

Basic Stance/ Principal Initiatives

- Focus on improving corporate governance with a view to building a robust business structure in keeping with two key aspects of our management philosophy: "contribute to the development of industry" and "healthy, growth-driven management"
- Maintain objective and appropriate management primarily through audits conducted by highly independent outside corporate auditors and the advice of external specialists
- Reduced the number of directors and introduced a corporate officer system in June 2011 in order to accelerate management decision making and facilitate functional and efficient business operations
- Upgraded in April 2010 Daifuku's management structure, which includes internal controls related to risk management and financial reporting, to further bolster the Company's internal control system

Reform Management Decision Making and Executive Structures Reducing the number of directors and introducing a corporate officer system

To date, Daifuku takes steps to improve the effectiveness of the Board of Directors by scheduling meetings in regular workday hours and encouraging directors to express opinions based on their own judgment. In addition, the Company initiated the Management Advisory Committee, which is composed of representative directors, as a body that makes recommendations to the Board of Directors. The Committee solicits the opinions of related directors, corporate auditors and, when necessary, external specialists.

Daifuku introduced a corporate officer system* on June 24, 2011.

Through the introduction of the corporate officer system, the Company will:

- (1) Accelerate management decision making through a reduction in the number of directors and the establishment of this consultative body, as well as further revitalize the Board of Directors by promoting more rigorous deliberation.
- (2) Engage in functional and efficient management operations by recruiting younger employees knowledgeable in management to serve as corporate officers and execute operations based on authority bestowed upon them by the Board.

Through the above actions, Daifuku will work to improve its corporate value.

Following the introduction of the corporate officer system, the Company convenes officer meetings, at which all directors, corporate officers and full-time corporate auditors attend and participate in deliberations. Corporate officers are appointed by directors for one-year terms. Initially, 17 officers (including those serving concurrently as directors) were inaugurated. The directors' term of office will continue to be one year and each director's mandate will be examined annually at the

annual shareholders meeting. In addition, Board of Directors' meetings will continue to be held each month, while extraordinary meetings will be held as needed.

Currently, Daifuku has no outside directors on its Board. However, it is considered that the management oversight system functions sufficiently by means of an enhanced and strengthened corporate governance system based on the management oversight framework of corporate auditors collaborating closely with the Board of Directors, which is itself made up of internal directors well versed in Daifuku's business content, manufacturing and markets.

* Corporate officer systems and officer meetings established within companies with corporate auditors are voluntary corporate bodies not specified in the Corporation Law.

Corporate auditors and audit system

Daifuku maintains a Board of Corporate Auditors made up of five corporate auditors, three of whom are elected from outside the Company. The Board of Corporate Auditors met on six occasions during the fiscal year under review. Based on an audit plan formulated at the start of the fiscal year, corporate auditors, who attend and have a voice in key meetings, including Board of Directors' meetings, conduct their audits by receiving reports on directors' execution of duties, reviewing financial reporting documents, and monitoring and visiting various operating divisions, including factories and sales offices, as well as Group companies in and outside Japan. Corporate auditors also monitor the status of the Company's internal control systems while carrying out business execution audits in collaboration with an internal audit entity (Internal Audit Department), mutually exchanging information. In addition, accounting auditors raise mutual cooperation by accompanying corporate auditors on inventory inspections and on-site audits, describing audit plans, exchanging opinions on audit result reports. Corporate auditors also

participate in the tests conducted by accounting auditors to assess the status of internal control system upgrades and operational status, and assessed the effectiveness of the tests.

Boasting a wealth of experience in fields that include the law, press reporting as well as science and technology, the three outside corporate auditors offer a wide range of insight, fulfilling their audit role from various perspectives by, for example, exchanging opinions with full-time corporate auditors at Board of Corporate Auditors' meetings, attending the monthly Board of Directors' meetings and gathering information. Based on their partially revised regulations, the Tokyo Stock Exchange and Osaka Securities Exchange have been notified that two of the outside corporate auditors are independent officers who have no conflict of interest with shareholders.

PricewaterhouseCoopers Aarata, a PwC member firm, currently performs accounting and internal control audits as Daifuku's independent accounting auditor.

Internal control system upgrades

Daifuku has set up and maintains a robust internal control system to maximize the effectiveness of its corporate governance. Recognizing that the system heightens its corporate trustworthiness and the efficiency of its operations, the Company focuses on ensuring the reliability of its compliance, risk management, asset conservation and financial reporting. Within this, Daifuku established a Compliance Committee chaired by the president (the Company's most fundamental compliance-related body) and formulated its Corporate Code of Conduct. Daifuku also conducts activities to ensure legal compliance, fairness and high ethical standards in its corporate activities.

