022, the amount of cross-shareholdings recorded on the balance sheets was 12,964 million yen, accounting for 4.4% of net assets, and is on a downward trend. For more information, see "(5) Shareholdings."

[Chart] Status of cross-shareholdings on consolidated balance sheets



Notes: 1. March 31, 2017: The final year of the four-year business plan Value Innovation 2017

2. March 31, 2021: The final year of the four-year business plan Value Innovation 2020

Listed subsidiary

The Company has held shares of Contec Co., Ltd. as a listed subsidiary, but conducted a tender offer. As a result, Contec Co., Ltd. was delisted on April 28, 2022. The Company currently has no listed subsidiary.

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

(i) Overview of the corporate governance system

Daifuku is a company with an Audit & Supervisory Board. The Company enhances its corporate governance framework to oversee and supervise business execution by developing a Board of Directors consisting of nine members, including four independent outside directors, and an Audit & Supervisory Board consisting of four members, three of whom are elected from outside the Company. More than one-third of the Board of Directors are independent outside directors. The composition indicates that the Company considers diversity. To supplement the functions of the Board of Directors, the Company has an Advisory Committee, which deliberates on the nomination, election and dismissal, and the remuneration of the management team members. Audit & Supervisory Board members, together with the Audit & Supervisory Board Office, further strengthen cooperation between the Audit Division and the accounting auditor to deepen and streamline audit work.

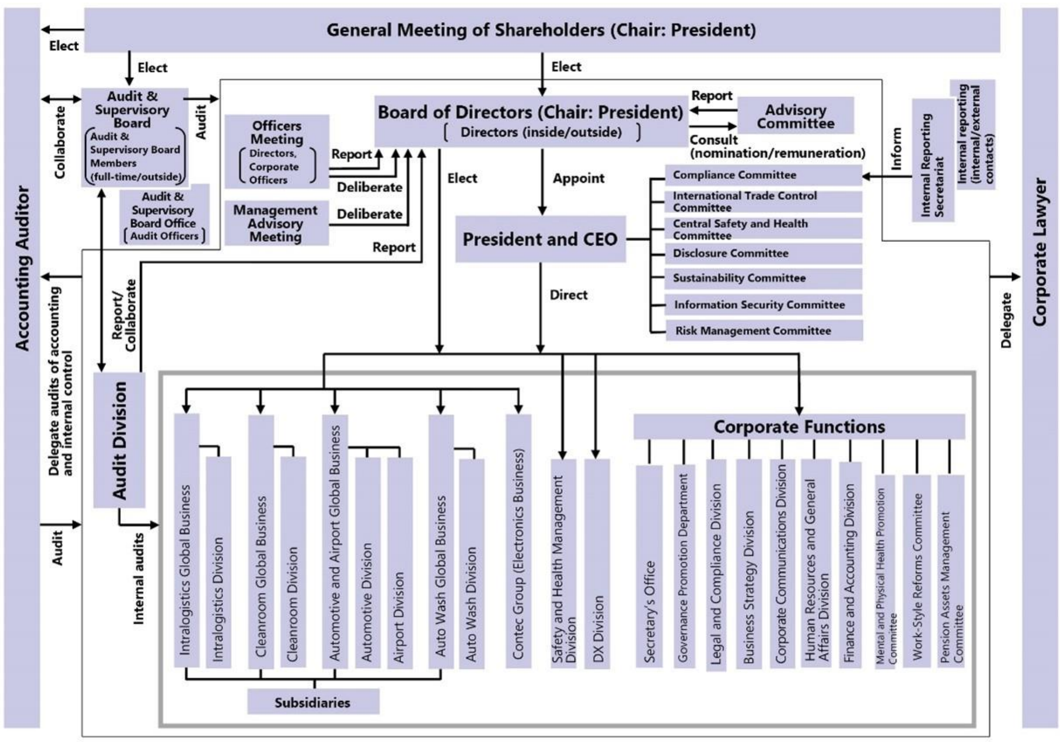
To encourage rapid decision-making on business execution, the Company has introduced a corporate officer system. The Company has also introduced an audit officer system to strengthen auditing functions.

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

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

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

Corporate Governance Structure



(iii) Matters pertaining to corporate governance

Basic overview of corporate organizations

a. Directors and the Board of Directors

Daifuku's Board of Directors makes decisions on important matters stipulated in the Rules of the Board of Directors, such as the determination of management policies, management plans, and the corporate governance system. The Board delegates matters other than these important matters to directors and corporate officers. The Board of Directors' meetings are attended by all directors with a one-year term of office and all Audit & Supervisory Board members, with managing officers and the audit officer joining as observers. The CEO serves as Chair of the Board of Directors. The Company holds regular monthly meetings of the Board of Directors, with extraordinary meetings convened, as necessary. In fiscal 2021, the Company held extraordinary meetings of the Board of Directors on six occasions.

The four independent outside directors provide insightful advice and recommendations to the Board of Directors based on their abundant experience in, and extensive knowledge of, corporate operations, corporate legal affairs, accounting, ESG, etc. from a global perspective. They also ensure the transparency of management and supervise business execution by the inside directors.

The Disclosure Based on the Principles of Japan's Corporate Governance Code specifies with respect to the composition of the Board of Directors as follows: "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" and "The Board of Directors will continue to consider the number of independent outside directors, as well as diversity, including gender, internationality, work experience, and age."

Skill matrix

The following table shows the expertise, experience, diversity, etc. that the Board of Directors has following the resolution of the Ordinary General Meeting of Shareholders held on June 24, 2022. Independent outside directors account for 44% of the members of the Board of Directors (four out of the nine directors), which percentage remains the same from the previous fiscal year.

Table: Skills of the Board of Directors

Name	Expertise/Experience							Diversity			
	Corporate management	Technology	Finance, accounting	Legal affairs, risk management	Sales, marketing	Global	Environment, society, governance	Independence	Gender	Age	Major career
Hiroshi Geshiro	●			●	●	●	●		M	64	The Group
Shuichi Honda	●		●	●		●	●		M	65	The Group, bank
Seiji Sato	●				●	●			M	62	The Group
Toshiaki Hayashi	●	●				●			M	63	The Group
Hiroshi Nobuta	●	●				●			M	62	The Group
Yoshiaki Ozawa			●			●	●	○	M	68	Accounting firm, university, outside member of the Audit & Supervisory Board and Substitute Director (Audit & Supervisory Committee Member) of enterprises
Mineo Sakai	●		●			●	●	○	M	71	Trading company, IT company
Kaku Kato	●			●		●	●	○	M	67	Trading company, energy-related company, university
Keiko Kaneko				●		●	●	○	F	54	Trading company, university, law firm, statutory auditor and external statutory auditor of enterprises

Notes: 1 Up to five skills of individuals are marked with "●".
2 The above list does not represent all of the knowledge, experience, and abilities of individuals.
3 The age is at the nearest birthday as of the conclusion of the General Meeting of Shareholders.

Evaluation of the Board of Directors' effectiveness

Regarding the evaluation of the Board of Directors' effectiveness, the Company has a basic policy of striving to improve its effectiveness by continuously implementing the PDCA cycle.

For the purpose of enhancing corporate governance, we have taken measures each year since fiscal 2015 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.

The following summarizes the overview of evaluation of the Board of Directors' effectiveness for fiscal 2021:

Period: January to March 2022

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

Method: A questionnaire 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) Dialogs with shareholders (investors), (7) Subjects' own actions, and (8) Operation of committees (47 questions in total, including seven requiring written answers)

A. General evaluation

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. An outside officer said that offices and inside officers had a will to make improvements with a constant awareness of issues and that they felt that improvements happened.

B. Main evaluation results

- 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 on standards for matters to be referred to the Board of Directors requested by some officers in the previous fiscal year to achieve improvements.
- Some commented that the current system that allowed outside officers to attend and observe different internal meetings other than meetings of the Board of Directors helped enrich discussions at the Board of Directors.
- In interviews on the formulation and implementation of the program for successors to the CEO and other posts, some commented that the successor program was reviewed and discussed through development of potential successors and personnel assignment keeping in mind succession.

C. Recognition of problems and future actions

- Opportunities for training requisite to officers remain part of the agenda. For the fiscal year ending March 31, 2023, we will be holding intensive discussions on this matter.
- Insufficiency in sharing of discussions at the Advisory Committee, consisting of the representative director and four outside directors, with the Board of Directors was recognized as a new issue. We will take actions to remedy it.
- 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 addressed in the future. In response to that, we will continue consideration of this issue 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.

b. Audit & Supervisory Board members and the Audit & Supervisory Board

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

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

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

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

Structure of the Audit & Supervisory Board

Title	Name	Expertise
Audit & Supervisory Board Member (full-time)	Tsukasa Saito	Finance, accounting
Audit & Supervisory Board Member (outside)	Ryosuke Aihara	Law
Audit & Supervisory Board Member (outside)	Tsukasa Miyajima	Legal science
Audit & Supervisory Board Member (outside)	Nobuo Wada	Science

c. Advisory Committee

The Company has established a voluntary Advisory Committee to strengthen the independence, objectivity, and accountability of the functions of the Board of Directors regarding the nomination, dismissal, and the remuneration of directors and corporate officers. Specifically:

- The Advisory Committee consists of three or more members, including one or more representative directors and one or more outside directors, and meets three times or more a year. During fiscal 2021, all four outside directors and one representative director served on the Committee and met five times.
- An outside director serves as the chair of the Advisory Committee to secure the independence and objectivity of the Committee
- Remuneration for the management team is resolved by the Board of Directors following reviews and reports by the Advisory Committee based on the remuneration evaluation criteria.
- The Advisory Committee examines matters such as the formulation of a succession plan, the identification of the qualities required for a successor, and the appointment and evaluation of successor candidates, and report its findings to the Board of Directors.
- The CEO is appointed by resolution of the Board of Directors following examination by the Advisory Committee based on objective criteria taking the qualities of candidates into consideration.
- If, for example, the incumbent CEO comes to lack the qualities of a CEO he or she possessed at the time of election, the CEO will be removed by resolution of the Board of Directors following examination by the Advisory Committee based on objective criteria.

d. Other bodies, etc.

The Management Advisory Meeting is held to confer on important management matters. With all directors and Audit & Supervisory Board members in attendance, this meeting also seeks the opinions of related corporate officers, audit officers, executives, and external specialists on an as-needed basis. The Management Advisory Meeting is convened by the CEO as appropriate. In fiscal 2021, the Management Advisory Meeting met three times.

In addition, the Company has introduced a corporate officer system for the purposes of the following:

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

The Company holds an officers' meeting attended by all directors, corporate officers, full-time Audit & Supervisory Board members (outside members are optional), audit officers, etc. for deliberations. The meetings are held every month in conjunction with scheduled Board of Directors' meetings. At the officers' meeting, the matters to be discussed by the Board of Directors as stipulated in the Rules of the Board of Directors are reviewed and formulated, and the matters stipulated in the Rules of the Officers are reported.

The Audit Division, which is independent of the Company's lines of business execution, verifies and evaluates the development and operation status of the internal control system from multiple points of view, including compliance with relevant legislation and internal regulations, risk management, ensuring of the appropriateness and efficiency of management operations, and ensuring of the reliability of financial reporting, assuming a role to encourage improvement.

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

f. The Company has set up various committees directly controlled by the CEO, including the Compliance Committee, the International Trade Control Committee, the Central Safety and Health Committee, the Disclosure Committee, the Sustainability Committee, the Information Security Committee, and the Risk Management Committee.

In addition, the Company has set up the Mental and Physical Health Promotion Committee, the Work-Style Reforms Committee, and the Pension Assets Management Committee, all of which are under the control of the Corporate Functions unit.

In April 2022, risk management promotion activities were separated from the Sustainability Committee that had previously handled such activities, and the Risk Management Committee was newly established. A unit for risk management was also established.

Compliance Committee:

The committee consists of all directors and corporate officers and works to strengthen compliance in the entire Group by the committee members' sharing potential or newly emerging issues related to compliance, examining measures and systems to resolve and settle such issues, and reflecting the results of the examination in their respective responsible organizations.

International Trade Control Committee:

The committee develops and enhances systems for managing compliance in international transactions to ensure the compliance with laws, standards and regulations (including those for security) related to import, export, intermediate trade, and other general international transactions.

Central Safety and Health Committee:

The committee promotes and makes employees aware of efforts for compliance with relevant laws and regulations, elimination of industrial accidents and transport disasters as the Group's supreme deliberative body for safety and health control matters.

Disclosure Committee:

The committee works to develop and enhance the timely disclosure system to timely disclose appropriate information in accordance with the Financial Instruments and Exchange Act and other related laws and regulations.

Sustainability Committee:

To meet increasing demands to address a wider range of ESG (environment, society, governance), SDGs, and other social issues, the committee encourages initiatives to widely contribute to society as a decision-making body for simple and smooth management for ESG-related issues that Group faces.

Information Security Committee:

The committee establishes and revises regulations and reviews and implements measures for information security to ensure and maintain information security risk management for the entire Group based on its understanding of potential information security risks inside and outside the Group. Upon occurrence of an incident, the committee will promptly respond in cooperation with relevant units.

Risk Management Committee:

The committee promotes Groupwide risk management activities for significant risks that would significantly affect the Group's corporate activities, and works to design countermeasures for risks and develop and enhance policies, regulations, systems, etc. based on significant risks identified and assessed through risk assessments regularly conducted.

Mental and Physical Health Promotion Committee:

Mental and physical health issues are becoming more and more prominent in society against the background of changes in the industrial structure and qualitative changes in workplaces. To prevent employees' mental and physical illness, the committee promotes Groupwide activities with the aim of promoting employees' health.

Work-Style Reforms Committee:

The committee promotes work-style reforms in the entire Group to achieve employees' work-life balance and improve productivity as measures to address issues such as a demographic shift and harmful effects from long working hours, and promotion of taking advantage of diversified human resources.

Pension Assets Management Committee:

The committee provides appropriate advice to a pension assets manager and other who are responsible for executing duties related to the management and investment of pension assets, with respect to important matters to manage the Company's defined benefit pension plan assets safely and effectively.

iv. Other matters regarding corporate governance

(i) Status of development of an internal control system

The following describes the content of decisions taken by the Board of Directors regarding the internal control system to ensure the appropriateness of business operations for fiscal 2022.

System to ensure appropriateness of business operations, etc.

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

i) The directors take the lead in observing the Group Code of Conduct, which aims for compliance with laws and regulations, the Articles of Incorporation of the Company, the internal rules and regulations, and social norms, and strive to achieve a thorough understanding of the Code within the Company.

ii) The Company has established the Compliance Committee consisting of all directors and corporate officers with the aim to ensure compliance with laws and regulations in its corporate activities and to raise and improve awareness of fairness and morality.
iii) The Audit Division, which is independent of the Company's lines of business execution, conducts audits of the status of adherence to laws and regulations, the Articles of Incorporation of the Company and the internal rules and regulations.
iv) The Company develops and operates a whistleblowing system for the early detection of risks associated with corporate activities and the prevention of material problems.
v) In addition to the above, the Company has established and operates various committees for the purpose of solving important issues within the Group in a cross-organizational manner.

b. System for the storage and management of information related to the execution of duties by the directors
The Company properly stores and manages the minutes of general shareholders' meetings and meetings of the Board of Directors, and records, etc. related to the execution of duties by the directors in accordance with the Document Management Rules and other internal rules and regulations.

c. Rules and regulations and other systems concerning the management of the risk of losses
i) For the timely and appropriate control of risks that may affect the achievement of management goals of the Group, the Company develops policies, regulations, and systems, while the Risk Management Committee promotes overall risk management activities for significant risks that affect corporate activities.
ii) The Company develops a business continuity plan (BCP) promotion system in preparation for an emergency, implement preventive measures, education, training, etc., and promotes regular inspections of BCP and correction of deficiencies.
iii) The Company establishes regulations concerning information security that stipulate the systems necessary for the maintenance and management of information security, functions and authorities of organizations for the promotion of information security and methods of handling information assets, thereby promoting the protection of information assets owned by the Group.

d. System to ensure the efficient execution of duties by the directors
i) The Board of Directors formulates management objectives and plans, etc. of the entire Group to be shared by the officers and employees and seeks to instill them throughout the Group.
ii) The Company has introduced a corporate officer system. Management functions are separated into two: the management decision-making and supervision functions of the Board of Directors and the business execution functions of corporate officers. Corporate officers formulate specific goals and measures for their own units in light of the management objectives determined by the Board of Directors and execute operations to achieve those goals.

e. System to ensure the appropriateness of business operations of the corporate group comprising the Company and its subsidiaries
i) In accordance with the Group Code of Conduct shared by the Group, officers and employees of the Group complies with relevant laws, the Articles of Incorporation of the Company, internal regulations, and social norms to act with integrity.
ii) In accordance with the Group Governance Rules, the Company shall elect officers in charge of subsidiaries and ensure the appropriateness of the business operations of the entire Group by providing instructions, advice, etc. through these officers on all aspects of the management of its subsidiaries in Japan and overseas.
iii) Standing in a position that is independent from the business execution lines, the Audit Division conducts audits of the status of the development and operation of internal control systems in the Group.
iv) In accordance with laws and regulations, the Company and the entire Group take a resolute attitude toward anti-social forces and groups that threaten the order and safety of civil society. In addition, we will strive to develop and disseminate anti-bribery regulations, etc., in response to compliance risk on a global level.

f. Matters related to employees who should assist with the duties of the Audit & Supervisory Board members, matters related to the independence of the employees from the directors, and matters related to ensuring the effectiveness of instructions issued to the employees
i) The Company has established an Audit & Supervisory Board Office staffed with employees assigned to assist with the duties of Audit & Supervisory Board members.
ii) The Company respects the opinion of Audit & Supervisory Board members when making personnel decisions relating to the Audit & Supervisory Board Office and the Audit Division. The Company also considers the independence of the Audit & Supervisory Board Office as part of its endeavor to ensure the effectiveness of instructions given to Audit & Supervisory Board Office employees.

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

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

(i) Matters that may cause significant damage to the Group

(ii) Important matters pertaining to business circumstances on a monthly basis

(iii) Important matters relating to the status of internal audits and risk management

(iv) Serious violations of laws or the Articles of Incorporation of the Company

(v) Other significant compliance-related matters

ii) The Group will not tolerate any disadvantageous treatment of individual directors and employees who provide reports or information to Audit & Supervisory Board members as a result of that reporting.

iii) Members of the Audit & Supervisory Board, the Audit & Supervisory Board Office, and the Audit Division shall participate in the meetings of subsidiaries' board of directors and other important meetings for the purpose of collecting information and ensuring effective audits.

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

i) In accordance with the auditing standards of the Audit & Supervisory Board members, Audit & Supervisory Board members hold regular meetings with the Company's representative directors and outside directors to exchange opinions on important audit-related issues.

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

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

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

v) The Audit & Supervisory Board may ask the Company to pay in advance or reimburse any necessary expenses relating to the use of legal or accounting experts in the course of conducting audits.

Reference: Overview of operational status of systems to ensure the appropriateness of business operations for fiscal 2021

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

i) The Company ensures that all employees are aware that compliance with laws and regulations is a prerequisite for all corporate activities by having the directors and other officers communicate the spirit of the Group Code of Conduct to the employees of the Group.

ii) The Company conducts compliance training for its officers and employees. Specifically, every October is designated as a month for compliance awareness, and we are conducting a penetration plan with case studies. In fiscal 2021, we held discussions with experts and outside directors on the theme of "governance," and distributed content on the Company intranet.

iii) In the internal audits to ensure the appropriateness of business operations, the Audit Division coordinates with the Audit & Supervisory Board members to objectively verify and assess the status of compliance with laws and regulations, the Articles of Incorporation of the Company, and internal rules and regulations, and provides instruction and advice to the audited units.

Although there were restrictions on commuting to the Company and general movement due to the COVID-19 pandemic, by using remote audits, etc., we were able to carry them out without delay.

iv) We accept reports via two routes, namely one internal and one external route, to ensure a more effective whistleblowing system. The system's main features include the ability to submit reports anonymously and to report in eight different languages from different sites around the world.

v) The Company has established and operates the International Trade Control Committee to develop and enhance systems for managing compliance in international transactions. In addition, to meet increasing demands to address a wider range of ESG, SDGs, and other social issues, we have established and operate a Sustainability Committee, enhanced measures against climate change, and formulated the "Daifuku Group Human Rights Policy." Also, Companywide efforts were made under the leadership of seven other committees.

b. System for the storage and management of information related to the execution of duties by the directors

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

c. Rules and regulations and other systems concerning the management of the risk of losses

i) The CEO serves concurrently as the Chief Risk Officer (CRO) who oversees risk management.

ii) We conducted a risk assessment in accordance with the Risk Management Regulations. We prepare business continuity plans and various manuals and conduct training on disaster risk management to address the risks related to natural disasters and other emergency events. We regularly conduct safety confirmation drills based on systems for confirming the safety of officers and employees. We have also introduced a Supplier Operations Verification System that enables us to collect disaster-related information from business partners at an early stage as part of our drive to ensure the stable procurement of parts in the event of a disaster. As for COVID-19, we have established the COVID-19 Task Force, with the relevant units playing central roles in promptly implementing response measures, including the analysis of risks to the Group's management.

iii) The Information Security Committee is taking the lead in appropriately operating the rules and regulations related to information security. To strengthen awareness of security issues, we conduct e-learning for officers and employees as well as targeted email training.

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

i) The Board of Directors discusses how to instill broad awareness and achieve the Company's three- or four-year business plans. In addition, the CEO explains management policies through internal newsletters and videos transmitted on the Company intranet for the entire Group in Japan and overseas.

ii) The Company appropriately operates this system by narrowing down the agenda items to be discussed at meetings of the Board of Directors and by delegating certain decision-making authority to those in charge of executive functions, based on the revision of the Rules of the Board of Directors and the Rules on the Delegation of Authority.

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

i) Translated versions of the Group Code of Conduct are distributed to officers and employees of subsidiaries in Japan and overseas, and the officers of the subsidiaries convey the spirit of the code. In 2021, we created a Compliance Guidebook that explains the Group Code of Conduct in an easy-to-understand manner. We gave a detailed explanation to the Group companies together with the CEO message.

ii) Based on the Group Governance Rules that clarifies the governance system of the entire Group, the officer in charge of the subsidiary makes swift and decisive decisions and executions at the subsidiary while maintaining an appropriate level of supervision by the Board of Directors, and operations for appropriate business are secured.

iii) In the internal audits to ensure the appropriateness of the Group's business operations, the Audit Division objectively verifies and assesses the status of development and operation of an internal control system, and provides instruction and advice to the audited units while coordinating with the internal audit units, Audit & Supervisory Board members and audit firms of companies of the Group.

In fiscal 2021, although we faced restrictions on commuting to the Company and general movement in the wake of COVID-19, by using digitalization (remote audits, digitization of vouchers, etc.), we improved the efficiency of operations overall.

iv) The Group has established policies for responding to organized crime groupings and other anti-social forces in the Group Code of Conduct, and ensures that all Group officers and employees are fully aware of those policies. In terms of anti-bribery measures, in addition to regulations for providing entertainment, gifts, etc., in April 2021, new rules were established and started operation for receiving entertainment and gifts. The Group is committed to strengthening its anti-corruption efforts by engaging in sound and transparent transactions Groupwide.

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

To enhance the effectiveness of audits conducted by Audit & Supervisory Board members, the Company has established the Audit & Supervisory Board Office to assist with the duties of Audit & Supervisory Board members. In addition, the Audit Division, which operates independently from the business execution line, and the accounting and legal units under the Corporate Functions, will also play an auxiliary role in assisting the performance of Audit & Supervisory Board members' duties as part of our drive to enhance our auditing functions.

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

i) If directors or employees of the Company or its subsidiaries discover any matters with the possibility of causing significant damage to the Group, important matters related to monthly business conditions, important matters related to the status of internal audits and risk management, material violations of laws and regulations or the Articles of Incorporation of the Company, other important compliance matters, such matters will be reported to Audit & Supervisory Board members by the person who discovered the facts or the person in charge to whom the facts were reported.

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

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

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

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

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

iii) The Audit & Supervisory Board Office, under the direction of Audit & Supervisory Board members, assists with audit duties and conducts business relating to the Audit & Supervisory Board. It also strives to improve the effectiveness of audits conducted by Audit & Supervisory Board members by obtaining more information from the Audit Division and other employees as well as subsidiaries.

iv) The Audit & Supervisory Board deepens cooperation by holding periodic meetings for the accounting auditor to convey its audit plans and the quality of audits and for quarterly reviews and year-end reports on audit results, as well as special meetings when required.

v) When Audit & Supervisory Board members request the Company to cover any costs relating to the conducting of audits, the Company pays those expenses requested by Audit & Supervisory Board members in full.

(ii) Status of development of a risk management system

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

For emergencies, the Company has separately developed a business continuity plan (BCP) promotion system to address a crisis after it becomes apparent. Under the BCP promotion system, the Company has established a system to address any crises and the processes for preparation before occurrence of a crisis and for actions to address crises, based on which the Company provides regular training.

For more information, see "Item 2. Overview of Business, 2. Business Risks."

We have established a BCP for emergency situations. It places highest priority on human life, while also aiming to minimize damage to business assets and make the continuation and early recovery of business possible. Furthermore, with the aim of improving the effectiveness of the BCP, we are proceeding with education for disaster prevention and crisis management through e-learning, safety confirmation training for employees, supplier operations verification training to ensure quick recovery and return to normal operations of the whole supply chain, and enhancement of disaster prevention equipment.

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

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

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

v. Related party transactions

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

vi. Decision-making body of dividends from surplus

To enable us to flexibly pay dividends from any surplus funds, our Articles of Incorporation stipulate that the Board of Directors may determine the dividend to be paid from surplus funds without requiring a resolution at the General Meeting of Shareholders with respect to matters stipulated in Article 459, Paragraph 1 of the Companies Act unless otherwise provided for by laws and regulations.

vii. Limitation of liability

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

viii. Matters relating to liability insurance contracts for company officers

The Company has concluded a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. Under the insurance contract, damages and legal fees, etc. incurred by the insured as a result of claims for damages arising from any acts (including inaction) committed in the insured's capacity as officer, etc. of a business enterprise shall be covered.

However, any damage to officers themselves who intentionally committed criminal acts such as bribery or other illegal acts will not be compensated to ensure the appropriateness of officers' execution of duties is not compromised. The persons covered under this insurance contract are the Company's directors, Audit & Supervisory Board members, corporate officers, audit officers, and officers serving at Japanese subsidiaries. The insurance premiums for all insured persons are paid by the Company and the individual Japanese subsidiaries concerned.

ix. Number of directors

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

x. Election of directors

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

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

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

(2) Officers

i. Directors and other officers

Male: 12, Female: 1 (Ratio of female officers over the total number of officers: 7.7%)

Position in the Company	Name	Date of birth	Career summary		Term of office	Number of the company's shares held (thousand shares)
President and CEO	Hiroshi Geshiro	June 13, 1958	April 1983 April 2012 April 2014 April 2015 June 2015 April 2016 April 2018	Joined Daifuku Machinery Works Co., Ltd. (now Daifuku Co., Ltd.) Corporate Officer General Manager of the Sales Division, FA&DA Operations Managing Officer General Manager of FA&DA Global Operations General Manager of FA&DA Operations Director, member of the board, Managing Officer General Manager of the International Division, FA&DA Operations President and CEO (to present)	Note 4	11
Director, Senior Managing Officer	Shuichi Honda	January 8, 1957	April 1979 March 2006 June 2011 April 2012 June 2013 April 2014 April 2015 April 2016 October 2018 April 2020	Joined The Dai-Ichi Kangyo Bank, Limited (now Mizuho Financial Group, Inc.) Executive Officer and General Manager of Business Administration Division, Corporate Officer of Corporate Banking Unit, and General Manager for Human Resource Management Division, Mizuho Corporate Bank, Ltd. Managing Director and Chief Strategy Officer Chief Risk Officer, Chief Operations Officer, Mizuho Corporate Bank, Ltd. Joined Daifuku Co., Ltd. as a corporate adviser Director, member of the board, Managing Officer COO of Corporate Affairs General Manager of the Corporate Social Responsibility Division General Manager of the Business Continuity Plan Promotion Division Director, Senior Managing Officer (to present) General Manager of the Global Strategy Department General Manager of the Corporate Business Development Division General Manager of ABH Global Operations General Manager of ATec Global Operations General Manager of ATec Operations President and CEO of Daifuku North America Holding Company (to present)	Note 4	10

Position in the Company	Name	Date of birth	Career summary		Term of office	Number of the company's shares held (thousand shares)
Director, Managing Officer Cleanroom Global Business Head, Cleanroom Division Manager	Seiji Sato	January 15, 1960	April 1983 April 2008 June 2010 June 2011 April 2015 June 2015 April 2020	Joined Daifuku Machinery Works Co., Ltd. (now Daifuku Co., Ltd.) General Manager of the Semiconductor Division, eFA Operations Director, member of the board Managing Officer with an introduction of corporate officer system General Manager of eFA Global Operations General Manager of eFA Operations Director, Managing Officer (to present) Cleanroom Global Business Head (to present) Cleanroom Division Manager (to present)	Note 4	42
Director, Managing Officer Automotive and Airport Global Business Head Chief Officer of Shiga Works	Toshiaki Hayashi	November 17, 1958	April 1981 April 2013 April 2016 April 2020 June 2020 April 2021 April 2022	Joined Daifuku Machinery Works Co., Ltd. (now Daifuku Co., Ltd.) Corporate Officer General Manager of the Production Division, AFA Operations Chairman of Daifuku (China) Automation Co., Ltd. Managing Officer, Automotive Global Business Head Automotive Division Manager Director, Managing Officer (to present) Automotive and Airport Global Business Head (to present) Chief Officer of Shiga Works (to present)	Note 4	3
Director, Managing Officer Intralogistics Global Business Head, Intralogistics Division Manager	Hiroshi Nobuta	March 1, 1960	April 1982 April 2007 April 2012 April 2013 April 2019 April 2020 April 2021 June 2021	Joined Daifuku Machinery Works Co., Ltd. (now Daifuku Co., Ltd.) General Manager of the Engineering Department, Production Division, FA&DA Operations Corporate Officer General Manager of the Project Management Division, FA&DA Operations Corporate Officer Executive Vice President of Daifuku North America Holding Company Managing Officer General Manager of the International Division, FA&DA Operations Managing Officer Intralogistics Division Manager (to present) General Manager of the International Operations, Intralogistics Division Managing Officer Intralogistics Global Business Head (to present) Director, Managing Officer (to present)	Note 4	7

Position in the Company	Name	Date of birth	Career summary		Term of office	Number of the company's shares held (thousand shares)
Director	Yoshiaki Ozawa	May 31, 1954	July 1978	Joined PricewaterhouseCoopers (PwC) Osaka Office	Note 4	–
			October 1979	Joined Chuo Accounting Corporation Osaka Office		
			August 1982	Registered as a Japanese certified public accountant (CPA)		
			October 1985	Worked at Coopers & Lybrand New York Office		
			July 1990	Registered as a U.S. CPA (New York)		
			July 1995	Senior partner, Chuo Shinko Audit Corporation		
			July 2005	National director overseeing Japanese clients in the U.S. at the PwC New York Office		
			July 2007	Joined PwC Aarata		
			January 2008	Senior partner, PwC Aarata		
			April 2009	Specially-appointed professor at Kansai University		
			April 2012	Professor of Faculty of Business Administration at St. Andrew's University (to present)		
			September 2012	Left PwC Aarata		
			June 2014	Outside Director of Daifuku Co., Ltd. (to present)		
			April 2018	Director of Career Center at St. Andrew's University		
			June 2018	Outside Audit & Supervisory Board Member, Daido Life Insurance Company (to present)		
			June 2019	Substitute Director (Audit and Supervisory Committee Member), Sakai Heavy Industries, Ltd.		
			April 2020	Dean of Graduate School of Business Administration at St. Andrew's University		
			December 2021	Representative Director, Andrew Partners Co., Ltd. (to present)		
			March 2022	Obtained a PhD in Commerce from Kwansei Gakuin University		
Director	Mineo Sakai	May 13, 1951	April 1974	Joined Kanematsu-Gosho, Ltd. (now Kanematsu Corporation)	Note 4	–
			April 1997	General Manager of Finance Department, Kanematsu Corporation		
			April 2004	Corporate Officer, General Manager of Finance and Accounting Department, Kanematsu Corporation		
			June 2004	Director, member of the board of Kanematsu Electronics Ltd.		
			June 2005	Managing Director, Kanematsu Electronics Ltd.		
			April 2008	Executive Vice President, Kanematsu Electronics Ltd.		
			April 2014	Chairman, Kanematsu Electronics Ltd.		
			April 2016	Chairman and CEO, Kanematsu Electronics Ltd.		
			April 2018	Director and Senior Adviser, Kanematsu Electronics Ltd.		
			April 2018	Audit & Supervisory Board Member, KEL Technical Service Ltd.		
			April 2018	Audit & Supervisory Board Member, Nippon Office Systems Ltd.		
			April 2018	Audit & Supervisory Board Member, i-NOS Corporation		
			June 2018	Outside Director of Daifuku Co., Ltd. (to present)		
			June 2019	Adviser, Kanematsu Electronics Ltd.		

Position in the Company	Name	Date of birth	Career summary		Term of office	Number of the company's shares held (thousand shares)
Director	Kaku Kato	October 24, 1954	April 1978 April 2008 April 2011 April 2012 April 2015 June 2016 June 2018 June 2019 April 2020	Joined Mitsui & Co., Ltd. General Manager of Legal Division, Mitsui & Co., Ltd. Associate Officer; General Manager of Legal Division, Mitsui & Co., Ltd. Managing Officer; General Manager of Internal Auditing Division, Mitsui & Co., Ltd. Executive Officer; Chief Compliance Officer (CCO) and in charge of Corporate Governance, Health, Safety and Environment (HSE), Mitsui Oil Exploration Co., Ltd. Managing Executive Officer; CCO and in charge of Corporate Governance, Human Resources & General Affairs, HSE, Mitsui Oil Exploration Co., Ltd. Adviser, Mitsui Oil Exploration Co., Ltd. Outside Director of Daifuku Co., Ltd. (to present) Visiting Professor of Faculty of Law and Politics at Rikkyo University (to present)	Note 4	–
Director	Keiko Kaneko	November 11, 1967	April 1991 April 1999 April 1999 January 2007 April 2007 November 2012 November 2012 June 2013 June 2019	Joined Mitsubishi Corporation Registered as an attorney, belonging to Daini Tokyo Bar Association Joined Anderson Mori & Tomotsune Partner, Anderson Mori & Tomotsune (to present) Visiting Associate Professor at Graduate School of Law of the University of Tokyo External Statutory Auditor, Fast Retailing Co., Ltd. (to present) Statutory Auditor, UNIQLO Co., Ltd. (to present) External Statutory Auditor, The Asahi Shimbun Company (to present) Outside Director of Daifuku Co., Ltd. (to present)	Note 4	–
Audit & Supervisory Board Member (full-time)	Tsukasa Saito	March 4, 1964	April 1986 April 2007 April 2010 January 2013 April 2014 April 2020 April 2022 June 2022	Joined Daifuku Co., Ltd. General Manager of the China's Affiliate Management Division Director and President of Daifuku (China) Co., Ltd. General Manager of the Finance Department, Finance and Accounting Division, Corporate Affairs General Manager of the Finance and Accounting Division, Corporate Affairs Audit Officer General Manager of the Audit & Supervisory Board Office Audit Officer, Assigned to the Audit & Supervisory Board Audit & Supervisory Board Member (to present)	Note 7	4

Position in the Company	Name	Date of birth	Career summary		Term of office	Number of the company's shares held (thousand shares)
Audit & Supervisory Board Member	Ryosuke Aihara	March 15, 1952	April 1977 January 1982 April 2004 April 2007 June 2015 April 2016 June 2016	Registered as an attorney, belonging to Daini Tokyo Bar Association (to present) Joined Mori Sogo Law Office (now Mori Hamada & Matsumoto) Partner, Mori Hamada & Matsumoto Law Office Professor at Graduate School of Law of the University of Tokyo Adjunct Lecturer of Graduate School of Law of the University of Tokyo Outside Member of the Audit & Supervisory Board, Nippon Shuppan Hanbai Inc. Representative, Aihara Law Office (to present) Audit & Supervisory Board Member (outside) of Daifuku Co., Ltd. (to present)	Note 6	–
Audit & Supervisory Board Member	Tsukasa Miyajima	August 23, 1950	April 1980 April 1990 April 2003 April 2004 March 2009 October 2013 June 2014 June 2014 June 2015 April 2016 April 2016 June 2018	Full-time lecturer at Faculty of Law of Keio University Professor of Law at Keio University Registered as an attorney, belonging to Daini Tokyo Bar Association (to present) Professor at Graduate School of Law of Keio University Outside Director, Hulic Co., Ltd. (to present) Chairman of the Asset Disposition Council of Japan Railway Construction, Transport and Technology Agency (to present) Outside Director, Dai Nippon Printing Co., Ltd. (to present) Audit & Supervisory Board Member (outside), Mikuni Corporation (to present) Outside Director, Mitsui Sumitomo Insurance Co., Ltd. Professor emeritus at Keio University (to present) Professor at Graduate School of Law of Asahi University (to present) Audit & Supervisory Board Member (outside) of Daifuku Co., Ltd. (to present)	Note 7	–
Audit & Supervisory Board Member	Nobuo Wada	March 17, 1953	April 1980 March 1981 December 1989 April 1994 April 2001 April 2018 June 2019	Encouraging Researcher of Japan Society for the Promotion of Science Research Associate of Faculty of Science at Hokkaido University Associate Professor of College of Arts and Sciences at the University of Tokyo Assistant Professor of Graduate School of Arts and Sciences Department of Basic Science of the University of Tokyo Professor of Graduate School of Science, Division of Material Science (Physics), at Nagoya University Emeritus Professor of Nagoya University, Lecturer (part-time) at Nagoya University (to present) Audit & Supervisory Board Member (outside) of Daifuku Co., Ltd. (to present)	Note 5	–

Position in the Company	Name	Date of birth	Career summary	Term of office	Number of the company's shares held (thousand shares)
Total					81

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

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

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

4. The terms of office of Directors are from the conclusion of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2022 through the conclusion of the ordinary general meeting of shareholders for the fiscal year ending March 31, 2023.

5. The term of office of Audit & Supervisory Board member Nobuo Wada is from the conclusion of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2019 through the conclusion of the ordinary general meeting of shareholders for the fiscal year ending March 31, 2023.

6. The term of office of Audit & Supervisory Board member Ryosuke Aihara is from the conclusion of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2020 through the conclusion of the ordinary general meeting of shareholders for the fiscal year ending March 31, 2024.

7. The terms of office of Audit & Supervisory Board members Tsukasa Saito and Tsukasa Miyajima are from the conclusion of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2022 through the conclusion of the ordinary general meeting of shareholders for the fiscal year ending March 31, 2026.

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

Corporate Officers

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

Audit Officer

Position in the Company	Name
Audit Officer General Manager of Audit & Supervisory Board Office	Toshikatsu Takahashi

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

2. To enhance the effectiveness of audits conducted by Audit & Supervisory Board members, the Company established the Audit & Supervisory Board Office to assist with the duties of Audit & Supervisory Board members in April 2020 and appointed an audit officer as the general manager of the Office.

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

The Company has four outside directors and three outside members of the Audit & Supervisory Board.

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

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

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

a. Outside directors

Outside Director Yoshiaki Ozawa has considerable knowledge in financial and accounting matters and experience of working abroad. He is also engaged in research mainly on "how evidence should function in financial statements audit" as a university professor of accounting. He offers advice and counsel to the Company from a professional viewpoint.

Outside Director Mineo Sakai has a thorough knowledge of corporate management gained through his experience such as serving as Chairman and CEO of Kanematsu Electronics Ltd., and offers advice and counsel on general business management. Outside Director Kaku Kato has abundant experience and extensive knowledge in corporate management gained through his experience such as serving as Managing Officer of Mitsui & Co., Ltd. and Managing Executive Officer of Mitsui Oil Exploration Co., Ltd., and offers advice and counsel to secure the transparency of management and enhance the monitoring and supervision thereof from viewpoints of safety and ESG (environment, society, governance) as well as compliance and internal control.

Outside Director Keiko Kaneko has experienced working at a trading company and as an associate professor of a graduate school. As a lawyer, she is currently extensively involved in areas such as business merger, acquisition and split, daily transactions and management of business enterprises, labor disputes, and regulations in the fields of natural resources, automobiles, pharmaceutical affairs and food. She offers advice and counsel to secure the transparency of management and enhance the monitoring and supervision thereof from a professional viewpoint.

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

b. Audit & Supervisory Board members (outside)

Audit & Supervisory Board Member (outside) Ryosuke Aihara is a lawyer who has been specialized in corporate governance and compliance for many years. He offers advice and counsel on general business management to secure the legality of management and enhance the monitoring and auditing functions over management from a professional viewpoint as a lawyer.

Audit & Supervisory Board Member (outside) Tsukasa Miyajima is a university professor specializing in legal affairs and offers advice and counsel to secure the transparency of management and enhance the monitoring and auditing functions over management based on his deep insight and extensive experience as an academic expert and a legal specialist.

Audit & Supervisory Board Member (outside) Nobuo Wada has served as a university professor specializing in experiment study of condensed-matter physics for many years. He offers advice and counsel to secure the transparency of management and enhance the monitoring and auditing functions over management based on his deep insight and extensive experience as an academic expert.

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

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

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

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

The Company has set up an Advisory Committee that is chaired by an outside director as a non-compulsory body. Regarding the policy and process of electing nominees for outside directors and outside members of the Audit & Supervisory Board, the Company submits the names of qualified persons who would be able to fulfil the duties considering their personality and knowledge to the Advisory Committee as those who assume the fiduciary responsibility entrusted by the shareholders, and the Board of Directors designates them as nominees.

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

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

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

(Independence standards for outside directors and outside members of the Audit & Supervisory Board)

At Daifuku, outside directors and outside members of the Audit & Supervisory Board are considered independent if they do not fall under any of Articles 1 to 5 below.

Article 1

A person who falls or fell under any of the following in the last three years:

1) A person who executes business of a company, etc. that is a key customer of Daifuku or whose key business partner is Daifuku (*1)
2) A lawyer who belongs to a law firm that has concluded an advisory contract with Daifuku or its subsidiary and who was actually in charge of legal business for Daifuku, a certified public accountant (or a certified tax accountant) who was an accounting auditor or accounting adviser of Daifuku or its subsidiary, or an employee, partner, or staff member who belongs to an auditing firm (or tax accountant corporation) that is an accounting auditor or accounting adviser of Daifuku or its subsidiary and who was actually in charge of the auditing service for Daifuku
3) A lawyer, certified public accountant, or certified tax accountant, if not applicable to the above item 2, who provides specialized services, etc. to Daifuku by receiving a large amount (*2) of money or assets other than remuneration for an officer, directly from the company
4) An officer or employee of a company, etc. that is a major shareholder (*3) of Daifuku

Article 2

An officer or employee of Daifuku's subsidiary or a person who held such a position during the ten years before being appointed as such status

Article 3

An executive board member or any other person who executes business of an organization that receives donations or grants exceeding a certain amount (*4) from Daifuku (such as a public interest incorporated foundation, a public interest incorporated association, or a non-profit corporation)

Article 4

The spouse or a relative within the second degree of relationship of a person who falls under any of Articles 1 to 3 above, or a relative living together with such a person

Article 5

A person who does not fall under any of Articles 1 to 4 above, but who is deemed likely to have a virtual conflict of interest with Daifuku due to their relationship with the company

Notes:

*1: A customer from whom Daifuku received payment of at least 2% of the amount of Daifuku's annual consolidated net sales in the most recent fiscal year, or a business partner who received payment from Daifuku of at least 2% of the amount of its annual consolidated net sales in the most recent fiscal year

*2: The annual average for the last three years of 10 million yen or more

*3: A shareholder with 10% or more of the voting rights

*4: The annual average for the last three years of 10 million yen or more, or 30% of the average total annual expenditure of the organization, whichever is larger

(3) Audits

i. Audits by the Audit & Supervisory Board members

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

For organization, composition and procedures of audits by the Audit & Supervisory Board members, see "(1) Overview of corporate governance, iii. Overview of the corporate governance system and reasons for adoption of the system, (iii) Matters pertaining to corporate governance, Basic overview of corporate organizations, b. Audit & Supervisory Board members and the Audit & Supervisory Board."

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

Audit & Supervisory Board meetings were held eight times in the fiscal year ended March 31, 2022. The attendance of each Audit & Supervisory Board member is as follows:

Title	Name	Number of meetings attended
Audit & Supervisory Board Member (full-time)	Yoshihisa Kimura	Audit & Supervisory Board meeting 8/8 Board of Directors' meeting 18/18
Audit & Supervisory Board Member (outside)	Ryosuke Aihara	Audit & Supervisory Board meeting 8/8 Board of Directors' meeting 18/18
Audit & Supervisory Board Member (outside)	Tsukasa Miyajima	Audit & Supervisory Board meeting 8/8 Board of Directors' meeting 18/18
Audit & Supervisory Board Member (outside)	Nobuo Wada	Audit & Supervisory Board meeting 8/8 Board of Directors' meeting 18/18

Note: Mr. Yoshihisa Kimura resigned from office at the conclusion of the ordinary general meeting of shareholders held on June 24, 2022.

The Audit & Supervisory Board resolves on audit plans, election/dismissal, non-reappointment of accounting auditors, consent to accounting auditors' remuneration, a draft of audit report, etc. In addition, the full-time Audit & Supervisory Board member reports on the status of audit implementation, audit results, assessment of the appropriateness of audit by the accounting auditor, compliance-related matters, etc.

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

Major priority audit items for the fiscal year ended March 31, 2022 audited by the Audit & Supervisory Board were the status of response to the Corporate Governance Code, the status of the initiatives to implement management policies, the status of operation of the risk management system.