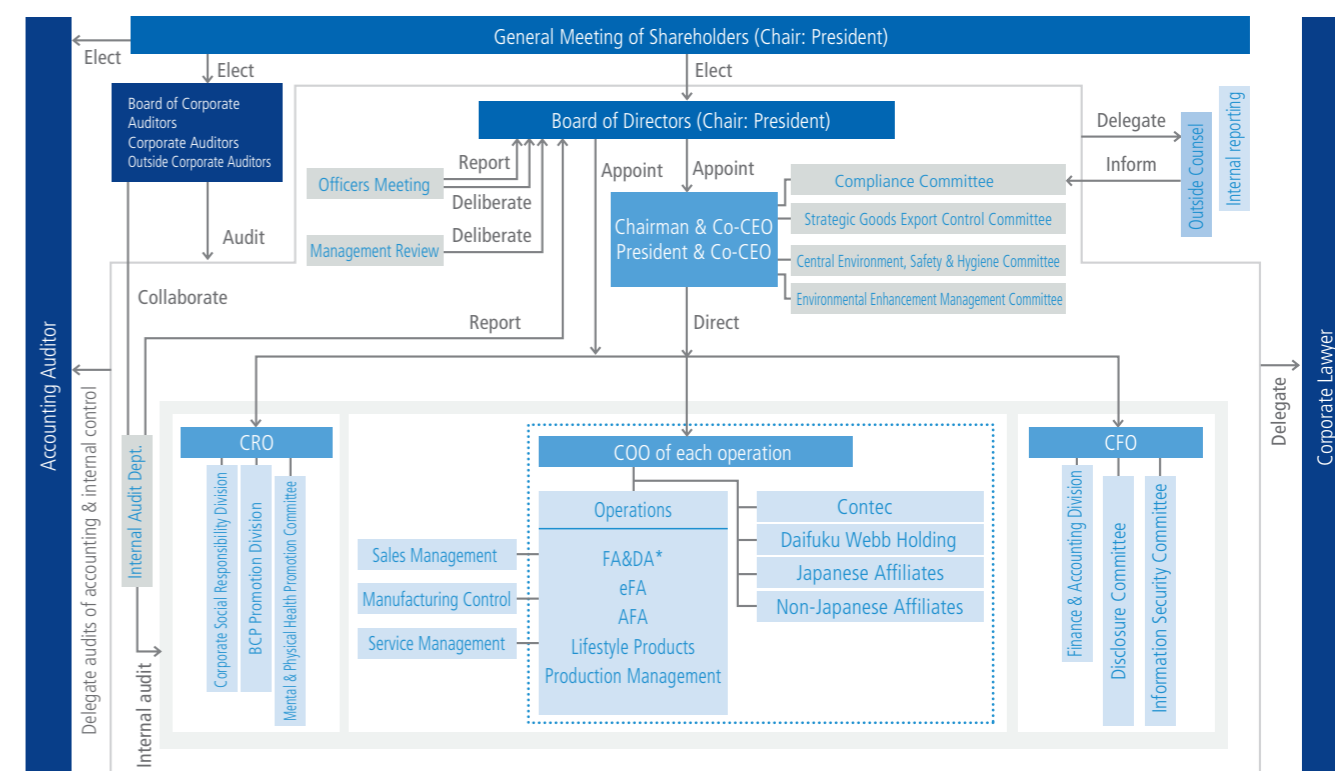
Regarding risk management, the Company established a CRO (Chief Risk Officer) and risk management regulations to appropriately address various management risks in such areas as disasters, business continuity and credit.

The Company upgraded its general internal control system by a Board of Directors' resolution when the Corporation Law came into effect in 2006. Following this, Daifuku established an internal control reporting system related to financial reporting in accordance with the Financial Instruments and Exchange Act. After subsequent reviews, the current system is as shown in the chart at the end of this section. To enhance the internal control system that covers financial reporting, including unified compliance with international financial reporting standards, the CFO (Chief Financial Officer) oversees the Finance and Accounting Division, as well as the Disclosure and Information Security committees.

Daifuku's preventative measures against hostile large-scale acquisitions of company shares

Partial revisions of Daifuku's preventative measures against large-scale acquisitions of Company shares established in 2006 were approved at the General Meeting of Shareholders held in June 2009. The measures' limit was set at three years. The content of the measures remained essentially the same. In the event of an acquisition of 20% or more of the Company's shares, which could erode Daifuku's corporate value, Daifuku shall request that the acquirer(s) submit the purpose, content and other related information concerning the acquisition proposal. Upon submission of this information, a Special Committee made up of outside corporate auditors and outside experts shall judge whether such an acquisition would be detrimental to Daifuku's corporate value and the common interests of Daifuku's shareholders and offer its advice to the Board of Directors.

Corporate Governance Structure



* FA&DA: Manufacturing and distribution automation, eFA: Cleanroom automation for semiconductor and flat panel displays, AFA: Automotive automation