The full-time Audit & Supervisory Board member conducts audit activities in accordance with the audit plan formulated at the beginning of the fiscal year. In the course of their duties, the full-time Audit & Supervisory Board member attends key meetings, including Board of Directors' meetings, officers' meetings, business departments' meetings and various committees' meetings, interviews directors, managers from business departments, the Corporate Functions on business operations and risk management, audits major non-Japan subsidiaries, obtains an audit plan and reports on quarterly reviews and audit results from the accounting auditor.

The Audit & Supervisory Board also works to increase the effectiveness of audits by exchanging information with the Audit Division, Legal and Compliance Division, and other divisions and functions, as well as by sharing information and exchanging opinions with subsidiaries' Audit & Supervisory Board members at a liaison meeting for the Group's Audit & Supervisory Board members.

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

ii. Internal audit

(i) Organization, composition and procedures of internal audits

The Audit Division consisting of 25 dedicated staff members, which is independent of the Company's lines of business execution, develops and operates the internal audit system, verifies and evaluates the development and operation status of the internal control system from the perspectives of compliance with relevant legislation and internal regulations, risk management, ensuring of the appropriateness and efficiency of management operations, ensuring of the reliability of financial reporting, protection of company assets, etc., and encourages the improvement of the internal control system. At the same time, the Audit Division evaluates and reports on the internal control system (J-SOX).

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

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

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

The Audit Division conducts internal control system (J-SOX) assessment tests effectively by having regular and as-needed meetings with the accounting auditor to share views and information. Audit & Supervisory Board members are also present at the assessment tests and audit the effectiveness of the tests.

iii. Accounting audits

(i) Name of audit firm

PricewaterhouseCoopers Aarata LLC

(ii) Years of continuous auditing

From the fiscal year ended March 31, 2008

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

For the period from FY1968 to FY2006, Chuo Audit Corporation which was a member of the PwC group (to FY1998), Chuo Aoyama Audit Corporation (from FY1999 to FY2005), and Misuzu Audit Corporation (FY2006) were engaged in audit of the Group.

(iii) Certified public accountants who executed the audit duties

Designated limited liability Partner Engagement Partner Shigeru Takahama (six years of continuous audit service)

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

(iv) Composition of assistants of audit engagement

Five Japanese certified public accountants (CPAs) and 11 other staff members

(v) Policy and reasons for appointing audit firm

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

In addition, the Company has established the following policies on dismissal or non-reappointment of accounting auditors. The Audit & Supervisory Board shall dismiss the accounting auditor if it is found to fall under any of the items stipulated in Article 340, Paragraph 1 of the Companies Act, based on the consent of all members. If such an event occurs, the members selected by the Audit & Supervisory Board will explain the details of the decision and the reasons thereof at the first general meeting of shareholders to be held following the dismissal. The Audit & Supervisory Board can also decide a proposal for submission to the general meeting of shareholders to dismiss or not reappoint an accounting auditor if, as a result of a comprehensive evaluation based on the Company’s evaluation standards for accounting auditors, it is deemed necessary to change the accounting auditor due to any factors that might hinder the accounting auditor’s ability to execute its duties or in order to further enhance the appropriateness of the audit. The Board of Directors shall submit the proposal to the general meeting of shareholders based on that decision.

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

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

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

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

iv. Details of audit fees, etc.

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

Category	FY2020		FY2021	
	Fees for audit certification services (million yen)	Fees for non-audit services (million yen)	Fees for audit certification services (million yen)	Fees for non-audit services (million yen)
Reporting company	80	17	89	66
Consolidated subsidiaries	37	3	36	–
Total	117	20	125	66

Non-audit services for the Company and its consolidated subsidiaries were services other than those prescribed in Article 2, Paragraph 1 of the Certified Public Accountants Act, including "advise on compliance with accounting standard for revenue recognition, etc." for fiscal 2020 and "advice on the application of International Financial Reporting Standards (IFRS)" for fiscal 2021.

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

Category	FY2020		FY2021	
	Fees for audit certification services (million yen)	Fees for non-audit services (million yen)	Fees for audit certification services (million yen)	Fees for non-audit services (million yen)
Reporting company	123	27	138	44
Consolidated subsidiaries	201	130	241	136
Total	325	157	379	180

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

(iii) Other important information on audit fees, etc.

There is no important information to be reported on fees for audit certification services paid by some consolidated subsidiaries of the Company in fiscal 2020 and fiscal 2021 to auditing certified public accountants, etc. who belong to a network other than the network to which the certified public accountants, etc. engaged by the Company belong.

(iv) Policy on determination of audit fees

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

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

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

(4) Remuneration for officers

i. Policy on determination of remuneration amount for officers or the calculation method thereof

1) Details and method of determination of the policy on determination of remuneration amount for officers or the calculation method thereof

a. How we determine the policy on determination of remuneration, etc. for individual directors

Daifuku stipulates the details of officers' remuneration in related internal rules, and the Company also formulated a policy on determination of the details of remuneration, etc. for individual officers, such as adopting a resolution at a Board of Directors' meeting after consideration and reporting by the Advisory Committee with respect to remuneration for each year. At the Board of Directors' meeting held in February 2021, we decided to reorganize and set a new policy on determination of the details of remuneration, etc. for individual officers by adding and renewing specific items based on the revision to Japan's Companies Act, which came into effect in March 2021.

b. Overview of the policy

- The annual amount of remuneration for directors is set to be 700 million yen or less as approved at the ordinary General Meeting of Shareholders held in June 2006. The basic policy is to pay remuneration for directors in accordance with the Internal Rules on Executive Remuneration and Bonus for Officers and the Rules on Executive Stock Benefits stipulated by resolution of the Board of Directors so that the level of remuneration is appropriate for the roles and duties of directors.
- The remuneration for the executive directors consists of basic remuneration as fixed remuneration, a bonus as short-term performance-linked remuneration, and medium- to long-term performance-linked equity remuneration.
- The ratio of each remuneration is not fixed because the link between the Company's results and stock value is reflected in remuneration. The Company determines the ratio, taking into consideration the remuneration levels at other companies and reports from the Advisory Committee.
- For outside directors who have a supervisory function, only the basic remuneration shall be paid, taking into account their duties.
- Basic remuneration is determined based on fixed remuneration for executive remuneration by position. The remuneration level is determined based on a comprehensive consideration of qualifications, position, and company performance, while also taking into account levels at other comparable companies. Details on bonuses as short-term performance-linked remuneration and medium- to long-term performance-linked equity remuneration are described in c. and d. below, and "(ii) Remuneration by type of officers, c. Items relating to non-monetary remuneration, etc." below.
- Activities of the Board of Directors and committees, etc. in the process of determination of remuneration amount for officers

The remuneration for directors shall be reviewed and reported by the Advisory Committee, which consists of outside directors and representative directors, and the total amount of basic remuneration and bonuses shall be resolved annually by the Board of Directors. The President and CEO shall be delegated by the Board of Directors to determine the details on the amount of remuneration for individual directors based on relevant internal rules.

The Advisory Committee consists of at least three members, including one or more representative directors and one or more outside directors, and is chaired by an outside director. For fiscal 2021, all four outside directors and one representative director served on the committee.

c. Performance indicators for performance-linked remuneration, reasons for selection of the indicators, and the method of determination of the performance-linked remuneration

Bonuses, which serve as short-term performance-linked remuneration for directors, are funded by a certain proportion of consolidated net income for each fiscal year, allocated as a basic component that corresponds to an officer's qualifications and position and an evaluation component that reflect performance, and distributed once a year at a fixed time. We selected net income as the indicator for determining the performance-related allocation because it depicts the result of unified efforts made by all officers and employees.

d. Policy for each job title

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

e. Matters relating to resolutions to be determined at the General Meeting of Shareholders concerning remuneration, etc., of directors and Audit & Supervisory Board members

At the Ordinary General Meeting of Shareholders held in June 2006, the Company determined that the total amount of remuneration for directors should be capped at 700 million yen per annum and the total amount of remuneration for Audit & Supervisory Board members should be capped at 110 million yen. As of the conclusion of the resolution, Daifuku had 18 directors and five Audit & Supervisory Board members.

Furthermore, with regard to the introduction of the Board Benefit Trust (BBT) described in "(ii) Remuneration by type of officers, c. Items relating to non-monetary remuneration, etc." below, the Company had 10 directors when the resolution was made at the ordinary general meeting of shareholders held in June 2016. Excluding two outside directors, eight directors were covered by the BBT scheme.

(ii) Remuneration by type of officers

a. Total amount of remuneration by position, type of remuneration and number of target officers of the reporting company

Type of officer	Total remuneration (million yen)	Total remuneration, etc. by type (million yen)			Number of target officers (persons)
		Basic remuneration	Performance-linked remuneration		
			Bonus	Non-monetary remuneration	
Directors (excluding outside directors)	455	189	223	42	5
Audit & Supervisory Board members (excluding outside members of the Audit & Supervisory Board)	47	25	22	–	1
Outside Officers	90	90	–	–	7

b. Total amount of consolidated remuneration by officer

Name	Total consolidated remuneration (million yen)	Type of officer	Company classification	Total consolidated remuneration, etc. by type (million yen)		
				Basic remuneration	Performance-linked remuneration	
					Bonus	Non-monetary remuneration
Hiroshi Geshiro	160	Director,	Reporting company	55	88	16

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

c. The target and results of performance indicators for performance-linked remuneration in recent years

- The actual amount of net income, which is the source of bonuses, was 35.8 billion yen (up 5.5%) compared to 34.0 billion yen of the initial target for fiscal 2021 announced in May 2021.
- Items relating to non-monetary remuneration, etc.

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

Under this system, standard points are set for each position. According to the degree of achievement of the business year target and the three- or four-year business plan targets, four levels of coefficients between 0.0 and 1.0 are assigned, and points are granted accordingly. The Company’s stocks and money are paid according to accumulated points at the time of retirement. The degree of achievement in a fiscal year is calculated based on the degree of achievement of initial net income amount and margin plans in the fiscal year. The degree of achievement in a three- or four-year business plan is calculated based on the latest management targets (including net sales, operating income, and ROE targets) announced by the end of the previous fiscal year. For fiscal 2021, the degree of achievement was calculated based on the 34.0 billion yen of the initial target for net income and the expected 35.5 billion yen announced in February 2022, with 7.0% against the net income ratio of 6.8%. For specific information, see [Table] Classification of performance-linked remuneration and non-performance-linked remuneration.

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

The status of delivery of shares for fiscal 2021 is as follows:

Category	Number of shares	Target recipients
Directors (excluding outside directors)	– shares	– persons
Corporate Officers	9,200 shares	4 persons
Total	9,200 shares	4 persons

Notes: 1. We have established a rule to provide corporate officers with equity remuneration when they reach the retirement age of 60.

2. There were no provision to a corporate officer who concurrently served as a director.

[Table] Classification of performance-linked remuneration and non-performance-linked remuneration

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

Note: Fiscal 2021 net income: The initial target: 34.0 billion yen, the forecast value announced in February 2022: 35.5 billion yen (achievement percentage 104.4%)
Net income ratio: The initial target: 6.8%, the forecast value announced in February 2022: 7.0% (achievement percentage 103.4%)

(iii) Name of person who is authorized to determine the policy on determination of remuneration amount for officers or the calculation method thereof, and the details and scope of the authority

- Items relating to the delegation of authority regarding the content of remuneration, etc. for individual directors
  President and CEO Hiroshi Geshiro has been delegated to determine the amount of remuneration for individual directors for fiscal 2021, under the Internal Rules on Executive Remuneration and Bonus for Officers. The delegated authority includes determining the monthly allocation of basic remuneration for each director and the allocation of bonus based on the evaluation of performance for each director. The authority has been delegated to the President and CEO because the President and CEO is in the most suitable position for evaluating each director's roles and responsibilities while maintaining an overview of results for the entire company.
  To ensure that the delegated authority is exercised properly, the President and CEO determines the amount of remuneration for each director in line with the opinions of the Advisory Committee.
- Reasons why the Board of Directors judged the details of individual directors' remuneration, etc., for fiscal 2021 were in line with the Company's policy
  To ensure that President and CEO Hiroshi Geshiro properly exercises the authority (as outlined in "Items relating to the delegation of authority regarding the content of remuneration, etc. for individual directors" above) on the details of remuneration, etc. for individual officers determined by President and CEO Hiroshi Geshiro, the Advisory Committee deliberated and reported on the details of remuneration for individual officers, in line with the policy described in "1) Details and method of determination of the policy on determination of remuneration amount for officers or the calculation method thereof, b. Overview of the policy" above, and the Board of Directors has respected and approved the report.
- Overview of the details and method for determining Audit & Supervisory Board members' remuneration
  By unanimous agreement of all Audit & Supervisory Board members at the time of enactment of the Internal Rules on Executive Remuneration and Bonus for Officers, the remuneration for Audit & Supervisory Board members is capped at the annual remuneration total for Audit & Supervisory Board members of 110 million yen approved at the general meeting of shareholders held in June 2006. The basic policy is to pay remuneration in accordance with the Internal Rules on Executive Remuneration and Bonus for Officers, which determine the remuneration standards. In addition, remuneration for Audit & Supervisory Board members is determined in consultation with the Audit & Supervisory Board each business year. Outside Audit & Supervisory Board members shall only receive basic remuneration in view of their duties.
- Committee that is involved in determination of the policy on determination of remuneration amount for officers or the calculation method thereof
  The formation of the Advisory Committee and its role in the determination of remuneration amount are as described in "1) Details and method of determination of the policy on determination of remuneration amount for officers or the calculation method thereof, b. Overview of the policy, - Activities of the Board of Directors and committees, etc. in the process of determination of remuneration amount for officers" above.
  The main activities of the Advisory Committee are deliberation on, and reporting of, nomination, election and dismissal of officers and remuneration for officers. Five meetings were held in fiscal 2021. Of those meetings, three meetings were held to deliberate on remuneration for officers in April 2021, January 2022, and March 2022. The results of the deliberations were discussed at the meeting of the Board of Directors in March 2022 to determine the amount of remuneration for directors and corporate officers.

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

Not applicable

(5) Shareholdings

i. Standards for and views on classification of investment shares

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

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

Since approximately 25% of the Group's sales come from service business, it is important to create a relationship of trust with the counterparty to a transaction in the medium to long term to maintain and increase sales. Moreover, there have been more cases where newly received orders for large-scale projects continue to develop based on such relationship of trust. Based on these reasons, the formation of a medium- to long-term partnership is a critical business strategy.

Therefore, as stated ii. below, the Company checks governance and risks of the counterparties through exercising voting rights each year as well as examining economic rationality.

ii. Investment shares held for purposes other than pure investment

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

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

"Our basic policy is to limit shareholdings, including shares held as cross-shareholdings, to the minimum necessary and to reduce them, and the Board of Directors confirms the status of individual holdings every year. In principle, we will no longer hold new shares for strategic purposes. The Company 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 anti-social 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, the Company shall not hinder the sale of the cross-held shares."

With respect to the shares held as of March 31, 2022, the Board of Directors discussed "examination of whether to continue to hold shares as cross-shareholdings, and investigation based on the standard of exercising voting rights" and approved the holding of the shares at its meeting held on April 26, 2022.

In fiscal 2021, the Company reduced the holding of four issues of shares, including three issues of shares sold entirely. The Company will decide to sell some issues of shares flexibly, keeping a close watch on the prices of the shares. The shares held by the Company are steadily being reduced as shown in [Table] Status of cross-shareholdings on consolidated balance sheets, below.

[Table] Status of cross-shareholdings on consolidated balance sheets

FY ended	March 2017	March 2021	March 2022
Number of issues of cross-held shares on consolidated balance sheets	59 issues	52 issues	49 issues
Outstanding cross-held shares on consolidated balance sheets	14,387 million yen	13,694 million yen	12,964 million yen
Outstanding cross-held shares/net assets on consolidated balance sheets	10.1%	5.2%	4.4%

Notes: 1. FY ended Mar. 2017: The final year of the four-year business plan Value Innovation 2017

2. FY ended Mar. 2021: The final year of the four-year business plan Value Innovation 2020

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

(ii) Number of issues and carrying amount

	Number of issues	Total carrying amount (million yen)
Unlisted shares	6	343
Shares other than unlisted shares	40	12,288

Issues whose number of shares increased during the fiscal year ended March 31, 2022

	Number of issues	Total acquisition cost associated with an increase in the number of shares (million yen)	Reasons for the increase in the number of shares
Unlisted shares	1	1	An increase due to a change of the status of IKS, Co., Ltd. from the Company's affiliate not accounted for using the equity method to a non-affiliated unlisted company because the Company sold part of shares in the company and the controlling power over the company has decreased.
Shares other than unlisted shares	6	25	An increase due to additional purchases of the six issues with the contributions made in each month in a fixed amount and by reinvestment of dividends received since the Company holds the shares of the six issues through their supplier shareholding associations.

Issues whose number of shares decreased during the fiscal year ended March 31, 2022

	Number of Issues	Total sales proceeds associated with a decrease in the number of shares (million yen)
Unlisted shares	1	33
Shares other than unlisted shares	3	579

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

Specified investment shares

Issue	Fiscal year ended March 31, 2022	Previous fiscal year (ended March 31, 2021)	Purposes of holding, quantitative effect of holding, and reasons for increase in the number of shares	Ownership of the Company's shares
	Number of shares (shares)	Number of shares (shares)		
	Carrying amount (million yen)	Carrying amount (million yen)		
Toyota Motor Corporation	1,613,950	322,790	The Company has delivered automotive systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company. The number of shares increased due to a stock split.	No
	3,587	2,781		
Mizuho Financial Group, Inc.	697,052	697,052	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company for financial transactions and to collect domestic and international information.	Yes
	1,092	1,114		
Mitsubishi UFJ Financial Group, Inc.	986,480	986,480	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company for financial transactions and to collect domestic and international information.	Yes
	750	583		
Sumitomo Mitsui Financial Group, Inc.	185,028	185,028	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company for financial transactions and to collect domestic and international information.	Yes
	722	741		
Nichiden Corporation	309,508	307,283	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company in transactions such as procurement of parts supplied by the company necessary for production of the Company's products and sale of the Company's products to the company. The number of shares increased due to additional purchases with the contributions made in each month in a fixed amount and by reinvestment of dividends received since the Company holds shares in the company through its supplier shareholding association.	Yes
	667	672		
Obayashi Corporation	733,000	733,000	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company in transactions such as delivery of logistics systems, etc. and construction of buildings for the Company.	Yes
	659	743		
Iwatani Corporation	124,800	124,800	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company in transactions such as procurement of parts supplied by the company necessary for production of the Company's products.	Yes
	645	852		
Nihon Parkerizing Co., Ltd.	518,000	518,000	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company in transactions such as procurement of parts supplied by the company necessary for production of car wash machines.	Yes
	482	619		
Sangetsu Corporation	302,400	302,400	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	No
	462	507		
Taikisha Ltd.	107,000	107,000	The Company delivers automotive systems, etc. in cooperation with the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	Yes
	325	324		
MARUWA UNYU KIKAN CO.,LTD.	232,000	232,000	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	No
	260	447		

Issue	Fiscal year ended March 31, 2022 Number of shares (shares) Carrying amount (million yen)	Previous fiscal year (ended March 31, 2021) Number of shares (shares) Carrying amount (million yen)	Purposes of holding, quantitative effect of holding, and reasons for increase in the number of shares	Ownership of the Company's shares
Yamazen Corporation	274,381	270,898	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company in transactions such as procurement of parts supplied by the company necessary for production of the Company's products and sale of the Company's products to the company. The number of shares increased due to additional purchases with the contributions made in each month in a fixed amount and by reinvestment of dividends received since the Company holds shares in the company through its supplier shareholding association.	Yes
	259	282		
Chilled & Frozen Logistics Holdings Co., Ltd.	191,279	187,986	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company. The number of shares increased due to additional purchases with the contributions made in each month in a fixed amount and by reinvestment of dividends received since the Company holds shares in the company through its supplier shareholding association.	Yes
	230	340		
Nikkiso Co., Ltd.	237,000	237,000	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	Yes
	217	267		
Honda Motor Co., Ltd.	60,000	60,000	The Company has delivered automotive systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	No
	209	199		
Tachibana Eletech Co., Ltd.	123,769	123,769	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company in transactions such as procurement of parts supplied by the company necessary for production of the Company's products and sale of the Company's products to the company.	Yes
	203	199		
Takuma Co., Ltd.	123,000	123,000	The Company has procured goods for logistics systems, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	Yes
	175	294		
The Shiga Bank, Ltd.	76,000	76,000	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company for financial transactions and to collect local information of the Shiga area where the Company's major offices are located.	Yes
	168	182		
Takara Holdings Inc.	123,000	123,000	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	Yes
	135	185		
SATO SHOJI CORPORATION	111,500	111,500	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company in transactions such as procurement of parts supplied by the company necessary for production of car wash machines.	Yes
	128	121		
Nissan Motor Co., Ltd.	224,200	224,200	The Company has delivered automotive systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	No
	122	138		
Mitsubishi Pencil Co., Ltd.	74,000	74,000	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	Yes
	93	118		

Issue	Fiscal year ended March 31, 2022 Number of shares (shares) Carrying amount (million yen)	Previous fiscal year (ended March 31, 2021) Number of shares (shares) Carrying amount (million yen)	Purposes of holding, quantitative effect of holding, and reasons for increase in the number of shares	Ownership of the Company's shares
Hamakyorex Co., Ltd.	32,287 92	31,012 100	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company. The number of shares increased due to additional purchases with the contributions made in each month in a fixed amount and by reinvestment of dividends received since the Company holds shares in the company through its supplier shareholding association.	No
Makino Milling Machine Co., Ltd.	22,000 85	22,000 95	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	Yes
Yuasa Trading Co., Ltd.	27,719 80	102,358 319	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company in transactions such as procurement of parts supplied by the company necessary for production of the Company's products and sale of the Company's products to the company. The number of shares decreased due to sale of part of shares acquired not through the company's supplier shareholding association in fiscal 2021 although the Company additionally purchases shares in the company with the contributions made in each month in a fixed amount and by reinvestment of dividends received since the Company holds shares in the company through its supplier shareholding association.	Yes
Sumitomo Mitsui Trust Holdings, Inc.	14,453 57	14,453 55	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company for financial transactions.	Yes
Mazda Motor Corporation	60,000 54	60,000 54	The Company has delivered automotive systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	No
SUMCO Corporation	26,702 54	25,460 64	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company. The number of shares increased due to additional purchases with the contributions made in each month in a fixed amount and by reinvestment of dividends received since the Company holds shares in the company through its supplier shareholding association.	No
Nissin Shoji Co., Ltd.	50,000 44	50,000 47	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company for sale of car wash machines.	Yes
FUJICCO Co., Ltd.	18,295 35	18,295 35	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	No
ICHINEN HOLDINGS CO., LTD.	26,458 34	26,458 35	The Company receives lease and rental services from the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	Yes
Toppan Inc.	15,000 32	15,000 28	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	No

Issue	Fiscal year ended March 31, 2022	Previous fiscal year (ended March 31, 2021)	Purposes of holding, quantitative effect of holding, and reasons for increase in the number of shares	Ownership of the Company's shares
	Number of shares (shares)	Number of shares (shares)		
	Carrying amount (million yen)	Carrying amount (million yen)		
TACHI-S CO., LTD.	32,500	32,500	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	No
	32	39		
ITOCHU-SHOKUHIN Co., Ltd.	4,000	4,000	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	No
	19	21		
Resona Holdings, Inc.	36,845	36,845	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company for financial transactions.	Yes
	19	17		
Dai Nippon Printing Co., Ltd.	5,000	5,000	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	No
	14	11		
Nitori Holdings Co., Ltd.	800	800	The Company has delivered logistics systems, etc., and continues to hold shares in the company to maintain and strengthen a good business relationship with the company and to collect domestic and international information.	No
	12	17		
MEGMILK SNOW BRAND Co., Ltd.	5,000	5,000	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	No
	9	11		
LINTEC Corporation	3,000	3,000	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	No
	7	7		
K.R.S. Corporation	2,200	1,100	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company. The number of shares increased due to a stock split.	No
	2	1		
MITSUI-SOKO HOLDINGS Co., Ltd.	–	148,800	–	No
	–	322		
PARKER CORPORATION	–	31,000	–	No
	–	15		

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

The rationale for shareholding is verified each year as set forth in ii., (i) above.

Deemed shareholdings

Not applicable

iii. Investment shares held for pure investment

Not applicable

V. Financial Information

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

   (2) The non-consolidated financial statements of the Company are prepared in accordance with the "Regulation on Terminology, Forms, and Preparation Methods of Financial Statements" (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter the "Regulation on Financial Statements.")
   The Company falls under a special company submitting financial statements and prepares its financial statements pursuant to the provision of Article 127 of the Regulation on Financial Statements.

2. Audit Certificate
   The Company's consolidated and non-consolidated financial statements for the fiscal year from April 1, 2021 to March 31, 2022 were audited by PricewaterhouseCoopers Aarata LLC, in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

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

1. Consolidated Financial Statements, etc.

(1) Consolidated financial statements

i. Consolidated balance sheets

(Million yen)

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
ASSETS		
Current assets		
Cash on hand and in banks	94,167	118,769
Notes receivable, accounts receivable from completed construction contracts and other	211,906	–
Notes receivable, accounts receivable from completed construction contracts and other, and contract assets	–	208,915
Merchandise and finished goods	6,355	7,045
Costs incurred on uncompleted construction contracts and other	*3 13,670	*3 11,430
Raw materials and supplies	16,325	22,778
Other	8,749	13,148
Allowance for doubtful accounts	(571)	(777)
Total current assets	350,604	381,310
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,304	22,734
Machinery and vehicles, net	5,802	7,799
Tools and fixtures, net	2,637	2,602
Land	12,228	12,496
Other, net	7,574	9,583
Total property, plant and equipment	*1 49,547	*1 55,215
Intangible assets		
Software	3,998	5,077
Goodwill	4,212	3,956
Other	1,804	1,687
Total intangible assets	10,015	10,720
Investments and other assets		
Investments in securities	*2 14,965	*2 13,322
Long-term loans	117	44
Assets for retirement benefits	7,738	9,002
Deferred tax assets	9,566	10,082
Other	3,066	3,627
Allowance for doubtful accounts	(165)	(3)
Total investments and other assets	35,289	36,076
Total non-current assets	94,852	102,012
Total assets	445,456	483,322

(Million yen)

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
LIABILITIES		
Current liabilities		
Notes and accounts payable and construction contracts payable	43,778	48,046
Electronically recorded obligations - operating	20,169	28,084
Short-term borrowings and current portion of long-term borrowings	15,543	22,449
Income taxes payable	9,907	7,252
Advances received on uncompleted construction contracts and other	34,263	–
Contract liabilities	–	40,682
Provision for losses on construction contracts	*3 343	*3 711
Other	25,172	26,419
Total current liabilities	149,178	173,645
Non-current liabilities		
Long-term borrowings	19,600	3,907
Deferred tax liabilities	516	802
Liabilities for retirement benefits	7,674	7,494
Other reserves	351	327
Other	6,123	5,086
Total non-current liabilities	34,265	17,617
Total liabilities	183,443	191,263
NET ASSETS		
Shareholders' equity		
Common stock	31,865	31,865
Capital surplus	21,980	20,691
Retained earnings	202,377	227,609
Treasury stock	(941)	(901)
Total shareholders' equity	255,282	279,264
Accumulated other comprehensive income		
Net unrealized gain (loss) on securities	4,376	4,107
Deferred gain (loss) on hedges	(260)	(637)
Foreign currency translation adjustments	(1,425)	8,380
Accumulated adjustments on retirement benefits	(912)	(344)
Total accumulated other comprehensive income	1,778	11,504
Non-controlling interests	4,952	1,289
Total net assets	262,012	292,059
Total liabilities and net assets	445,456	483,322

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

ii. Consolidated statements of income and comprehensive income

(Million yen)

	FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
Net sales	473,902	512,268
Cost of sales	*1, 2 385,744	*1, 2 417,968
Gross profit	88,157	94,299
Selling, general and administrative expenses		
Selling expenses	*3 16,185	*3 15,162
General and administrative expenses	*1, 3 27,405	*1, 3 28,883
Total selling, general and administrative expenses	43,591	44,046
Operating income	44,566	50,252
Other income		
Interest income	347	346
Dividend income	415	384
Foreign exchange gains	296	–
Subsidy income	128	645
Land and house rental revenue	218	227
Other	680	419
Total other income	2,086	2,023
Other expenses		
Interest expenses	644	352
Foreign exchange losses	–	279
Tender offer related expenses	–	275
Other	162	116
Total other expenses	806	1,022
Ordinary income	45,846	51,253
Extraordinary income		
Gain on sales of property, plant and equipment	*4 14	*4 7
Gain on sales of investments in securities	920	234
Insurance claim income	–	215
Other	–	24
Total extraordinary income	935	481
Extraordinary loss		
Loss on sales of property, plant and equipment	*5 3	*5 0
Loss on disposal of property, plant and equipment	*6 235	*6 300
Loss on valuation of shares in affiliates	*7 1,027	–
Settlement package	234	–
Extra retirement payments	–	278
Loss on liquidation of affiliates	–	143
Other	170	33
Total extraordinary loss	1,671	756
Income before income taxes	45,109	50,978
Income taxes - current	14,010	14,032
Income taxes - deferred	(1,683)	501
Total income taxes	12,326	14,534
Net income	32,783	36,444
Net income attributable to:		
Shareholders of the parent company	32,390	35,877
Non-controlling interests	393	566

(Million yen)

	FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
Other comprehensive income		
Net unrealized gain (loss) on securities	1,666	(267)
Deferred gain (loss) on hedges	(171)	(375)
Foreign currency translation adjustments	(2,539)	9,974
Retirement benefits reserves adjustments	1,589	553
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	16	39
Total other comprehensive income (loss)	*8 562	*8 9,924
Comprehensive income	33,345	46,368
Comprehensive income (loss) attributable to:		
Shareholders of the parent company	32,921	45,604
Non-controlling interests	423	764

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

iii. Consolidated statements of changes in net assets

FY2020 (April 1, 2020–March 31, 2021)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2020	31,865	21,987	179,292	(1,430)	231,714
Cumulative effects of changes in accounting policies					–
Restated balance	31,865	21,987	179,292	(1,430)	231,714
Changes of items during the period					
Cash dividends			(9,459)		(9,459)
Net income attributable to shareholders of the parent company			32,390		32,390
Purchase of treasury stock				(22)	(22)
Disposal of treasury stock		0		511	512
Change in scope of consolidation			155		155
Change in treasury shares of parent arising from transactions with non-controlling shareholders' equity		(7)			(7)
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	(7)	23,085	489	23,567
Balance at March 31, 2021	31,865	21,980	202,377	(941)	255,282

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gain (loss) on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Accumulated adjustments on retirement benefits	Total accumulated other comprehensive income		
Balance at April 1, 2020	2,716	(89)	1,038	(2,419)	1,246	4,394	237,356
Cumulative effects of changes in accounting policies							–
Restated balance	2,716	(89)	1,038	(2,419)	1,246	4,394	237,356
Changes of items during the period							
Cash dividends							(9,459)
Net income attributable to shareholders of the parent company							32,390
Purchase of treasury stock							(22)
Disposal of treasury stock							512
Change in scope of consolidation							155
Change in treasury shares of parent arising from transactions with non-controlling shareholders' equity							(7)
Net changes of items other than shareholders' equity	1,659	(171)	(2,463)	1,507	531	557	1,089
Total changes of items during the period	1,659	(171)	(2,463)	1,507	531	557	24,656
Balance at March 31, 2021	4,376	(260)	(1,425)	(912)	1,778	4,952	262,012

FY2021 (April 1, 2021–March 31, 2022)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2021	31,865	21,980	202,377	(941)	255,282
Cumulative effects of changes in accounting policies			(3)		(3)
Restated balance	31,865	21,980	202,374	(941)	255,278
Changes of items during the period					
Cash dividends			(10,720)		(10,720)
Net income attributable to shareholders of the parent company			35,877		35,877
Purchase of treasury stock				(14)	(14)
Disposal of treasury stock				54	54
Change in scope of consolidation			77		77
Change in treasury shares of parent arising from transactions with non-controlling shareholders' equity		(1,288)			(1,288)
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	(1,288)	25,235	39	23,985
Balance at March 31, 2022	31,865	20,691	227,609	(901)	279,264

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gain (loss) on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Accumulated adjustments on retirement benefits	Total accumulated other comprehensive income		
Balance at April 1, 2021	4,376	(260)	(1,425)	(912)	1,778	4,952	262,012
Cumulative effects of changes in accounting policies							(3)
Restated balance	4,376	(260)	(1,425)	(912)	1,778	4,952	262,009
Changes of items during the period							
Cash dividends							(10,720)
Net income attributable to shareholders of the parent company							35,877
Purchase of treasury stock							(14)
Disposal of treasury stock							54
Change in scope of consolidation							77
Change in treasury shares of parent arising from transactions with non-controlling shareholders' equity						(4,322)	(5,611)
Net changes of items other than shareholders' equity	(269)	(377)	9,805	567	9,726	660	10,386
Total changes of items during the period	(269)	(377)	9,805	567	9,726	(3,662)	30,050
Balance at March 31, 2022	4,107	(637)	8,380	(344)	11,504	1,289	292,059

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

iv. Consolidated statements of cash flows

(Million yen)

	FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
Cash flows from operating activities		
Income before income taxes	45,109	50,978
Depreciation	6,401	7,326
Amortization of goodwill	695	639
Interest and dividend income	(763)	(731)
Interest expenses	644	352
Loss (gain) on sales of investments in securities	(920)	(234)
Loss (gain) on disposal or sales of property, plant and equipment	224	292
Loss on valuation of shares in affiliates	1,027	–
Decrease (increase) in notes and accounts receivables	(10,669)	–
Decrease (increase) in notes and accounts receivables and contract assets	–	12,775
Decrease (increase) in inventories	(3,279)	(3,510)
Increase (decrease) in notes and accounts payable	(4,599)	7,464
Increase (decrease) in advances received on uncompleted construction contracts	647	–
Increase (decrease) in contract liabilities	–	3,796
Other	7,259	(6,463)
Subtotal	41,778	72,686
Interest and dividend received	763	729
Interest paid	(624)	(404)
Income taxes refund (paid)	(4,173)	(17,146)
Other	485	826
Net cash provided by (used in) operating activities	38,229	56,691
Cash flows from investing activities		
Investments in time deposits	(62)	(3)
Proceeds from refund of time deposits	0	1
Payments for purchase of property, plant and equipment	(7,481)	(10,461)
Proceeds from sales of property, plant and equipment	23	53
Payments for purchase of investments in securities	(27)	(29)
Proceeds from sales of investments in securities	1,596	625
Collection of loans receivable	6	15
Other	(186)	(29)
Net cash provided by (used in) investing activities	(6,132)	(9,828)
Cash flows from financing activities		
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(5,683)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	152
Increase (decrease) in short-term borrowings, net	1,760	(8,320)
Proceeds from long-term borrowings	–	131
Repayment of long-term borrowings	(482)	(1,647)
Proceeds from disposal of treasury stock	662	38
Payments for purchase of treasury stock	(22)	(14)
Payments of cash dividends	(9,462)	(10,720)
Other	(1,387)	(1,486)
Net cash provided by (used in) financing activities	(8,932)	(27,550)
Effect of exchange rate change on cash and cash equivalents	(741)	4,868
Net increase (decrease) in cash and cash equivalents	22,422	24,180

(Million yen)

	FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
Cash and cash equivalents at beginning of year	70,883	94,079
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	772	412
Cash and cash equivalents at end of year	*1 94,079	*1 118,672

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

Notes to the Consolidated Financial Statements

Significant accounting matters for preparation of consolidated financial statements

1. Disclosure of scope of consolidation

Consolidated subsidiaries

Number of consolidated subsidiaries: 69

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

Vega Conveyors and Automation Private Limited, Airport Digital Holdings (AUS) Pty. Ltd., and their subsidiaries, etc. are included in the scope of consolidation due to an increase in materiality in the fiscal year ended March 31, 2022.

2. Disclosure about application of the equity method

Number of affiliates accounted for using the equity method: 1

Name of the affiliate

- Kunming Logan-KSEC Airport System Company Ltd.

As the balance sheet date of the equity-method affiliate differs from the consolidated balance sheet date, it is consolidated using the financial statements as fiscal year ending December 31.

3. Disclosure about fiscal years, etc. of consolidated subsidiaries

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

Companies with a balance sheet dated December 31

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

These subsidiaries are consolidated using the financial statements prepared as of December 31, 2021, with necessary adjustments for significant transactions arising between that balance sheet date and the consolidated balance sheet date of March 31, 2022.

4. Disclosure of accounting policies

(1) Valuation standards and methods for significant assets

i. Securities

1) Shares of subsidiaries and affiliates

Stated at cost using the moving-average method.

2) Other securities

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

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

Shares, etc. that do not have a market price

Stated at cost using the moving-average method.

ii. Derivatives

Stated at fair value.

iii. Inventories

(i) Merchandise and finished goods

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

(ii) Costs incurred on uncompleted construction contracts and other

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

(iii) Raw materials and supplies

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

(2) Depreciation and amortization methods for significant depreciable assets

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

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

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

ii. Intangible assets (excluding leased assets)

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

iii. Leased assets

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

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

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

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

(3) Accounting policy for significant provisions

i. Allowance for doubtful accounts

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

ii. Provision for losses on construction contracts

To provide for potential losses on uncompleted construction contracts, provision for losses on construction contracts is recorded based on an amount of estimated losses as of the end of the fiscal year.

(4) Accounting method for retirement benefits

i. Method of attributing estimated retirement benefits to accounting periods

In calculating retirement benefit obligations, the benefit formula method is used to attribute the estimated amount of retirement benefits to periods of services up to the end of the fiscal year ended March 31, 2022.

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

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

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

(5) Accounting policy for significant revenues and expenses

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

(i) Manufacture and sale of logistics systems and equipment, etc.

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

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

The progress towards complete satisfaction of the performance obligations is measured by the cost-to-cost method, i.e., costs incurred during the fiscal year ended March 31, 2022 relative to the estimated total cost to complete the work, as the cost of products installed and labor costs incurred for the work are considered proportional to the increase in assets controlled by the customer.

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

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

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

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

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

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

(iii) Maintenance services after sales of products

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

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

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

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

ii. Determining transaction prices

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

iii. Payment terms

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

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

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

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

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

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

Accounts receivable and payable denominated in foreign currencies are translated into Japanese yen at year-end exchange rates. Resulting gains and losses are charged or credited to income for the period.

The balance sheet accounts of the non-Japan subsidiaries and affiliates are translated into Japanese yen at year-end exchange rates except for shareholder's equity. Revenue and expense accounts of the non-Japan consolidated subsidiaries and affiliates are translated into Japanese yen at the average exchange rates for the year. The translation differences in Japanese yen arising from the use of different rates are recorded as "Foreign currency translation adjustments" and "non-controlling interests" in the consolidated balance sheet.

(7) Method of significant hedge accounting

i. Method of hedge accounting

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

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

ii. Hedging instruments and hedged items

Hedging instruments and hedged items to which hedge accounting was applied in the fiscal year ended March 31, 2022 are as follows:

Hedging instruments	Hedged items
Forward exchange contracts	Receivables and payables denominated in foreign currencies and forecast transactions denominated in foreign currencies
Currency swaps	Borrowings denominated in foreign currencies
Interest rate swaps	Borrowings

iii. Hedging policy

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

iv. Method for assessing hedge effectiveness

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

v. Other risk management practices related to hedge accounting

The execution and management of hedge transactions are carried out to hedge fluctuation risk of currency rates and interest rates in accordance with internal regulations that provide transaction and authorization limits.

(8) Amortization of goodwill

Goodwill is amortized evenly over an estimated period during which its investment effect is expected to continue. However, immaterial goodwill is fully expensed in the fiscal year in which it is incurred.

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

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

Significant accounting estimates

1. Revenue recognition for construction contracts

(1) Amounts recorded in the consolidated financial statements

(Million yen)

	FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
Net sales of construction contracts in which performance obligations are satisfied over time	346,100	374,278
Provision for losses on construction contracts	343	711

(2) Method of calculation and primary assumptions

Revenue is recognized based on the progress towards complete satisfaction of the performance obligations as of the end of the fiscal year, if such progress can be reasonably measured. The progress towards complete satisfaction of the performance obligations is measured by costs incurred during the fiscal year ended March 31, 2022 relative to the estimated total cost to complete the work (the input method).

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

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

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

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

(1) Amounts recorded in the consolidated balance sheets

(Million yen)

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Total of property, plant and equipment and intangible assets	59,562	65,936

(2) Method of calculation and primary assumptions

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

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

Changes in accounting policies

Application of accounting standard for revenue recognition, etc.

The Company began to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, hereinafter the "Revenue Recognition Accounting Standard") and the implementation guidance on the Revenue Recognition Accounting Standard from the beginning of the fiscal year ended March 31, 2022. Accordingly, the Company recognizes revenue to depict the transfer of goods or services promised in the contract to customers in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services.

Previously, construction contracts were measured using the percentage-of-completion method where the outcome of completion of construction activity by the end of the fiscal year could be estimated reliably. From the beginning of the fiscal year ended March 31, 2022, for the performance obligations that are fulfilled over a certain period of time, the Company has changed its method to one that recognizes revenue over a certain period of time based on the percentage of completion of construction after a rational estimate of the progress in satisfying performance obligations. The method selected for measuring progress toward satisfaction of a performance obligation is input methods based on cost incurred. The Company uses the cost recovery method to recognize revenue from construction contracts that do not allow for a reasonable estimate of the progress toward satisfying performance obligations.

For the application of the Revenue Recognition Accounting Standard and the like, the Company complies with the transitional handling prescribed in the provision in Paragraph 84 of the same Standard. However, the cumulative effect of applying the new accounting standard retroactively to the periods prior to the beginning of the fiscal year ended March 31, 2022 has been recognized as an adjustment of the opening balance of retained earnings as of the beginning of the fiscal year ended March 31, 2022, and the application of the new accounting policy started from the balance at the beginning of the year concerned. The Company applied the method specified in Paragraph 86 of the Revenue Recognition Accounting Standard and has not applied the new accounting policy retroactively to such contracts, in which almost all revenue is recognized pursuant to the conventional treatment in the periods prior to the beginning of the fiscal year ended March 31, 2022. The Company has additionally adopted the method specified in item (1) of the supplementary provisions of Paragraph 86 of the Revenue Recognition Accounting Standard, treated changes in contracts made prior to the beginning of the fiscal year in accounting based on the contract conditions after applying all such changes, and recognized the cumulative effect of such changes as an adjustment of the opening balance of retained earnings at the beginning of the fiscal year.

As a result, the effect on income statement line items for the fiscal year ended March 31, 2022 and the effect on the balance of retained earnings at the beginning of the fiscal year ended March 31, 2022 are insignificant.

Due to the application of the Revenue Recognition Accounting Standard and other changes, "notes receivable, accounts receivable from completed construction contracts and other," which was an item under "current assets" in the consolidated balance sheets of the previous fiscal year, has been transferred to "notes receivable, accounts receivable from completed construction contracts and other, and contract assets" beginning in the fiscal year. "Advances received on uncompleted construction contracts and other," which was an item of "current liabilities," is presented as part of "contract liabilities" beginning in the fiscal year. "Decrease (increase) in notes and accounts receivable" presented as part of "cash flows from operating activities" in the consolidated statements of cash flows for the previous fiscal year is presented under "decrease (increase) in notes and accounts receivables and contract assets" beginning in the fiscal year ended March 31, 2022. "Increase (decrease) in advances received on uncompleted construction contracts" is presented as an item of "increase (decrease) in contract liabilities" from the fiscal year ended March 31, 2022. Pursuant to the transitional measures stipulated in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the reports for the previous fiscal year have not been reclassified using the new presentation method.

Further, pursuant to the transitional measures stipulated in Paragraph 89-3 of the Revenue Recognition Accounting Standard, notes on Revenue recognition for the previous fiscal year have not been provided.

Application of accounting standard for fair value measurement, etc.

The Company started applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter the "Fair Value Measurement Accounting Standard") and the implementation guidance on the Fair Value Measurement Accounting Standard from the fiscal year. Accordingly, the Company will apply new accounting policies prescribed in the Fair Value Measurement Accounting Standard and the like in the future in accordance with the transitional handling stipulated in Paragraph 19 of the same Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

The change has no effect on consolidated financial statements.

In addition, breakdowns for each level of fair value of financial instruments and other disclosures have been provided in the notes on Financial instruments. However, pursuant to the transitional measures stipulated in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), such notes have not been provided for the previous fiscal year.

Accounting standards issued but not yet applied

“Leases” of non-Japan consolidated subsidiaries

- ASU 2016-02 for US GAAP

(1) Outline

The lessee recognizes assets and liabilities for all leases, in principle.

(2) Planned date of application

The revises accounting standard will be applied from the fiscal year beginning on or after April 1, 2022.

(3) Impact of applying the accounting standard

The impact of applying the accounting standard on the consolidated financial statements is estimated to be increases of 1,188 million yen in assets and 1,225 million yen in liabilities in the consolidated balance sheets at the beginning of the fiscal year ending March 31, 2023.

Additional information

Board Benefit Trust (BBT)

The Company has introduced the BBT system for its directors and corporate officers (hereinafter “Directors, etc.”).

The system further clarifies the linkage of the remuneration for Directors, etc. with the Company’s business performance as well as its stock value, but also the risk of decrease in stock value with shareholders. It is expected to motivate Directors, etc. to contribute to improving the Company’s business performance in the medium and long terms and boosting corporate value.

(1) Outline of the transaction

The system is as stock compensation plan linked directly to the Company’s business performance, under which the Company’s shares are acquired through the trust using the funds that the Company contributes (hereinafter “the Trust”) and remuneration is provided to the Directors, etc. through the Trust, in accordance with the stock compensation regulation for officers stipulated by the Company. The remuneration is the Company’s shares (equivalent to points accrued based on titles and target achievement) and the monetary payment (equivalent to the amount obtained by converting the Company’s shares at a market price as of the retirement date).

The Company’s shares to be acquired by the Trust this time are treasury shares held by the company that are allotted through private placement. As a general rule, the shares are provided to the Directors, etc. upon retirement.

The Company follows the Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc. through Trusts (ASBJ Practical Issues Task Force No. 30, March 26, 2015) with respect to accounting for the trust agreement.

(2) The Company’s shares still held by the Trust

The Company records its shares remaining in the Trust as treasury stock in net assets at the book value (excluding incidental expenses) of the Trust.

Book value and number of shares of treasury stock

¥509 million yen and 119 thousand shares for the fiscal year ended March 31, 2021

¥455 million yen and 106 thousand shares for the fiscal year ended March 31, 2022

Consolidated balance sheets

*1 Accumulated depreciation of property, plant and equipment

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Accumulated depreciation of property, plant and equipment	58,674 million yen	63,018 million yen

*2 Items related to non-consolidated subsidiaries and affiliates are as follows:

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Investments in securities (equity securities)	1,270 million yen	357 million yen

*3 Presentation of inventories and provision for losses on construction contracts

Inventories related to construction contracts with probable loss and provision for losses on construction contracts are both presented without being offset.

Amounts of inventories for which provision for losses on construction contracts is provided

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Costs incurred on uncompleted construction contracts and other	48 million yen	35 million yen

Consolidated statements of income and comprehensive income

*1 R&D expenditures included in general and administrative expenses and manufacturing costs are as follows:

FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
9,165 million yen	10,735 million yen

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

FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
79 million yen	344 million yen

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

	FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
Sales commissions	836 million yen	637 million yen
Advertising	167	216
Outsourcing	566	586
Salaries and bonuses	8,580	8,229
Retirement benefit expenses	374	208
Welfare	1,457	1,396
Travel and transportation	622	664
Rent	349	332
Depreciation	254	284

Major items of general and administrative expenses

	FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
Outsourcing	3,268 million yen	3,469 million yen
Directors’ remuneration	939	1,028
Salaries and bonuses	12,019	12,202
Retirement benefit expenses	516	411
Welfare	1,726	1,895
Depreciation	2,427	2,571
R&D	2,980	3,626

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

	FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
Buildings	6 million yen	– million yen
Machinery	3	0
Vehicles	4	6

*5 Major items of loss on sales of property, plant and equipment are as follows:

	FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
Machinery	3 million yen	– million yen
Tools and fixtures	0	0

*6 Major items of loss on disposal of property, plant and equipment are as follows:

	FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
Buildings	142 million yen	96 million yen
Structures	18	7
Machinery	20	81
Tools and fixtures	13	13
Leased assets	4	100
Software	36	1

*7 Loss on valuation of shares in affiliates

Loss on valuation of shares in affiliates is due to an impairment loss of investments in overseas non-consolidated subsidiaries.

*8 Reclassification adjustments and tax effects related to other comprehensive income

(Million yen)

	FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
Net unrealized gain (loss) on securities:		
Amount arising during the period	3,272	(129)
Reclassification adjustment	(920)	(236)
Pretax amount	2,352	(365)
Tax effect	(685)	98
Net unrealized gain (loss) on securities	1,666	(267)
Deferred gain (loss) on hedges:		
Amount arising during the period	(258)	(673)
Reclassification adjustment	16	141
Pretax amount	(242)	(531)
Tax effect	71	156
Deferred gain (loss) on hedges	(171)	(375)
Foreign currency translation adjustments:		
Amount arising during the period	(2,539)	9,974
Reclassification adjustment	–	–
Foreign currency translation adjustments	(2,539)	9,974
Retirement benefits reserves adjustments		
Amount arising during the period	1,245	396
Reclassification adjustment	1,077	151
Pretax amount	2,323	547
Tax effect	(733)	5
Retirement benefits reserves adjustments	1,589	553
Share of other comprehensive income of affiliates accounted for using the equity method:		
Amount arising during the period	16	39
Reclassification adjustment	–	–
Share of other comprehensive income of affiliates accounted for using the equity method	16	39
Total other comprehensive income	562	9,924

Consolidated statements of changes in net assets

FY2020 (April 1, 2020–March 31, 2021)

1. Matters regarding issued shares

Class of shares	As of April 1, 2020	Increase	Decrease	As of March 31, 2021
Common stock (Thousand shares)	126,610	–	–	126,610

2. Matters regarding treasury stock

Class of shares	As of April 1, 2020	Increase	Decrease	As of March 31, 2021
Common stock (Shares)	703,806	2,107	101,845	604,068

Notes: 1. Overview of reasons for change

Details of increases in the number of treasury stock are as follows:

Increase due to the repurchase of less-than-a-unit shares: 2,107 shares

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

Decrease due to the sale of less-than-a-unit shares: 45 shares

Decrease due to the disposal from Custody Bank of Japan, Ltd. (trust account E) under the Board Benefit Trust (BBT): 39,900 shares

Decrease due to the sale to the Daifuku Employee Shareholding Association from the E-Ship Trust in The Nomura Trust and Banking Co., Ltd. under the E-Ship program: 61,900 shares

2. The number of treasury stock includes the number of the Company's common stock held by Custody Bank of Japan, Ltd. (trust account E) and The Nomura Trust and Banking Co., Ltd. (E-Ship Trust).

The details are as follows:

* Trust & Custody Services Bank, Ltd. changed its name to Custody Bank of Japan, Ltd. through a merger on July 27, 2020.

Custody Bank of Japan, Ltd. (trust account E)

As of April 1, 2020: 159,100 shares

As of March 31, 2021: 119,200 shares

The Nomura Trust and Banking Co., Ltd. (E-Ship Trust)

As of April 1, 2020: 61,900 shares

As of March 31, 2021: 0 shares

3. Matters regarding share warrants

Not applicable

4. Matters regarding dividends

(1) Dividends paid

Resolution adopted	Class of shares	Aggregate dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors' meeting on May 12, 2020	Common stock	5,675	45	March 31, 2020	June 29, 2020
Board of Directors' meeting on November 6, 2020	Common stock	3,783	30	September 30, 2020	December 4, 2020

Notes: 1. Aggregate dividends resolved at the Board of Directors' meeting on May 12, 2020,include dividends of 7 million yen on the Company's shares (treasury stock) held by the BBT in Custody Bank of Japan, Ltd. (trust account E) under the BBT program and dividends of 2 million yen on the Company's shares (treasury stock) held by the E-Ship Trust in The Nomura Trust and Banking Co., Ltd. under the E-Ship program.

* Trust & Custody Services Bank, Ltd. changed its name to Custody Bank of Japan, Ltd. through a merger on July 27, 2020.

2. Aggregate dividends resolved at the Board of Directors' meeting on November 6, 2020 include dividends of 3 million yen on the Company's shares (treasury stock) held by the BBT in Custody Bank of Japan, Ltd. (trust account E) under the BBT program and dividends of 0 million yen on the Company's shares (treasury stock) held by the E-Ship Trust in The Nomura Trust and Banking Co., Ltd. under the E-Ship program.

(2) Dividends with a record date during the fiscal year, but an effective date in the following fiscal year

Resolution adopted	Class of shares	Source of dividends	Aggregate dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors' meeting on May 11, 2021	Common stock	Retained earnings	6,306	50	March 31, 2021	June 28, 2021

Note: Aggregate dividends include dividends of 5 million yen on the Company's shares (treasury stock) held by the BBT in Custody Bank of Japan, Ltd. (trust account E) under the BBT program and dividends of 0 million yen on the Company's shares (treasury stock) held by the E-Ship Trust in The Nomura Trust and Banking Co., Ltd. under the E-Ship program.

FY2021 (April 1, 2021–March 31, 2022)

1. Issued shares

Class of shares	As of April 1, 2021	Increase	Decrease	As of March 31, 2022
Common stock (Thousand shares)	126,610	–	–	126,610

2. Treasury stock

Class of shares	As of April 1, 2021	Increase	Decrease	As of March 31, 2022
Common stock (Shares)	604,068	1,502	12,700	592,870

Notes: 1. Overview of reasons for change

Details of increases in the number of treasury stock are as follows:

Increase due to the repurchase of less-than-a-unit shares: 1,502 shares

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

Decrease due to the disposal from Custody Bank of Japan, Ltd. (trust account E) under the Board Benefit Trust (BBT): 12,700 shares

2. The number of treasury stock includes the number of the Company's common stock held by Custody Bank of Japan, Ltd. (trust account E).

The details are as follows:

Custody Bank of Japan, Ltd. (trust account E)

As of April 1, 2021: 119,200 shares

As of March 31, 2022: 106,500 shares

3. Share warrants

Not applicable

4. Dividends

(1) Dividends paid

Resolution	Class of shares	Aggregate dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors' meeting on May 11, 2021	Common stock	6,306	50	March 31, 2021	June 28, 2021
Board of Directors' meeting on November 5, 2021	Common stock	4,414	35	September 30, 2021	December 3, 2021

Notes: 1. Aggregate dividends resolved at the Board of Directors' meeting on May 11, 2021, include dividends of 5 million yen on the Company's shares (treasury stock) held by the BBT in Custody Bank of Japan, Ltd. (trust account E) under the BBT program and dividends of 0 million yen on the Company's shares (treasury stock) held by the E-Ship Trust in The Nomura Trust and Banking Co., Ltd. under the E-Ship program.

2. Aggregate dividends resolved at the Board of Directors' meeting on November 5, 2021 include dividends of 3 million yen on the Company's shares (treasury stock) held by the BBT in Custody Bank of Japan, Ltd. (trust account E) under the BBT program.

(2) Dividends with a record date during the fiscal year, but an effective date in the following fiscal year

Resolution	Class of shares	Source of dividends	Aggregate dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors' meeting on May 13, 2022	Common stock	Retained earnings	6,936	55	March 31, 2022	June 27, 2022

Note: Aggregate dividends include dividends of 5 million yen on the Company's shares (treasury stock) held by the BBT in Custody Bank of Japan, Ltd. (trust account E) under the BBT program.

Consolidated statements of cash flows

*1The components of cash equivalents as of March 31, 2022 and 2021 were as follows:

	FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
Cash on hand and in banks	94,167 million yen	118,769 million yen
Time deposits with original maturities exceeding three months	(88)	(96)
Cash and cash equivalents	94,079	118,672

Leases

Operating leases

As a lessee

Future lease payments for non-cancellable leases

(Million yen)

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Due within one year	342	551
Due after one year	1,242	1,272
Total	1,585	1,824

Financial instruments

1. Status of financial instruments

(1) Policy for financial instruments

In consideration of capital investment plans to operate the manufacturing and sales activities principally of material handling systems and equipment, the Group raises necessary funds mainly through bank borrowings or issuance of bonds, while short-term working capital is raised by bank borrowings. Temporary cash surpluses, if any, are invested in low risk short-term financial instruments. The Group uses derivatives for the purpose of hedging the risk of foreign currency exchange rate fluctuations related to foreign currency-denominated trade receivables and payables and the interest rate fluctuation risk associated with interest expenses on borrowings, and does not engage in speculative transactions as its policy.

(2) Types of financial instruments, related risks and management thereof

Trade receivables (“notes receivable, accounts receivable from completed construction contracts and other, and contract assets”) are exposed to customer credit risks. The Group manages such risks by following its credit control regulations. As a rule, when entering a transaction with a new customer, the Group carefully makes credit decisions, after which the sales administration of each operating division monitors the customer’s condition periodically. The Group is then able to identify at an early stage and mitigate the risks resulting from a downturn of the financial situations, by managing each customer’s due dates and outstanding balances. Trade receivables denominated in foreign currencies are exposed to the risk of foreign currency exchange rate fluctuations, but such risk is hedged principally by using forward exchange contracts. Investments in securities, mainly consisting of equity securities of customers and suppliers with whom the Group has business relationships, are exposed to the risk of market price fluctuations. With respect to such risk, the Group periodically monitors market prices of the securities, financial conditions and other information of the issuers.

Trade payables (“notes and accounts payable and construction contracts payable” and “electronically recorded obligations - operating”) are mostly due within one year. Trade payables include foreign currency-denominated amounts related to overseas construction work and, as such, are exposed to currency exchange rate fluctuation risk. However, the balance of these accounts consistently stays within the outstanding total amount of foreign currency-denominated trade accounts receivable. Short-term borrowings are used for raising funds mainly for working capital, while long-term borrowings and corporate bonds are funding primarily for capital investment. Borrowings with variable interest rates (floating-rate borrowings) are exposed to the interest rate fluctuation risk. However, with regard to the long-term floating-rate borrowings, the Group uses interest rate swap transactions to fix the rate of future interest expenses as a hedge against the interest rate fluctuation risk. Trade payables, borrowings and corporate bonds are all exposed to liquidity risk at the time of debt settlement. The Group manages such risk by timely preparing cash management plans, as well as by flexibly adjusting liquidity on hand through the use of lending commitment lines from several financial institutions.

The finance division executes derivative transactions and conducts relevant administrative procedures (such as bookkeeping and confirmation of transaction balances with the counterparties) in accordance with the Group’s internal derivative control regulations including transaction authorization and administrative structure. The Group enters into derivative transactions only with highly creditworthy financial institutions. For information regarding hedge accounting, such as hedging instruments, hedged items, hedging policy and method for assessing hedge effectiveness, see “(7) Method of significant hedge accounting” described previously under “4. Disclosure of accounting policies.”

(3) Supplementary explanation concerning fair values of financial instruments

The fair values of financial instruments include values based on the market price, and reasonably calculated values in cases where market price is not readily available. In the calculation of such values, variable factors are also taken into consideration, and, therefore, the values calculated may vary if different factors or assumptions are employed. The contract amounts and other information provided in Derivative transactions are not necessarily indicative of the amounts of the actual market risk involved in derivative transactions.

2. Fair value of financial instruments

The balance sheet carrying amount and fair value of financial instruments and their differences are as follows.

"Cash on hand and in banks" are deposits, "short-term borrowings and current portion of long-term borrowings" are due within one year, and "notes and accounts payable and construction contracts payable" and "electronically recorded obligations - operating" are settled in a short period of time. Accordingly, since the fair value of those financial instruments approximates their carrying amount, they are omitted.

FY2020 (as of March 31, 2021)

	Carrying amount on consolidated balance sheets (million yen)	Fair value (million yen)	Variance (million yen)
(1) Notes receivable, accounts receivable from completed construction contracts and other	211,906	211,611	(295)
(2) Investments in securities			
Other securities	13,134	13,134	–
Total assets	225,040	224,745	(295)
Long-term borrowings	19,600	19,621	21
Total liabilities	19,600	19,621	21
Derivative transactions (*)	(376)	(376)	–

(*) Receivables and payables resulted from derivative transactions are presented in net amount. The amounts in parentheses indicate net payables.

FY2021 (as of March 31, 2022)

	Carrying amount on consolidated balance sheets (million yen)	Fair value (million yen)	Difference (million yen)
(1) Notes receivable, accounts receivable from completed construction contracts and other, and contract assets	208,915	208,787	(128)
(2) Investments in securities			
Other securities	12,413	12,413	–
Total assets	221,328	221,200	(128)
Long-term borrowings	3,907	3,891	(16)
Total liabilities	3,907	3,891	(16)
Derivative transactions (*)	(905)	(905)	–

(*) Receivables and payables resulted from derivative transactions are presented in net amount. The amounts in parentheses indicate net payables.

Notes: 1. The carrying amount on the consolidated balance sheets of shares, etc. that do not have a market price

(Million yen)

Category	As of March 31, 2021	As of March 31, 2022
Unlisted securities	1,831	909

As these securities have no quoted market prices, they are excluded from "Assets (2) Investments in securities." The unlisted equity securities include the investments in non-consolidated subsidiaries and affiliates, amounting to 1,270 million yen and 357 million yen as of March 31, 2021 and 2022, respectively.

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

FY2020 (as of March 31, 2021)

(Million yen)

	Due within 1 year	Due after 1 year and within 5 years	Due after5 years and within 10 years	Due after 10 years
Cash on hand and in banks	94,167	–	–	–
Notes receivable, accounts receivable from completed construction contracts and other	204,394	7,511	–	–
Total	298,562	7,511	–	–

FY2021 (as of March 31, 2022)

(Million yen)

	Due within 1 year	Due after 1 year and within 5 years	Due after5 years and within 10 years	Due after 10 years
Cash on hand and in banks	118,769	–	–	–
Notes receivable, accounts receivable from completed construction contracts and other, and contract assets	206,584	2,330	–	–
Total	325,353	2,330	–	–

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

FY2020 (as of March 31, 2021)

(Million yen)

	Due within 1 year	Due after 1 year and within 2 years	Due after 2 years and within 3 years	Due after 3 years and within 4 years	Due after 4 years and within 5 years	Due after 5 years
Short-term borrowings	13,796	–	–	–	–	–
Long-term borrowings	1,747	15,900	2,700	1,000	–	–
Total	15,543	15,900	2,700	1,000	–	–

FY2021 (as of March 31, 2022)

(Million yen)

	Due within 1 year	Due after 1 year and within 2 years	Due after 2 years and within 3 years	Due after 3 years and within 4 years	Due after 4 years and within 5 years	Due after 5 years
Short-term borrowings	6,519	–	–	–	–	–
Long-term borrowings	15,929	2,700	1,000	–	207	–
Total	22,449	2,700	1,000	–	207	–

3. The breakdown for each level of fair value of financial instruments and other disclosures

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value

FY2021 (as of March 31, 2022)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Securities and investments in securities				
Other securities				
Investments in securities	12,413	–	–	12,413
Derivative transactions				
Currency-related	–	–	–	–
Interest-related	–	–	–	–
Total assets	12,413	–	–	12,413
Derivative transactions				
Currency-related	–	905	–	905
Interest-related	–	–	–	–
Total liabilities	–	905	–	905

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

FY2021 (as of March 31, 2022)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other, and contract assets	–	208,787	–	208,787
Derivative transactions				
Currency-related	–	–	–	–
Interest-related	–	–	–	–
Total assets	–	208,787	–	208,787
Long-term borrowings	–	3,891	–	3,891
Derivative transactions				
Currency-related	–	–	–	–
Interest-related	–	–	–	–
Total liabilities	–	3,891	–	3,891

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

Securities and investments in securities

Listed equity securities are valued using quoted prices. As listed equity securities are traded in active markets, their fair value is classified as Level 1.

Derivative transactions

The fair value of interest rate swaps and forward exchange contracts is measured using the discounted cash flow method based on observable inputs quoted by counterparty financial institutions, such as interest rates and exchange rates, and is classified as Level 2.

Notes receivable, accounts receivable from completed construction contracts and other, and contract assets

The fair value of these items is measured using the discounted cash flow method based on the amount of receivables, period to maturity and an interest rate reflecting credit risk, for each receivable categorized by a specified period, and is classified as Level 2.

Long-term borrowings

The fair value of these items is measured using the discounted cash flow method based on the sum of principal and interest, remaining maturities and an interest rate reflecting credit risk, and is classified as Level 2.

Securities

1. Held-to-maturity debt securities

Description is omitted due to immateriality.

2. Other securities

FY2020 (as of March 31, 2021)

	Type	Carrying amount on consolidated balance sheets (million yen)	Acquisition cost (million yen)	Difference (million yen)
Securities whose carrying amount on the consolidated balance sheets exceeds the acquisition cost	(1) Equity securities	13,134	6,894	6,239
	(2) Debt securities			
	i. Government bonds, municipal bonds, etc.	–	–	–
	ii. Corporate bonds	–	–	–
	iii. Other	–	–	–
	(3) Other	–	–	–
	Subtotal	13,134	6,894	6,239
Securities whose carrying amount on the consolidated balance sheets does not exceed the acquisition cost	(1) Equity securities	560	560	–
	(2) Debt securities			
	i. Government bonds, municipal bonds, etc.	–	–	–
	ii. Corporate bonds	–	–	–
	iii. Other	–	–	–
	(3) Other	–	–	–
	Subtotal	560	560	–
Total		13,694	7,455	6,239

Notes: 1. The acquisition costs in the above table represent carrying amounts after impairment adjustment.

2. The Group recorded impairment losses of 2 million yen for the fiscal year ended March 31, 2021. In general, the Group recognizes an impairment loss when the fair value of the security decreases by 50% or more from its acquisition cost as it is deemed as a significant decline.
Furthermore, the Group recognizes an impairment loss when the fair value of the security continuously decreases for two years by 40% or more and below 50% from the acquisition cost.

FY2021 (as of March 31, 2022)

	Type	Carrying amount on consolidated balance sheets (million yen)	Acquisition cost (million yen)	Difference (million yen)
Securities whose carrying amount on the consolidated balance sheets exceeds the acquisition cost	(1) Equity securities	11,984	6,064	5,920
	(2) Debt securities			
	i. Government bonds, municipal bonds, etc.	–	–	–
	ii. Corporate bonds	–	–	–
	iii. Other	–	–	–
	(3) Other	–	–	–
	Subtotal	11,984	6,064	5,920
Securities whose carrying amount on the consolidated balance sheets does not exceed the acquisition cost	(1) Equity securities	980	1,029	(49)
	(2) Debt securities			
	i. Government bonds, municipal bonds, etc.	–	–	–
	ii. Corporate bonds	–	–	–
	iii. Other	–	–	–
	(3) Other	–	–	–
	Subtotal	980	1,029	(49)
Total		12,964	7,094	5,870

Notes: 1. The acquisition costs in the above table represent carrying amounts after impairment adjustment.

2. The Group recorded impairment losses of 2 million yen for the fiscal year ended March 31, 2022. In general, the Group recognizes an impairment loss when the fair value of the security decreases by 50% or more from its acquisition cost as it is deemed as a significant decline.
Furthermore, the Group recognizes an impairment loss when the fair value of the security continuously decreases for two years by 40% or more and below 50% from the acquisition cost.

3. Held-to-maturity debt securities sold during the fiscal years ended March 31, 2021 and 2022

Not applicable

4. Other securities sold during the fiscal years ended March 31, 2021 and 2022

FY2020 (April 1, 2020–March 31, 2021)

Type	Sale value (million yen)	Gain on sales (million yen)	Loss on sales (million yen)
Equity securities	1,596	920	–

FY2021 (April 1, 2021–March 31, 2022)

Type	Sale value (million yen)	Gain on sales (million yen)	Loss on sales (million yen)
Equity securities	634	234	–

Derivative transactions

1. Derivative transactions to which hedge accounting is not applied

FY2020 (as of March 31, 2021)

Category	Type	Contract amount (million yen)	Contract amount due after one year (million yen)	Fair value (million yen)	Gain (loss) on valuation (million yen)
Non-market transactions	Forward exchange contracts				
	Sell				
	Canadian dollar	401	–	(0)	(0)
	Euro	27	–	(0)	(0)
Total		428	–	(0)	(0)

FY2021 (as of March 31, 2022)

Not applicable

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related

FY2020 (as of March 31, 2021)

(Million yen)

Method of hedge accounting	Category of derivative transactions	Major hedged items	Contract amount	Of which due after one year	Fair value
Principal method	Forward exchange contracts				
	Sell				
	U.S. dollar	Accounts receivable (future transaction)	1,294	–	(56)
	Canadian dollar	Accounts receivable (future transaction)	259	–	(2)
	Korean won	Accounts receivable (future transaction)	685	–	(45)
	Thai baht	Accounts receivable (future transaction)	580	–	(13)
	Chinese yuan	Accounts receivable (future transaction)	2,277	–	(79)
	New Taiwan dollar	Accounts receivable (future transaction)	558	–	(23)
	Singapore dollar	Accounts receivable (future transaction)	100	–	(6)
	Australian dollar	Accounts receivable (future transaction)	426	–	(145)
	Euro	Accounts receivable (future transaction)	614	–	(2)
	Indian rupee	Accounts receivable (future transaction)	17	–	(1)
	Indonesian rupiah	Accounts receivable (future transaction)	70	–	(8)
	Buy				
	Thai baht	Accounts payable (future transaction)	(156)	–	(0)
	Korean won	Accounts payable (future transaction)	(224)	–	11
	U.S. dollar	Accounts payable (future transaction)	(78)	–	(1)
	Japanese yen	Accounts payable (future transaction)	(134)	–	(2)
	Chinese yuan	Accounts payable (future transaction)	(37)	–	2
Allocation treatment of forward exchange contracts, etc.	Forward exchange contracts				
	Sell				
	U.S. dollar	Accounts receivable	1,363	–	(*1)
	Korean won	Accounts receivable	3,553	–	
	New Taiwan dollar	Accounts receivable	110	–	
	Chinese yuan	Accounts receivable	1,974	–	
	Thai baht	Accounts receivable	563	–	
	Australian dollar	Accounts receivable	1,293	–	
	Indian rupee	Accounts receivable	11	–	
	Singapore dollar	Accounts receivable	16	–	
	Canadian dollar	Accounts receivable	212	–	
	Buy				
	Thai baht	Accounts payable	(41)	–	(*1)
	Currency swaps				
	U.S. dollar	Long-term borrowings	3,000	3,000	(*2)
Total			18,310	3,000	(375)

(*1) Forward exchange contracts with the allocation treatment are accounted for together with the major hedged items of "notes receivable, accounts receivable from completed construction contracts and other" and "notes and accounts payable and construction contracts payable." Therefore, the fair value of forward exchange contracts is included in the fair value of those hedged items.

(*2) Currency swaps with the allocation treatment are accounted for together with the major hedged item of "long-term borrowings." Therefore, the fair value of currency swaps is included in the fair value of "long-term borrowings."

FY2021 (as of March 31, 2022)

(Million yen)

Method of hedge accounting	Category of derivative transactions	Major hedged items	Contract amount	Of which due after one year	Fair value
Principal method	Forward exchange contracts				
	Sell				
	U.S. dollar	Accounts receivable (future transaction)	3,135	–	(208)
	Canadian dollar	Accounts receivable (future transaction)	146	–	12
	Korean won	Accounts receivable (future transaction)	3,979	–	(226)
	Thai baht	Accounts receivable (future transaction)	598	–	(37)
	Chinese yuan	Accounts receivable (future transaction)	1,771	–	(138)
	New Taiwan dollar	Accounts receivable (future transaction)	791	–	(59)
	Singapore dollar	Accounts receivable (future transaction)	103	–	(8)
	Australian dollar	Accounts receivable (future transaction)	188	–	(85)
	Euro	Accounts receivable (future transaction)	2,615	–	(124)
	Indian rupee	Accounts receivable (future transaction)	40	–	(3)
	Indonesian rupiah	Accounts receivable (future transaction)	180	–	(16)
	Buy				
	Thai baht	Accounts payable (future transaction)	(87)	–	5
	New Taiwan dollar	Accounts payable (future transaction)	(25)	–	1
	U.S. dollar	Accounts payable (future transaction)	(611)	–	27
	Chinese yuan	Accounts payable (future transaction)	(161)	–	12
	Euro	Accounts payable (future transaction)	(1,438)	–	(55)
Allocation treatment of forward exchange contracts, etc.	Forward exchange contracts				
	Sell				
	U.S. dollar	Accounts receivable	3,922	–	(*1)
	Korean won	Accounts receivable	2,448	–	
	New Taiwan dollar	Accounts receivable	478	–	
	Chinese yuan	Accounts receivable	2,140	–	
	Thai baht	Accounts receivable	264	–	
	Indian rupee	Accounts receivable	36	–	
	Euro	Accounts receivable	21	–	
	Indonesian rupiah	Accounts receivable	1	–	
	Buy				
	Thai baht	Accounts payable	(25)	–	(*1)
	Currency swaps				
	U.S. dollar	Long-term borrowings	3,000	–	(*2)
Total			23,516	–	(905)

(*1) Forward exchange contracts with the allocation treatment are accounted for together with the major hedged items of "notes receivable, accounts receivable from completed construction contracts and other, and contract assets" and "notes and accounts payable and construction contracts payable." Therefore, the fair value of forward exchange contracts is included in the fair value of those hedged items.

(*2) Currency swaps with the allocation treatment are accounted for together with the major hedged item of "long-term borrowings." Therefore, the fair value of currency swaps is included in the fair value of "long-term borrowings."

(2) Interest-related

FY2020 (as of March 31, 2021)

(Million yen)

Method of hedge accounting	Category of derivative transactions	Major hedged item	Contract amount		Fair value	Method of measuring fair value
				Of which due after one year		
Exceptional treatment of interest rate swaps	Interest rate swaps Fixed payment/ Variable receipt	Long-term borrowings	8,700	8,700	(*)	
Total			8,700	8,700	–	

(*) Interest rate swaps with the exceptional accrual treatment are accounted for together with the major hedged item of "long-term borrowings." Therefore, the fair value of interest rate swaps is included in the fair value of "long-term borrowings."

FY2021 (as of March 31, 2022)

(Million yen)

Method of hedge accounting	Category of derivative transactions	Major hedged item	Contract amount		Fair value	Method of measuring fair value
				Of which due after one year		
Exceptional treatment of interest rate swaps	Interest rate swaps Fixed payment/ Variable receipt	Long-term borrowings	8,700	–	(*)	
Total			8,700	–	–	

(*) Interest rate swaps with the exceptional accrual treatment are accounted for together with the major hedged item of "long-term borrowings." Therefore, the fair value of interest rate swaps is included in the fair value of "long-term borrowings."

Retirement benefits

1. Overview of retirement benefit plans adopted

The Company and its Japanese consolidated subsidiaries have lump-sum severance indemnity plans, defined contribution plans, and a hybrid type of pension plans (cash balance plans). In addition, the Company has established a retirement benefit trust. Certain non-Japan consolidated subsidiaries have defined contribution plans as well as defined benefit plans.

In defined benefit plans of certain consolidated subsidiaries, liabilities for retirement benefits and retirement benefit expenses are calculated using the simplified method.

The cash balance plan is the Group’s defined benefit pension plan, which was established by the Company and its Japanese consolidated subsidiaries. This pension plan is a multiple employer plan. Notes for the retirement benefits based on the multiple employer plan are included in the notes for the retirement benefits based on defined benefit plans.

2. Defined benefit plans (including multi-employer corporate pension plans)

(1) Movements in retirement benefit obligations (excluding the plans using the simplified method)

(Million yen)

	FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
Balance at beginning of year	36,248	37,077
Service cost	1,288	1,293
Interest cost	313	246
Accrued actuarial gains and losses	1,128	(346)
Payments for retirement benefits	(1,422)	(1,806)
Foreign currency translation adjustments	(485)	1,377
Other	7	4
Balance at end of year	37,077	37,846

(2) Movements in plan assets (excluding the plans using the simplified method)

(Million yen)

	FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
Balance at beginning of year	34,227	37,378
Expected return on plan assets	1,282	1,407
Accrued actuarial gains and losses	2,265	125
Employer contributions	1,037	493
Payments for retirement benefits	(990)	(1,134)
Foreign currency translation adjustments	(440)	1,327
Other	(3)	63
Balance at end of year	37,378	39,660

(3) Movements in liabilities for retirement benefits in the plans using the simplified method

(Million yen)

	FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
Balance at beginning of year	351	271
Retirement benefit expenses	562	553
Payments for retirement benefits	(30)	(41)
Contributions to the plans	(556)	(378)
Foreign currency translation adjustments	(3)	(8)
Other	(51)	(57)
Balance at end of year	271	339

(4) Reconciliation of retirement benefit obligations and plan assets at the end of the year to liabilities for retirement benefits and assets for retirement benefits on the consolidated balance sheets

(Million yen)

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Retirement benefit obligations in funded plans	39,467	40,628
Plan assets	(40,685)	(43,326)
	(1,217)	(2,698)
Retirement benefit obligations in unfunded plans	1,192	1,225
Other	(38)	(33)
Net liabilities and assets on consolidated balance sheets	(63)	(1,507)
Liabilities for retirement benefits	7,674	7,494
Assets for retirement benefits	(7,738)	(9,002)
Net liabilities and assets on consolidated balance sheets	(63)	(1,507)

Note: The plans using the simplified method are included.

(5) Details of retirement benefit expenses

(Million yen)

	FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
Service cost	1,288	1,293
Interest cost	313	246
Expected return on plan assets	(1,282)	(1,407)
Amortization of actuarial gains and losses	1,075	156
Retirement benefit expenses using the simplified method	562	553
Other	–	(10)
Retirement benefit expenses on defined benefit plans	1,957	833

(6) Retirement benefits reserves adjustments

Details of retirement benefits reserves adjustments before tax effect are as follows:

(Million yen)

	FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
Actuarial gains and losses	(2,323)	(547)
Total	(2,323)	(547)

(7) Accumulated adjustments on retirement benefits

Details of accumulated adjustments on retirement benefits before tax effect are as follows:

(Million yen)

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Unrecognized actuarial gains and losses	913	365
Total	913	365

(8) Matters regarding plan assets

i. Major components of plan assets

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

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Equity securities	32%	26%
Debt securities	38%	42%
General accounts at life insurance	13%	12%
Cash on hand and in banks	10%	16%
Other	7%	4%
Total	100%	100%

Note: The retirement benefit trust set up for the corporate pension plans represents 16% and 14% of the total plan assets as of March 31, 2021 and 2022, respectively.

ii. Determination procedure of expected long-term rate of return on plan assets

To determine the expected long-term rate of return on plan assets, the Group considers the current and forecast allocation of plan assets and the current and expected long-term rates of return on the diverse assets that compose the plan assets.

(9) Assumptions for actuarial calculations

Major assumptions for actuarial calculations as of the end of the fiscal year

	FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
Discount rate	0.075% – 8.0%	0.075% – 7.5%
Expected long-term rate of return on plan assets	1.0% – 7.2%	1.0% – 6.15%

Note: The Group does not use the expected rate of increase in salary for calculating retirement benefit obligation, mainly attributable to the adoption of a point-based plan.

3. Defined contribution plans

The amount of contributions required under the defined contribution plans of the Company and its consolidated subsidiaries as of March 31, 2021 and 2022 were 1,175 million yen and 1,258 million yen, respectively.

Stock options, etc.

Not applicable

Tax effect accounting

1. Significant components of deferred tax assets and liabilities

	FY2020 (as of March 31, 2021)		FY2021 (as of March 31, 2022)	
Deferred tax assets:				
Experimentation and research expenses	2,607	million yen	3,642	million yen
Accrued expenses	3,070		3,462	
Provision for losses on construction contracts	43		98	
Unrealized profit on inventories	77		124	
Liabilities for retirement benefits	2,114		1,787	
Loss carried forward	1,412		2,447	
Unrealized gain on sales of property, plant and equipment	597		597	
Loss on valuation of investments in securities	334		15	
Excess depreciation	73		82	
Accrued business tax	477		355	
Foreign tax credit carried forward	259		-	
Other	3,425		2,650	
Subtotal deferred tax assets	14,493		15,264	
Valuation allowance	(1,635)		(1,827)	
Offset against deferred tax liabilities	(3,291)		(3,354)	
Net deferred tax assets	9,566		10,082	
Deferred tax liabilities:				
Net unrealized gain on assets of consolidated subsidiaries	675		652	
Reserve for tax purpose reduction entry of non-current assets	129		126	
Net unrealized gain (loss) on securities	1,843		1,743	
Retained profit	796		1,136	
Other	362		497	
Subtotal deferred tax liabilities	3,807		4,157	
Offset against deferred tax assets	(3,291)		(3,354)	
Net deferred tax liabilities	516		802	

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

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Statutory tax rate	30.6%	30.6%
Adjustments:		
Permanent difference arising from non-deductible expenses (e.g., entertainment expenses)	0.5%	0.5%
Taxation on per capita basis	0.3%	0.2%
Increase in valuation allowance	0.4%	0.9%
Tax rate difference applied to non-Japan subsidiaries	(1.7)%	(1.6)%
Amortization of goodwill	0.1%	0.1%
Tax effects on retained earnings of non-Japan subsidiaries	(0.1)%	0.7%
Tax credit	(4.4)%	(3.0)%
Other	1.6%	0.1%
Effective tax rate after applying tax effect accounting	27.3%	28.5%

Business combinations, etc.

1. Outline of the business combination

(1) Names of the acquired companies and their businesses

Acquired company name: Contec Co., Ltd. (the "Target company")

Business: Electronics

(2) Date of business combination

Acquisition by tender offer: March 23, 2022 (Deemed acquisition date: March 31, 2022)

(3) Percentage of voting rights the Company has acquired

Percentage of voting rights owned before the acquisition date: 60.7%

Percentage of voting rights acquired additionally on the acquisition date: 31.9%

Percentage of voting rights on the acquisition date: 92.6%

(4) Legal form of the business combination

Cash paid in exchange for acquisition of shares from non-controlling interests

(5) Matters concerning outline of the transaction

Daifuku is working to review the best business operation system in consideration of the specific goals set forth in the three-year business plan Value Transformation 2023 announced on February 5, 2021, which consists of three concepts: (i) Transformation of the value provided through DX^2, (ii) Creation of new value in the new normal, and (iii) Towards realizing a sustainable society.

At the same time, with the growing focus on structural conflict-of-interest risks between a listed parent and its subsidiaries and to strengthen countermeasures against them, the Company has been examining the optimal capital and alliance relationships with the Target company from the perspective of its business portfolio management and corporate governance.

As a result, the Company has come to realize that it is essential to better facilitate mutual utilization of the Target company and the Company's management resources, etc. and to promptly make decisions as a united Group. Accordingly, the Company has decided to acquire all of the Target company's shares (excluding the Target company's shares owned by the Company and the treasury stock owned by the Target company) and make the Target company a wholly owned subsidiary of the Company.

2. Outline of the accounting treatment

Based on the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019), it is treated as a transaction with a non-controlling shareholder among transactions under common control.

3. Matters to be listed when shares of a subsidiary are acquired additionally

Cash and cash equivalents spent on the acquisition: 5,683 million yen

4. Matters concerning change in the parent's ownership interest arising from transactions with non-controlling shareholders

(1) Major variables of capital surplus

Additional acquisition of subsidiary shares

(2) Amount of capital surplus reduced due to transactions with non-controlling interests

1,282 million yen

Revenue recognition

There are four reportable segments in the Group: Daifuku Co., Ltd.; Contec Co., Ltd. and its subsidiaries (Contec); Daifuku North America Holding Company and its subsidiaries (Daifuku North America); and Clean Factomation, Inc. Revenue is disaggregated by industry and destination for each reportable segments.

For details regarding reportable segments, see Segment Information described later.

1. Information of disaggregated revenue from contracts with customers

FY2021 (April 1, 2021–March 31, 2022)

(1) Disaggregation information by industry

(Million yen)

	Reportable segments					Other*	Total
	Daifuku	Contec	Daifuku North America	Clean Factomation	Subtotal		
Automobile, auto parts	19,075	165	17,447	–	36,687	22,351	59,039
Electronics	67,935	1,361	19,298	28,671	117,267	34,112	151,379
Commerce, retail	67,805	7,662	57,052	–	132,519	22,612	155,132
Transportation, warehousing	21,356	85	7,872	–	29,314	3,552	32,867
Machinery	9,111	930	229	–	10,270	1,307	11,578
Chemicals, pharmaceuticals	10,507	4,193	32	–	14,732	2,875	17,608
Food	14,714	0	2,147	–	16,862	3,223	20,085
Iron, steel, nonferrous metals	3,395	16	12	–	3,423	100	3,524
Precision equipment, printing, office equipment	2,880	1,041	5	–	3,927	2,351	6,279
Airport	1,776	131	30,740	–	32,648	11,108	43,757
Other	6,498	209	5,637	–	12,344	1,269	13,614
Sales to external customers	225,057	15,798	140,473	28,671	410,001	104,865	514,867
Other adjustments for consolidation	–	–	–	–	–	–	(2,598)
Net sales in consolidated financial statements	–	–	–	–	–	–	512,268

Note: “Other” represents an operating segment comprising subsidiaries that are not in reportable segments.

(2) Disaggregation information by destination

(Million yen)

			Reportable segments					Other*	Total
			Daifuku	Contec	Daifuku North America	Clean Factomation	Subtotal		
Japan			160,986	9,646	30	–	170,663	12,118	182,781
Non- Japan			64,071	6,151	140,443	28,671	239,337	92,747	332,085
	North America		999	4,793	127,452	14	133,260	3,502	136,762
	Asia		60,577	1,117	699	28,657	91,051	73,274	164,326
		China	18,836	601	111	1,362	20,911	36,365	57,276
		South Korea	9,833	164	–	27,295	37,292	9,292	46,585
		Taiwan	31,254	185	–	–	31,440	17,617	49,057
		Other	653	165	587	–	1,406	9,999	11,406
	Europe		2,168	230	8,706	–	11,105	4,711	15,816
	Latin America		54	2	2,946	–	3,003	2,208	5,212
	Other		270	6	638	–	916	9,051	9,967
Sales to external customers			225,057	15,798	140,473	28,671	410,001	104,865	514,867
Other adjustments for consolidation			–	–	–	–	–	–	(2,598)
Net sales in consolidated financial statements			–	–	–	–	–	–	512,268

Note: "Other" represents an operating segment comprising subsidiaries that are not in reportable segments.

(3) Disaggregation information by timing of revenue recognition

(Million yen)

	Reportable segments					Other*	Total
	Daifuku	Contec	Daifuku North America	Clean Factomation	Subtotal		
Performance obligations satisfied at a point in time	47,209	12,423	13,719	793	74,146	23,647	97,793
Performance obligations satisfied over time	177,847	3,374	126,754	27,878	335,854	81,218	417,073
Sales to external customers	225,057	15,798	140,473	28,671	410,001	104,865	514,867
Other adjustments for consolidation	–	–	–	–	–	–	(2,598)
Net sales in consolidated financial statements	–	–	–	–	–	–	512,268

Note: "Other" represents an operating segment comprising subsidiaries that are not in reportable segments.

2. Basic information in understanding revenue

The information is as presented in "4. Disclosure of accounting policies, (5) Accounting policy for significant revenues and expenses" under Significant accounting policies for preparation of consolidated financial statements.

3. The information regarding the relationship between the satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts well as the amount and timing of revenue expected to be recognized from contracts with customers existing at the end of the current consolidated fiscal year in the next consolidated fiscal year

FY2021 (April 1, 2021–March 31, 2022)

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

The balances of receivables, contract assets, and contract liabilities from contracts with customers are as follows. Receivables and contract assets from contracts with customers are included in "notes receivable, accounts receivable from completed construction contracts and other, and contract assets" on the consolidated balance sheets.

(Million yen)

	Balance at beginning of year	Balance at end of year
Receivables from contracts with customers	125,347	100,633
Contract assets	86,559	108,282
Contract liabilities	34,263	40,682

Contract assets primarily relate to construction contracts for manufacture and sale of logistics systems, etc. They represent the right to consideration received with conditions other than the passage of time, in exchange for the satisfied portion of performance obligations measured based on the progress as of the end of the reporting period. Once the right to consideration becomes unconditional, it reclassifies contract assets to receivables from contracts with customers.

Contract liabilities primarily relate to payments received in advance of performance under construction contracts, and are reversed upon recognition of revenue.

Revenue recognized in the fiscal year ended March 31, 2022 that was included in the balance of contract liabilities at the beginning of the fiscal year was 33,459 million yen.

The amount of revenue recognized in the fiscal year ended March 31, 2022 from performance obligations that were satisfied (or partially satisfied) in previous periods (mainly changes in transaction price) is immaterial.

(2) Remaining performance obligations

The transaction price allocated to the remaining performance obligations that are unsatisfied (or partially unsatisfied) as of March 31, 2022 and the time frame the amount is expected to be recognized as revenue are as follows:

(Million yen)

	As of March 31, 2022
Within one year	270,197
After one year	133,612
Total	403,809

Segment information, etc.

Segment information

1. Overview of reportable segments

Reportable segments comprise components for which discrete financial information is available, and which the Board of Directors reviews regularly to determine the allocation of management resources and assess operating results.

The Daifuku Group manufactures and sells material handling systems, car wash machines, industrial personal computers, interface boards, and other equipment in Japan and overseas. Each company within the Group conducts manufacturing and sales activities based on its roles as an independent management unit.

There are four reportable segments: Daifuku Co., Ltd., the core company dealing in material handling systems and equipment, and car wash machines; Contec Co., Ltd. and its subsidiaries, the core company group engaging in the manufacture and sale of industrial personal computers, interface boards, and other equipment in Japan and overseas; Daifuku North America Holding Company and its subsidiaries, the U.S. company group that is responsible for key business activities, primarily in North America, with a significant volume of sales; and Clean Factomation, Inc., the company providing semiconductor manufacturers with cleanroom transport systems mainly in South Korea.

2. Methods of calculating the amount of net sales, income or losses, assets, liabilities and other items by reportable segments

The method of accounting for the reported operating segments is the same as that described in Significant accounting policies for preparation of consolidated financial statements. Intersegment sales or transfers are determined based on the prevailing market price.

As stated in Changes in accounting policies, the accounting policies for revenue recognition have been changed by applying the Revenue Recognition Accounting Standard and other relevant standards from the consolidated financial statements for the fiscal year ended March 31, 2022. The method of determining income or losses in operating segments has also been changed accordingly.

As a result of this change, compared with the previous method, net sales and cost of sales both increased by 875 million yen in Daifuku; and net sales and cost of sales increased by 10 million yen and 6 million yen, respectively, in Contec. The impact on segment income was insignificant.

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

FY2020 (April 1, 2020–March 31, 2021)

(Million yen)

	Reportable segments					Other*	Total
	Daifuku	Contec	Daifuku North America	Clean Factomation	Subtotal		
Net sales							
Sales to external customers	199,396	16,239	137,116	30,554	383,307	89,620	472,927
Intersegment sales or transfers	40,195	11,200	327	2,839	54,562	10,176	64,738
Total	239,592	27,439	137,443	33,394	437,870	99,796	537,666
Segment income	26,039	1,171	6,046	2,794	36,052	2,308	38,361
Segment assets	301,560	22,777	84,417	26,484	435,239	96,027	531,267
Segment liabilities	96,986	10,393	36,161	16,498	160,039	58,038	218,078
Other							
Depreciation	3,170	377	793	288	4,630	1,771	6,401
Amortization of goodwill	33	128	565	–	728	80	808
Interest income	18	2	57	125	204	179	384
Interest expenses	122	21	37	5	187	492	680
Extraordinary income	920	0	2	6	930	6	937
Gain on sales of property, plant and equipment	–	0	2	6	9	4	14
Gain on sales of shares of investments in securities	920	–	–	–	920	–	920
Extraordinary loss	2,941	5	240	28	3,216	132	3,348
Loss on valuation of shares in affiliates	2,778	–	–	–	2,778	0	2,778
Loss on sales of property, plant and equipment	–	–	–	–	–	3	3
Loss on disposal of property, plant and equipment	163	5	6	0	175	57	232
Income tax expenses	8,750	468	1,249	680	11,149	1,182	12,332
Increase in property, plant and equipment and intangible assets	3,257	228	1,623	60	5,169	2,293	7,462

Note: “Other” represents an operating segment comprising subsidiaries that are not in reportable segments.

FY2021 (April 1, 2021–March 31, 2022)

(Million yen)

	Reportable segments					Other*	Total
	Daifuku	Contec	Daifuku North America	Clean Factomation	Subtotal		
Net sales							
Sales to external customers	225,057	15,798	140,473	28,671	410,001	104,865	514,867
Intersegment sales or transfers	41,403	10,451	505	2,005	54,366	8,809	63,176
Total	266,460	26,249	140,979	30,677	464,367	113,675	578,043
Segment income	28,652	1,229	7,505	2,097	39,485	3,732	43,217
Segment assets	330,068	26,151	93,094	22,587	471,901	112,323	584,225
Segment liabilities	108,148	12,247	34,422	11,753	166,572	62,309	228,881
Other							
Depreciation	3,508	495	846	351	5,201	2,125	7,326
Amortization of goodwill	33	133	589	–	756	0	756
Interest income	10	1	31	145	188	209	397
Interest expenses	91	19	5	3	120	280	401
Extraordinary income	249	8	217	0	476	285	762
Gain on sales of property, plant and equipment	0	–	2	0	2	5	7
Gain on sales of shares of investments in securities	225	8	–	–	234	–	234
Extraordinary loss	927	14	9	0	951	514	1,466
Loss on valuation of shares in affiliates	699	–	–	–	699	–	699
Loss on sales of property, plant and equipment	–	–	–	–	–	0	0
Loss on disposal of property, plant and equipment	212	14	3	0	230	69	300
Income tax expenses	10,502	509	729	623	12,364	1,895	14,260
Increase in property, plant and equipment and intangible assets	5,674	379	2,198	413	8,666	2,899	11,565

Note: “Other” represents an operating segment comprising subsidiaries that are not in reportable segments.

4. Differences between total amounts for reportable segments and the reported amount in the consolidated financial statements and main details of the differences (matters relating to reconciliation)

(Million yen)

Net sales	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Reportable segments total	437,870	464,367
Segment net sales classified in “Other”	99,796	113,675
Elimination of intersegment transactions	(64,738)	(63,176)
Other adjustments for consolidation	974	(2,598)
Net sales in consolidated financial statements	473,902	512,268

(Million yen)

Income	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Reportable segments total	36,052	39,485
Segment income classified in “Other”	2,308	3,732
Elimination of dividends from affiliates	(7,466)	(6,492)
Other adjustments for consolidation	1,494	(846)
Net income attributable to shareholders of the parent company in consolidated financial statements	32,390	35,877

(Million yen)

Assets	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Reportable segments total	435,239	471,901
Segment assets classified in “Other”	96,027	112,323
Elimination of investment securities in affiliates in consolidation process	(47,147)	(58,031)
Elimination of intercompany receivables	(35,074)	(38,754)
Other adjustments for consolidation	(3,589)	(4,117)
Total assets in consolidated financial statements	445,456	483,322

(Million yen)

Liabilities	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Reportable segments total	160,039	166,572
Segment liabilities classified in “Other”	58,038	62,309
Elimination of intercompany payables	(35,074)	(38,754)
Other adjustments for consolidation	439	1,135
Total liabilities in consolidated financial statements	183,443	191,263

(Million yen)

Other items	Reportable segments total		Other		Adjustment		Consolidated total	
	FY2020	FY2021	FY2020	FY2021	FY2020	FY2021	FY2020	FY2021
Depreciation	4,630	5,201	1,771	2,125	–	0	6,401	7,326
Amortization of goodwill	728	756	80	0	(112)	(117)	695	639
Interest income	204	188	179	209	(37)	(51)	347	346
Interest expenses	187	120	492	280	(35)	(49)	644	352
Extraordinary income	930	476	6	285	(2)	(280)	935	481
Gain on sales of property, plant and equipment	9	2	4	5	–	0	14	7
Gain on sales of shares of investments in securities	920	234	–	–	–	–	920	234
Extraordinary loss	3,216	951	132	514	(1,676)	(709)	1,671	756
Loss on valuation of shares in affiliates	2,778	699	0	–	(1,751)	(699)	1,027	–
Loss on sales of property, plant and equipment	–	–	3	0	–	–	3	0
Loss on disposal of property, plant and equipment	175	230	57	69	2	–	235	300
Income tax expenses	11,149	12,364	1,182	1,895	(6)	274	12,326	14,534
Increase in property, plant and equipment and intangible assets	5,169	8,666	2,293	2,899	–	–	7,462	11,565

Note: Main items in the adjustment above are as follows:
Loss on valuation of shares in affiliates of minus 1,751 million yen for the fiscal year ended March 31, 2021 and minus 699 million yen for the fiscal year ended March 31, 2022 is due to elimination of loss on valuation of shares in Daifuku's consolidated subsidiaries upon consolidation.

Related information

FY2020 (April 1, 2020–March 31, 2021)

1. Information by product and service

(Million yen)

	Logistics systems	Electronics	Other	Consolidated total
Net sales to external customers	442,140	16,246	15,514	473,902

2. Information by geographic area

(1) Net sales

(Million yen)

Japan	U. S. A.	China	S.Korea	Other	Consolidated total
163,997	135,360	59,566	43,380	71,597	473,902

Note: Sales are classified into countries or regions based on the location of customers.

(2) Property, plant and equipment

(Million yen)

Japan	U. S. A.	Other	Consolidated total
28,054	9,351	12,140	49,547

3. Information by major customers

It is omitted because no individual external customers represent 10% or more of the net sales reported in the consolidated statements of income and comprehensive income.

FY2021 (April 1, 2021–March 31, 2022)

1. Information by product and service

(Million yen)

	Logistics systems	Electronics	Other	Consolidated total
Net sales to external customers	480,667	15,738	15,862	512,268

2. Information by geographic area

(1) Net sales

(Million yen)

Japan	U. S. A.	China	S.Korea	Other	Adjustment	Consolidated total
182,781	131,782	57,276	46,585	96,440	(2,598)	512,268

Note: Sales are classified into countries or regions based on the location of customers.

Changes in presentation

The table format has been changed in line with the disclosure of disaggregation information by destination in Revenue recognition.

(2) Property, plant and equipment

(Million yen)

Japan	U. S. A.	Other	Consolidated total
29,247	11,902	14,064	55,215

3. Information by major customers

It is omitted because no individual external customers represent 10% or more of the net sales reported in the consolidated statements of income and comprehensive income.

Information about impairment loss of property, plant and equipment and intangible assets by reportable segments

FY2020 (April 1, 2020–March 31, 2021)

Not applicable

FY2021 (April 1, 2021–March 31, 2022)

Not applicable

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

FY2020 (April 1, 2020–March 31, 2021)

(Million yen)

	Reportable segments					Other	Elimination or corporate	Consolidated total
	Daifuku	Contec	Daifuku North America	Clean Factomation	Subtotal			
Ending balance of goodwill	33	877	2,199	–	3,111	572	529	4,212

Note: Information about amortization of goodwill is omitted because such information is disclosed in segment information.

FY2021 (April 1, 2021–March 31, 2022)

(Million yen)

	Reportable segments					Other	Elimination or corporate	Consolidated total
	Daifuku	Contec	Daifuku North America	Clean Factomation	Subtotal			
Ending balance of goodwill	0	836	1,830	–	2,666	609	680	3,956

Note: Information about amortization of goodwill is omitted because such information is disclosed in segment information.

Information about gain on new negative goodwill by reportable segments

Not applicable

Information about related parties

Not applicable

Per share information

	FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
Net assets per share (yen)	2,040.07	2,307.38
Net income per share (yen)	257.13	284.71

Notes: 1. Diluted net income per share is not recorded, as dilutive shares do not exist.

2. The shares of the Company remaining in the BBT, which are recorded as treasury stock under equity capital, are included in the treasury stock to be deducted in the calculation of the average number of shares during the year for the purpose of calculation of net income per share, and are also included in the number of treasury stock to be deducted from the aggregate number of issued shares as of the end of the year for the purpose of calculation of net assets per share. The average number of shares of treasury stock deducted during the year for the purpose of calculation of net income per share is 129 thousand shares for the year ended March 31, 2021 and 107 thousand shares for the year ended March 31, 2022 for the BBT. The number of shares of treasury stock deducted at the end of the year for the purpose of calculating net assets per share is 119 thousand shares for the year ended March 31, 2021 and 106 thousand shares for the year ended March 31, 2022 for the BBT.

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

	FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
Net income per share (yen)		
Net income attributable to shareholders of the parent company (million yen)	32,390	35,877
Amount not attributable to shareholders of common stock (million yen)	–	–
Net income attributable to shareholders of the parent company related to common stock (million yen)	32,390	35,877
Weighted average number of common stock issued and outstanding during the year (thousand shares)	125,966	126,016

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

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Total net assets (million yen)	262,012	292,059
Amount deducted from total net assets (million yen)	4,952	1,289
[Of which, non-controlling interests (million yen)]	[4,952]	[1,289]
Total net assets attributable to common stock at fiscal year-end (million yen)	257,060	290,769
Number of common stock issued and outstanding at fiscal year-end for the purpose of calculation of net assets per share (thousand shares)	126,006	126,017

Major subsequent events

Not applicable

v. Annexed consolidated detailed schedules

Annexed consolidated detailed schedule of corporate bonds

Not applicable

Annexed consolidated detailed schedule of borrowings

Category	Balance at April 1, 2021 (million yen)	Balance at March 31, 2022 (million yen)	Average interest rate (%)	Payment due
Short-term borrowings	13,796	6,519	1.1	–
Current portion of long-term borrowings	1,747	15,929	0.4	–
Current portion of lease liabilities	1,168	1,175	2.3	–
Long-term borrowings (excluding current portion)	19,600	3,907	0.5	2023 to 2026
Lease liabilities (excluding current portion)	3,291	3,013	1.9	2023 to 2034
Total	39,603	30,544	–	–

Notes: 1. “Average interest rate” represents the weighted-average rate applicable to the balance at March 31, 2022.

2. The repayment schedule within five years after the consolidated balance sheet date of long-term borrowings and lease liabilities (excluding the current portion) is as follows:

(Million yen)

Category	Due after 1 year and within 2 years	Due after 2 years and within 3 years	Due after 3 years and within 4 years	Due after 4 years and within 5 years
Long-term borrowings	2,700	1,000	–	207
Lease liabilities	812	677	714	183

3. To secure timely and efficient financing of working capital, the Group has entered into a credit facility agreement with six banks that provide lines of credit up to 30,000 million yen in total.

Annexed consolidated detailed schedule of asset retirement obligations

Since the amounts of asset retirement obligations as of April 1, 2021 and March 31, 2022 were less than 1% of the total liabilities and net assets as of April 1, 2021 and March 31, 2022, asset retirement obligations details have been omitted.

(2) Other

Quarterly results for the fiscal year ended March 31, 2022

		First three months	First six months	First nine months	Fiscal year ended March 31, 2022
Net sales	(million yen)	120,220	243,422	369,480	512,268
Income before income taxes	(million yen)	10,995	20,426	33,760	50,978
Net income attributable to shareholders of the parent company	(million yen)	7,726	13,919	23,855	35,877
Net income per share	(yen)	61.32	110.46	189.30	284.71

		First quarter	Second quarter	Third quarter	Fourth quarter
Net income per share	(yen)	61.32	49.14	78.85	95.40

2. Non-Consolidated Financial Statements, etc.

(1) Non-consolidated financial statements

i. Non-consolidated balance sheets

(Million yen)

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
ASSETS		
Current assets		
Cash on hand and in banks	40,158	50,824
Notes receivable	*2 1,470	*2 1,328
Electronically recorded monetary claims - operating	8,726	5,470
Accounts receivable from completed construction contracts	*2 113,783	–
Accounts receivable from completed construction contracts and contract assets	–	*2 117,975
Accounts receivable	*2 14,090	*2 13,598
Merchandise and finished goods	33	72
Costs incurred on uncompleted construction contracts and other	7,943	5,760
Raw materials and supplies	10,133	12,423
Prepaid expenses	1,421	1,847
Short-term loans receivable	13	15
Short-term loans receivable from affiliates	*2 941	*2 991
Accounts receivable - other	*2 2,122	*2 4,588
Other current assets	1,743	3,565
Allowance for doubtful accounts	(415)	(263)
Total current assets	202,167	218,198
Non-current assets		
Property, plant and equipment		
Buildings	11,222	11,166
Structures	1,004	940
Machinery and equipment	2,859	3,509
Vehicles	4	1
Tools and fixtures	1,134	954
Land	7,995	7,995
Leased assets	1,070	833
Construction in progress	246	1,098
Total property, plant and equipment	25,538	26,499
Intangible assets		
Software	2,315	3,027
Software in progress	70	327
Other	76	41
Total intangible assets	2,462	3,396

(Million yen)

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Investments and other assets		
Investments in securities	13,371	12,631
Shares in affiliates	41,600	49,923
Investments in capital of affiliates	4,625	6,225
Long-term loans	76	6
Long-term loans receivable from employees	23	33
Distressed receivables	25	–
Long-term prepaid expenses	37	164
Prepaid pension costs	5,266	6,057
Deferred tax assets	5,223	5,563
Leasehold and guarantee deposits	725	768
Other	516	602
Allowance for doubtful accounts	(99)	(3)
Total investments and other assets	71,391	81,973
Total non-current assets	99,393	111,870
Total assets	301,560	330,068
LIABILITIES		
Current liabilities		
Electronically recorded obligations - operating	18,740	26,500
Accounts payable - trade	*2 19,485	*2 21,027
Construction contracts payable	*2 2,064	*2 2,200
Short-term borrowings	*2 1,649	*2 2,197
Current portion of long-term borrowings	200	15,100
Lease liabilities	268	173
Accounts payable - other	2,307	2,522
Accrued expenses	*2 7,428	*2 7,824
Income taxes payable	8,459	5,859
Advances received on uncompleted construction contracts	9,900	–
Advances received	494	–
Contract liabilities	–	13,455
Provision for losses on construction contracts	128	304
Other current liabilities	*2 878	*2 1,499
Total current liabilities	72,005	98,664
Non-current liabilities		
Long-term borrowings	18,800	3,800
Lease liabilities	802	660
Long-term accounts payable - other	12	11
Provision for retirement benefits	4,571	4,541
Other reserves	241	278
Other non-current liabilities	552	192
Total non-current liabilities	24,980	9,483
Total liabilities	96,986	108,148

(Million yen)

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
NET ASSETS		
Shareholders' equity		
Common stock	31,865	31,865
Capital surplus		
Legal capital surplus	8,998	8,998
Other capital surplus	13,877	13,877
Total capital surplus	22,876	22,876
Retained earnings		
Legal retained earnings	112	112
Other retained earnings		
Reserve for dividends	7,000	7,000
Reserve for tax purpose reduction entry of non-current assets	300	294
General reserve	30,000	30,000
Retained earnings brought forward	109,274	127,211
Total retained earnings	146,686	164,618
Treasury stock	(941)	(901)
Total shareholders' equity	200,486	218,458
Valuation and translation adjustments		
Net unrealized gain (loss) on securities	4,349	4,078
Deferred gain (loss) on hedges	(262)	(616)
Total valuation and translation adjustments	4,087	3,461
Total net assets	204,574	221,919
Total liabilities and net assets	301,560	330,068

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

ii. Non-consolidated statements of income

(Million yen)

	FY2020 (April 1, 2020–March 31, 2021)	FY2021 (April 1, 2021–March 31, 2022)
Net sales	*1 239,592	*1 266,460
Cost of sales		
Beginning finished goods inventory	43	33
Cost of products manufactured	*1 192,883	*1 214,835
Total	192,926	214,869
Ending finished goods inventory	33	72
Loss on abandonment of inventories	139	1,377
Cost of finished goods sold	193,032	216,173
Total cost of sales	193,032	216,173
Gross profit	46,559	50,286
Selling, general and administrative expenses	*2 18,297	*2 17,465
Operating income	28,262	32,821
Other income		
Interest income	*1 18	*1 10
Dividend income	*1 7,871	*1 6,870
Foreign exchange gains	415	–
Land and house rental revenue	*1 202	*1 202
Other	*1 228	*1 163
Total other income	8,737	7,247
Other expenses		
Interest expenses	*1 122	*1 91
Foreign exchange losses	–	111
Guarantee commission	63	–
Other	1	33
Total other expenses	188	237
Ordinary income	36,811	39,831
Extraordinary income		
Gain on sales of investments in securities	920	225
Gain on sales of property, plant and equipment	–	0
Other	–	24
Total extraordinary income	920	249
Extraordinary loss		
Loss on valuation of shares in affiliates	*3 2,778	*3 699
Loss on disposal of property, plant and equipment	163	212
Other	–	15
Total extraordinary loss	2,941	927
Income before income taxes	34,790	39,154
Income taxes - current	9,862	10,398
Income taxes - deferred	(1,111)	103
Total income taxes	8,750	10,502
Net income	26,039	28,652

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

iii. Non-consolidated statements of changes in net assets

FY2020 (April 1, 2020–March 31, 2021)

(Million yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at April 1, 2020	31,865	8,998	13,876	22,875
Changes of items during the period				
Cash dividends				
Net income				
Reversal of reserve for tax purpose reduction entry of non-current assets				
Purchase of treasury stock				
Disposal of treasury stock			0	0
Net changes of items other than shareholders' equity				
Total changes of items during the period	–	–	0	0
Balance at March 31, 2021	31,865	8,998	13,877	22,876

	Shareholders' equity						
	Retained earnings						Treasury stock
	Legal retained earnings	Other retained earnings				Total retained earnings	
		Reserve for dividends	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward		
Balance at April 1, 2020	112	7,000	306	30,000	92,688	130,106	(1,430)
Changes of items during the period							
Cash dividends					(9,459)	(9,459)	
Net income					26,039	26,039	
Reversal of reserve for tax purpose reduction entry of non-current assets			(5)		5	–	
Purchase of treasury stock							(22)
Disposal of treasury stock							511
Net changes of items other than shareholders' equity							
Total changes of items during the period	–	–	(5)	–	16,585	16,580	489
Balance at March 31, 2021	112	7,000	300	30,000	109,274	146,686	(941)

	Shareholders' equity	Valuation and translation adjustments			Total net assets
	Total shareholders' equity	Net unrealized gain (loss) on securities	Deferred gain (loss) on hedges	Total valuation and translation adjustments	
Balance at April 1, 2020	183,417	2,704	(99)	2,604	186,021
Changes of items during the period					
Cash dividends	(9,459)				(9,459)
Net income	26,039				26,039
Reversal of reserve for tax purpose reduction entry of non-current assets	–				–
Purchase of treasury stock	(22)				(22)
Disposal of treasury stock	512				512
Net changes of items other than shareholders' equity		1,645	(162)	1,483	1,483
Total changes of items during the period	17,069	1,645	(162)	1,483	18,552
Balance at March 31, 2021	200,486	4,349	(262)	4,087	204,574

FY2021 (April 1, 2021–March 31, 2022)

(Million yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at April 1, 2021	31,865	8,998	13,877	22,876
Changes of items during the period				
Cash dividends				
Net income				
Reversal of reserve for tax purpose reduction entry of non-current assets				
Purchase of treasury stock				
Disposal of treasury stock				
Net changes of items other than shareholders' equity				
Total changes of items during the period	–	–	–	–
Balance at March 31, 2022	31,865	8,998	13,877	22,876

	Shareholders' equity						
	Retained earnings						Treasury stock
	Legal retained earnings	Other retained earnings				Total retained earnings	
		Reserve for dividends	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward		
Balance at April 1, 2021	112	7,000	300	30,000	109,274	146,686	(941)
Changes of items during the period							
Cash dividends					(10,720)	(10,720)	
Net income					28,652	28,652	
Reversal of reserve for tax purpose reduction entry of non-current assets			(5)		5	–	
Purchase of treasury stock							(14)
Disposal of treasury stock							54
Net changes of items other than shareholders' equity							
Total changes of items during the period	–	–	(5)	–	17,937	17,931	39
Balance at March 31, 2022	112	7,000	294	30,000	127,211	164,618	(901)

	Shareholders' equity	Valuation and translation adjustments			Total net assets
	Total shareholders' equity	Net unrealized gain (loss) on securities	Deferred gain (loss) on hedges	Total valuation and translation adjustments	
Balance at April 1, 2021	200,486	4,349	(262)	4,087	204,574
Changes of items during the period					
Cash dividends	(10,720)				(10,720)
Net income	28,652				28,652
Reversal of reserve for tax purpose reduction entry of non-current assets	–				–
Purchase of treasury stock	(14)				(14)
Disposal of treasury stock	54				54
Net changes of items other than shareholders' equity		(271)	(354)	(625)	(625)
Total changes of items during the period	17,971	(271)	(354)	(625)	17,345
Balance at March 31, 2022	218,458	4,078	(616)	3,461	221,919

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

Notes to Non-consolidated Financial Statements

Significant accounting policies

1. Valuation standards and methods for securities

(1) Shares of subsidiaries and affiliates

Stated at cost using the moving-average method.

(2) Other securities

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

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

ii. Shares, etc. that do not have a market price

Stated at cost using the moving-average method.

2. Valuation standards and methods for derivatives

Stated at fair value.

3. Valuation standards and methods for inventories

(1) Merchandise and finished goods

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

(2) Costs incurred on uncompleted construction contracts and other

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

(3) Raw materials and supplies

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

4. Accounting policy for depreciation of non-current assets

(1) Property, plant and equipment (excluding leased assets)

Depreciated using the declining-balance method; provided, however, buildings (except for facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method.

Useful lives and residual values are determined according to the same standards set out in the Corporation Tax Act of Japan.

(2) Intangible assets (excluding leased assets)

Software for internal use

Amortized over a period of 5 years during which it is expected to be available for use internally.

Goodwill

Amortized evenly over the period during which its investment effect is expected to continue.

Immaterial goodwill is fully expensed in the fiscal year in which it is incurred.

Other than the above

Amortized on a straight-line basis.

(3) Leased assets

i. Leased assets in finance lease transactions that transfer ownership

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

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

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

(4) Long-term prepaid expenses

Amortized on a straight-line basis.

5. Accounting policy for allowances and provisions

(1) Allowance for doubtful accounts

To provide for potential credit losses on receivables, allowance for doubtful accounts is recorded at an amount of estimated uncollectible receivables calculated based on the historical rate of credit loss for general receivables and determined in consideration of collectability of individual receivables for doubtful accounts and certain other receivables.

(2) Allowance for investment loss

To provide for potential losses on investments to affiliates, etc., allowance for investment loss is recorded at an amount deemed necessary in consideration of financial position, etc.

(3) Provision for retirement benefits

To provide for employees' retirement benefits, provision for retirement benefits is recorded based on estimate retirement benefit obligations and plan assets as of the end of the fiscal year ended March 31, 2022.

Prior service costs are prorated over a certain number of years (5 years) within the average remaining service period of employees at the time of recognition.

Actuarial gains and losses are amortized using the straight-line method over a certain number of years (5 years) within the average remaining service period of employees at the time of recognition from the fiscal year following the respective fiscal year of recognition.

Treatment of unrecognized actuarial gains and losses and unrecognized prior service costs on non-consolidated balance sheets are different from that for consolidated balance sheets.

(4) Provision for losses on construction contracts

To provide for potential future losses on uncompleted construction contracts, provision for losses on construction contracts is recorded based on an amount of estimated losses as of the end of the fiscal year.

6. Accounting policy for revenues and expenses

(1) Nature of goods and services and timing of satisfaction of performance obligations

i. Manufacture and sale of logistics systems and equipment, etc.

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

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

The progress towards complete satisfaction of the performance obligations is measured by the cost-to-cost method, i.e., costs incurred during the fiscal year ended March 31, 2022 relative to the estimated total cost to complete the work, as the cost of products installed and labor costs incurred for the work are considered proportional to the increase in assets controlled by the customer.

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

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

ii. Manufacture and sale of car wash machines and replacement parts, etc.

The Company engages in manufacturing and sales of replacement parts, etc. of car wash machines and material handling systems and equipment.

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

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

iii. Maintenance services after sales of products

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

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

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

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

(2) Determining transaction prices

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

(3) Payment terms

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

(4) Determining the amount of transaction prices allocated to performance obligations

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

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

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

7. Method of hedge accounting

(1) Method of hedge accounting

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

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

(2) Hedging instruments and hedged items

Hedging instruments and hedged items to which hedge accounting was applied in the fiscal year ended March 31, 2022 are as follows:

Hedging instruments	Hedged items
Forward exchange contracts	Receivables and payables denominated in foreign currencies and forecast transactions denominated in foreign currencies
Currency swaps	Borrowings denominated in foreign currencies
Interest rate swaps	Borrowings

(3) Hedging policy

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

(4) Method for assessing hedge effectiveness

The effectiveness of hedging relationships between hedging instruments and hedged items is assessed on an individual transaction basis at the end of each fiscal year. However, such assessment is omitted when the principal, interest rate, term and other conditions are the same for the hedged asset or liability and the derivative transaction, as the hedge effectiveness is extremely high.

(5) Other risk management practices related to hedge accounting

Hedging instruments are executed and managed by the division in charge of funds with the approval of the person in charge of settlement, in accordance with the internal rules that stipulate such matters as transaction authority and transaction limits.

Significant accounting estimates

1. Revenue recognition for construction contracts

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

(Million yen)

	FY2020 (April 1, 2020-March 31, 2021)	FY2021 (April 1, 2021-March 31, 2022)
Net sales of construction contracts in which performance obligations are satisfied over time	175,223	198,432
Provision for losses on construction contracts	128	304

(2) Method of calculation and primary assumptions

Revenue is recognized based on the progress towards complete satisfaction of the performance obligations as of the end of the fiscal year, if such progress can be reasonably measured. The progress towards complete satisfaction of the performance obligations is measured by costs incurred during the fiscal year ended March 31, 2022 relative to the estimated total cost to complete the work (the input method).

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

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

To provide for potential losses on uncompleted construction contracts, provision for losses on construction contracts is recorded based on an amount of estimated losses as of the end of the fiscal year ended March 31, 2022. In case any unforeseen event may cause the estimated total cost to differ from the actual total cost, the event will have an impact on provision for losses on construction contracts.

2. Impairment of shares in affiliates, etc. (including investments in capital of affiliates)

(1) Amount recorded in the non-consolidated balance sheets

(Million yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Total shares and investments in capital of affiliates	46,225	56,149

(2) Method of calculation and primary assumptions

If the actual value of shares in affiliates, etc. decreases by 50% or more compared to the acquisition cost, the Company assesses the recoverability of actual value based on the business plan.

When there are changes in conditions and assumptions the Company used to develop accounting estimates, such as changes in business plan or management environment, and if such shares are determined as not recoverable, impairment may need to be recognized for shares in affiliates, etc.

Changes in accounting policies

Application of accounting standard for revenue recognition, etc.

The Company began to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, hereinafter the "Revenue Recognition Accounting Standard") and the implementation guidance on the Revenue Recognition Accounting Standard from the beginning of the fiscal year ended March 31, 2022. Accordingly, the Company recognizes revenue to depict the transfer of goods or services promised in the contract to customers in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services.

Previously, construction contracts were measured using the percentage-of-completion method where the outcome of completion of construction activity by the end of the fiscal year could be estimated reliably. From the beginning of the fiscal year ended March 31, 2022, for the performance obligations that are fulfilled over a certain period of time, the Company has changed its method to one that recognizes revenue over a certain period of time based on the percentage of completion of construction after a rational estimate of the progress in satisfying performance obligations. The method selected for measuring progress toward satisfaction of a performance obligation is input methods based on cost incurred. The Company uses the cost recovery method to recognize revenue from construction contracts that do not allow for a reasonable estimate of the progress toward satisfying performance obligations.

For the application of the Revenue Recognition Accounting Standard and the like, the Company complies with the transitional handling prescribed in the provision in Paragraph 84 of the same Standard. However, the cumulative effect of applying the new accounting standard retroactively to the periods prior to the beginning of the fiscal year ended March 31, 2022 has been recognized as an adjustment of the opening balance of retained earnings brought forward as of the beginning of the fiscal year ended March 31, 2022, and the application of the new accounting policy started from the balance at the beginning of the year concerned. The Company applied the method specified in Paragraph 86 of the Revenue Recognition Accounting Standard and has not applied the new accounting policy retroactively to such contracts, in which almost all revenue is recognized pursuant to the conventional treatment in the periods prior to the beginning of the fiscal year ended March 31, 2022. The Company has additionally adopted the method specified in item (1) of the supplementary provisions of Paragraph 86 of the Revenue Recognition Accounting Standard, treated changes in contracts made prior to the beginning of the fiscal year in accounting based on the contract conditions after applying all such changes, and recognized the cumulative effect of such changes as an adjustment of the opening balance of retained earnings brought forward at the beginning of the fiscal year.

As a result, the effect on income statement line items for the fiscal year ended March 31, 2022 and the effect on the balance of retained earnings brought forward at the beginning of the fiscal year ended March 31, 2022 are insignificant.

Due to the application of the Revenue Recognition Accounting Standard and other changes, "accounts receivable from completed construction contracts," which was an item under "current assets" in the non-consolidated balance sheets of the previous fiscal year, has been transferred to "accounts receivable from completed construction contracts and contract assets" beginning in the fiscal year. "Advances received on uncompleted construction contracts" and "advances received," which were items of "current liabilities," are presented as part of "contract liabilities" beginning in the fiscal year. Pursuant to the transitional measures stipulated in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the reports for the previous fiscal year have not been reclassified using the new presentation method.

Further, pursuant to the transitional measures stipulated in Paragraph 89-3 of the Revenue Recognition Accounting Standard, notes on Revenue recognition for the previous fiscal year have not been provided.

Application of accounting standard for fair value measurement, etc.

The Company started applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter the "Fair Value Measurement Accounting Standard") and the implementation guidance on the Fair Value Measurement Accounting Standard from the fiscal year. Accordingly, the Company will apply new accounting policies prescribed in the Fair Value Measurement Accounting Standard and the like in the future in accordance with the transitional handling stipulated in Paragraph 19 of the same Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

The change has no effect on non-consolidated financial statements.

Changes in presentation

Non-consolidated balance sheets

"Goodwill," which was previously presented separately under "intangible assets" is included in "other" under "intangible assets" from the fiscal year ended March 31, 2022, due to decrease in its monetary significance. To reflect this change in presentation, the non-consolidated financial statements for the previous fiscal year have been reclassified.

Accordingly, 33 million yen presented as "goodwill" and 42 million yen presented as "other," both under "intangible assets" in the previous fiscal year's non-consolidated balance sheets, have been reclassified into "other" in the amount of 76 million yen.

Additional information

Board Benefit Trust (BBT)

The note disclosure is omitted as the same information is provided under Additional information in 1. Consolidated Financial Statements, etc., (1) Consolidated financial statements, Notes to the Consolidated Financial Statements.

Non-consolidated balance sheets

*1. Guarantee obligations

The Company provides debt guarantees to borrowings from financial institutions, made by the following subsidiaries and affiliates.

	FY2020 (as of March 31, 2021)		FY2021 (as of March 31, 2022)	
Daifuku Korea Co., Ltd.	1,760	million yen	3,309	million yen
Daifuku (Thailand) Limited	–		1,472	
Daifuku Logan Ltd.	2,282		–	
Daifuku North America Holding Company	1,660		–	
Daifuku (China) Automation Co., Ltd.	1,652		–	
Daifuku (China) Manufacturing Co., Ltd.	1,011		–	
Other	613		273	
Total	8,980		5,054	

*2. Assets and liabilities against subsidiaries and affiliates

	FY2020 (as of March 31, 2021)		FY2021 (as of March 31, 2022)	
Short-term monetary receivables from subsidiaries and affiliates	26,965	million yen	27,152	million yen
Short-term monetary payables to subsidiaries and affiliates	4,609		6,191	

Non-consolidated statements of income

*1. Transactions with subsidiaries and affiliates

	FY2020 (April 1, 2020–March 31, 2021)		FY2021 (April 1, 2021–March 31, 2022)	
Net sales	40,225	million yen	41,403	million yen
Purchases	20,776		21,584	
Non-operating transactions	7,520		6,543	

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

	FY2020 (April 1, 2020–March 31, 2021)		FY2021 (April 1, 2021–March 31, 2022)	
Directors' remuneration	552	million yen	592	million yen
Salaries and bonuses	7,847		7,745	
Retirement benefit expenses	430		147	
Legal welfare expenses	1,448		1,465	
Experimentation and research expenses	1,737		1,908	
Travel and transportation	475		515	
Commissions	2,543		2,576	
Rent	900		872	
Depreciation	1,054		1,104	
Provision of allowance for doubtful accounts	315		(151)	
Approximate composition:				
Selling expenses	38	%	36	%
General and administrative expenses	62	%	64	%

*3. Loss on valuation of shares in affiliates

Loss on valuation of shares in affiliates is due to an impairment loss of investments in non-Japan affiliates.

Securities

Shares of subsidiaries and affiliates

FY2020 (as of March 31, 2021)

Category	Carrying amount (million yen)	Fair value (million yen)	Difference (million yen)
Shares of subsidiaries	352	6,853	6,500
Shares of affiliates	–	–	–

Note: The carrying amount of shares of subsidiaries and affiliates in the non-consolidated balance sheets, for which fair value is deemed extremely difficult to measure:

Category	Carrying amount (million yen)
(1) Shares of subsidiaries	41,242
(2) Shares of affiliates	5
Total	41,247

There is no market price for shares listed above. Since the fair value is deemed extremely difficult to measure, they are not included in shares of subsidiaries and affiliates.

FY2021 (as of March 31, 2022)

Category	Carrying amount (million yen)	Fair value (million yen)	Difference (million yen)
Shares of subsidiaries	6,200	16,400	10,200
Shares of affiliates	–	–	–

Note: The carrying amount of shares that do not have a market price and not included in the above:

Category	Carrying amount (million yen)
(1) Shares of subsidiaries	43,722
(2) Shares of affiliates	–
Total	43,722

Tax effect accounting

1. Significant components of deferred tax assets and liabilities

	FY2020 (as of March 31, 2021)		FY2021 (as of March 31, 2022)	
Deferred tax assets:				
Research and develop	1,550	million yen	2,422	million yen
Provision for losses on construction contracts	39		93	
Accrued expenses	1,941		2,081	
Provision for retirement benefits	1,562		1,309	
Loss on valuation of shares in affiliates	3,577		3,708	
Other	2,365		1,891	
Valuation allowance	(3,807)		(4,044)	
Total deferred tax assets	7,230		7,462	
Deferred tax liabilities:				
Reserve for tax purpose reduction entry of non-current assets	129		126	
Net unrealized gain (loss) on securities	1,833		1,729	
Other	44		42	
Total deferred tax liabilities	2,007		1,899	
Offset against deferred tax assets	(2,007)		(1,899)	
Net deferred tax assets	5,223		5,563	

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

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Statutory tax rate	30.6%	30.6%
Adjustments:		
Permanent difference arising from non-deductible expenses (e.g., entertainment expenses)	0.3%	0.2%
Permanent difference arising from non-taxable income (e.g., dividend income)	(6.3)%	(4.9)%
Taxation on per capita basis	0.2%	0.2%
Tax credit for experimentation and research expenses	(1.2)%	(0.2)%
Increase in valuation allowance	1.8%	0.6%
Other	(0.2)%	0.3%
Effective tax rate after applying tax effect accounting	25.2%	26.8%

Revenue recognition

The note disclosure is omitted as the same information is provided under Revenue recognition in the notes to consolidated financial statements.

Business combinations, etc.

The note disclosure is omitted as the same information is provided under Business combinations, etc. in the notes to consolidated financial statements.

Major subsequent events

Not applicable

iv. Annexed detailed schedules

Annexed detailed schedule of property, plant and equipment, etc.

(Million yen)

Type of assets	Balance at April 1, 2021	Increase during period	Decrease during period	Ending balance	Accumulated depreciation or amortization at end of period	Depreciation and amortization for the period	Balance at March 31, 2022
Property, plant and equipment							
Buildings	31,781	714	237	32,257	21,091	759	11,166
Structures	6,012	47	32	6,027	5,087	107	940
Machinery and equipment	11,081	1,532	467	12,146	8,636	806	3,509
Vehicles	77	–	2	75	73	3	1
Tools and fixtures	7,945	542	259	8,228	7,273	714	954
Land	7,995	–	–	7,995	–	–	7,995
Leased assets	2,032	82	229	1,885	1,052	181	833
Construction in progress	246	1,916	1,064	1,098	–	–	1,098
Total property, plant and equipment	67,173	4,835	2,294	69,715	43,215	2,573	26,499
Intangible assets							
Software	10,281	1,645	201	11,726	8,699	932	3,027
Software in progress	70	868	611	327	–	–	327
Other	853	–	5	847	806	34	41
Total intangible assets	11,206	2,514	818	12,902	9,505	967	3,396

Note: The balances at beginning and end of period are stated at cost.

Annexed detailed schedule of provisions

(Million yen)

Account	Balance at April 1, 2021	Increase during period	Decrease during period	Balance at March 31, 2022
Allowance for doubtful accounts	514	21	268	267
Provision for losses on construction contracts	128	274	99	304
Other reserves	241	86	49	278

(2) Components of major assets and liabilities

This information is omitted because the Company has prepared the consolidated financial statements.

(3) Other

Not applicable

VI. Outline of Share-related Administration of Reporting Company

Fiscal year	From April 1 to March 31
Ordinary general meeting of shareholders	In June
Record date	March 31
Record date for dividends of surplus	September 30 March 31
Number of shares per unit	100 shares
Purchase and sale of shares of less than one unit	
Place of handling	Special account: 4-5-33 Kitahama, Chuo-ku, Osaka Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited
Shareholder register administrator	Special account: 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Forwarding office	–
Share purchase/sale fees	None
Method of public notice	The Company gives public notices by means of electronic public notice. However, if electronic public notice is not possible due to an accident or any other unavoidable reason, the public notices shall be given in the Nihon Keizai Shimbun. Electronic public notices are posted on the Company's website at the following URL: https://www.daifuku.com/
Shareholder benefits	None

VII. Reference Information of Reporting Company

1. Information about Parent of Reporting Company

The Company does not have a parent company, etc. as prescribed in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

From the beginning of this fiscal year up to the filing date of this Annual Securities Report, the Company has filed the following documents:

(1) Annual Securities Report, attached documents thereof and Confirmation Letter

The 105th fiscal year (from April 1, 2020 to March 31, 2021)
Submitted to the Director-General of the Kanto Local Finance Bureau on June 28, 2021.

(2) Internal Control Report and attached documents thereof

The 105th fiscal year (from April 1, 2020 to March 31, 2021)
Submitted to the Director-General of the Kanto Local Finance Bureau on June 28, 2021.

(3) Quarterly Securities Reports and Confirmation Letter

The first quarter of the 106th fiscal year (from April 1, 2021 to June 30, 2021)
Submitted to the Director-General of the Kanto Local Finance Bureau on August 6, 2021.
The second quarter of the 106th fiscal year (from July 1, 2021 to September 30, 2021)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 8, 2021.
The third quarter of the 106th fiscal year (from October 1, 2021 to December 31, 2021)
Submitted to the Director-General of the Kanto Local Finance Bureau on February 7, 2022.

(4) Extraordinary Report

Extraordinary Report pursuant to the provisions of Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Order on Disclosure of Corporate Affairs (result of exercise of voting rights at general meeting of shareholders).
Submitted to the Director-General of the Kanto Local Finance Bureau on June 28, 2021.

(5) Amendment Report for Annual Securities Report and Confirmation Letter

The 105th fiscal year (from April 1, 2020 to March 31, 2021)
Submitted to the Director-General of the Kanto Local Finance Bureau on June 21, 2022.

Part 2. Information about Reporting Company’s Guarantor, etc.

Not applicable

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Daifuku Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022 , and the consolidated statement of income and comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 , and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of estimating the total cost of construction with regards to the revenue recognized as the performance obligation is satisfied over time	
Key audit matter description	How our audit addressed the key audit matter
The Company conducts business globally as a manufacturer and integrator of material handling systems, and most orders from its customers include construction projects. For construction projects with performance obligations satisfied over time, the Company recognizes revenue over time based on progress towards completion and is measured by the cost-to-cost method. As described in Significant accounting estimates in Notes to Consolidated Financial Statements, net sales recognized over time for the current consolidated fiscal year were 374,278 million yen (approximately 73% of consolidated net sales). Given the materiality of net sales recognized over	We performed the following principal audit procedures to evaluate management's estimates of total cost of construction used to recognize revenue over time. We evaluated the design and implementation and tested the operating effectiveness of the following internal controls: • Controls for obtaining internal approval for the initial estimate of total cost of construction based on agreed-upon specifications, for example, by ensuring this initial estimate considers the actual cost of

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time as well as the judgment exercised by management, revenue recognized over time, particularly with respect to the estimates of total construction costs, requires careful audit consideration. The estimated total costs are determined based on historical project performance and various conditions for each individual project in line with the agreed-upon specification in the contract. As each individual long-term contract is unique in terms of specification and construction periods, the estimates of the total cost require management judgment based on historical project performance and is particularly complex for large-scale long-term contracts. Consequently, in case of unforeseen events, such as changes in specifications during construction due to requests from customers, fluctuations in man-hours requirements and material and equipment prices, and additional costs incurred during construction due to modifications, the estimated total costs may differ from the actual costs. Based on the above, we considered the estimates of total cost of construction used to recognize revenue over time method as a key audit matter.	similar projects in the past. • Controls that periodically compare the estimated total construction cost for each project with the actual amount incurred, confirm whether estimates have been revised when necessary, and approve the latest estimate of the total construction cost in a timely and appropriate manner. In order to evaluate the reliability of estimates developed by management and cost managers, we compared the estimated amount of total construction costs at the end of the previous consolidated fiscal year to the re-estimated amount or actual amount at the end of the current consolidated fiscal year. We performed the following procedure for samples selected based on our materiality: • Tested the reasonableness of the total cost of construction by examining supporting documents. • Observed meetings held by management periodically to monitor the progress of the project, including conducting inquiries with the cost manager, and inspected supporting documents for the estimated total costs of construction. • Observed the construction site and inquired with the site manager to gain an understanding and evaluate the method utilized by management to estimate the total costs of construction. For construction projects completed after the end of the current consolidated fiscal year, compared the estimated total construction cost and the actual confirmed amount.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, financial statements and our auditor's report thereon. Management is responsible for the other information. In addition, those charged with governance are responsible for overseeing the Group's reporting process of the other information.

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

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

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

We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

Shigeru Takahama	Kazuyuki Kitano
Designated Engagement Partner Certified Public Accountant	Designated Engagement Partner Certified Public Accountant

September 30, 2022

Independent Auditor's Report

To the Shareholders of Daifuku Co., Ltd.

Opinion

We have audited the Non-consolidated financial statements of Daifuku Co., Ltd. (the Company), which comprise the Non-consolidated balance sheet as at March 31, 2022, and the Non-consolidated statement of income and the Non-consolidated statement of changes in net assets for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of estimating the total cost of construction with regards to the revenue recognized as the performance obligation is satisfied over time	
Key audit matter description	How our audit addressed the key audit matter
The Company conducts business globally as a manufacturer and integrator of material handling systems, and most orders from its customers include construction projects. For construction projects with performance obligations satisfied over time, the Company recognizes revenue over time based on progress towards completion and is measured by the cost-to-cost method. As described in Significant accounting estimates in Notes to the Non-consolidated Financial Statements, net sales recognized over time for the current fiscal year were 198,432 million yen (approximately 74% of net sales). Given the materiality of net sales recognized over time as well as the judgment exercised by management, revenue recognized over time, particularly with	We performed the following principal audit procedures to evaluate management's estimates of total cost of construction used to recognize revenue over time. We evaluated the design and implementation and tested the operating effectiveness of the following internal controls: • Controls for obtaining internal approval for the initial estimate of total cost of construction based on agreed-upon specifications, for example, by ensuring this initial estimate considers the actual cost of similar projects in the past. • Controls that periodically compare the

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respect to the estimates of total construction costs, requires careful audit consideration. The estimated total costs are determined based on historical project performance and various conditions for each individual project in line with the agreed-upon specification in the contract. As each individual long-term contract is unique in terms of specification and construction periods, the estimates of the total cost require management judgment based on historical project performance and is particularly complex for large-scale long-term contracts. Consequently, in case of unforeseen events, such as changes in specifications during construction due to requests from customers, fluctuations in man-hours requirements and material and equipment prices, and additional costs incurred during construction due to modifications, the estimated total costs may differ from the actual costs. Based on the above, we considered the estimates of total cost of construction used to recognize revenue over time method as a key audit matter.	estimated total construction cost for each project with the actual amount incurred, confirm whether estimates have been revised when necessary, and approve the latest estimate of the total construction cost in a timely and appropriate manner. In order to evaluate the reliability of estimates developed by management and cost managers, we compared the estimated amount of total construction costs at the end of the previous fiscal year to the re-estimated amount or actual amount at the end of the current fiscal year. We performed the following procedure for samples selected based on our materiality: • Tested the reasonableness of the total cost of construction by examining supporting documents. • Observed meetings held by management periodically to monitor the progress of the project, including conducting inquiries with the cost manager, and inspected supporting documents for the estimated total costs of construction. • Observed the construction site and inquired with the site manager to gain an understanding and evaluate the method utilized by management to estimate the total costs of construction. For construction projects completed after the end of the current fiscal year, compared the estimated total construction cost and the actual confirmed amount.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the financial statements, financial statements and our auditor’s report thereon. Management is responsible for the other information. In addition, those charged with governance are responsible for overseeing the Company’s reporting process of the other information.

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

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

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

We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures of the financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

Shigeru Takahama

Designated Engagement Partner
Certified Public Accountant

Kazuyuki Kitano

Designated Engagement Partner
Certified Public Accountant

September 30, 2022