Consolidated Financial Results
for the First Three Quarters of the Fiscal Year Ending March 31, 2019
[Japan GAAP]

Prepared in accordance with accounting principles generally accepted in Japan

Translated from the original Japanese-language document

February 8, 2019

Daifuku Co., Ltd.
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Scheduled date for filing quarterly financial report: February 12, 2019
Scheduled date of commencing dividend payment: -
Quarterly earnings supplementary materials: Yes
Quarterly earnings presentation: Yes (for institutional investors and securities analysts)

Note: Figures are rounded down to the nearest one million yen.

1. Consolidated Financial Results for the First Three Quarters of Fiscal 2018

(April 1, 2018 - December 31, 2018)

(1) Operating results

(Figures in percentages denote the year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First 3Qs of fiscal 2018	**330,655**	**13.2**	**38,108**	**36.2**	**39,033**	**34.5**	**32,696**	**60.9**
First 3Qs of fiscal 2017	292,160	30.2	27,978	71.6	29,019	74.8	20,318	66.5

Note: Comprehensive income

First three quarters of fiscal 2018: 30,662 million yen (28.5%)

First three quarters of fiscal 2017: 23,868 million yen (293.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
First 3Qs of fiscal 2018	**259.93**	―
First 3Qs of fiscal 2017	166.23	―

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Fiscal 2018 Q3	**411,823**	**212,646**	**50.7**
Fiscal 2017	373,013	191,474	50.4

Reference: Shareholders' equity

Fiscal 2018 Q3: 208,610 million yen

Fiscal 2017: 187,878 million yen

2. Dividends

	Dividend per share				
	Q1-end	Q2-end	Q3-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2017	―	25.00	―	45.00	70.00
Fiscal 2018	―	30.00	―		
Fiscal 2018 (forecast)			―	55.00	85.00

Note: Revisions to the latest dividend forecast: Yes

3. Consolidated Earnings Forecast for Fiscal 2018

(April 1, 2018 - March 31, 2019)

(Percentage figures denote increases or decreases compared with the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	460,000	13.6	53,000	32.7	54,200	31.9	37,000	27.6	294.14

Note: Revisions to the latest consolidated financial forecast: Yes

Notes:

(1) Changes in significant subsidiaries that affected the scope of consolidation during the period: None

(2) Adoption of specific accounting methods for preparing the quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates, and restatement

1) Changes in accounting standards associated with the revisions of accounting standards: Yes
2) Other changes: None
3) Changes in accounting estimates: None
4) Restatement: None

(4) Number of shares issued (Common stock)

1) Number of shares issued including treasury stock at the end of the period

Fiscal 2018 Q3: 126,610,077 shares

Fiscal 2017: 126,610,077 shares

2) Number of treasury stock at the end of the period

Fiscal 2018 Q3: 814,317 shares

Fiscal 2017: 828,727 shares

3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

First 3Qs of fiscal 2018: 125,789,621 shares

First 3Qs of fiscal 2017: 122,227,463 shares

Note: The number of treasury stock at the end of the third quarter of the fiscal year ending March 31, 2019 includes 75,300 shares owned by the Board Benefit Trust (BBT). The number of treasury stock at the end of the fiscal year ended March 31, 2018 included 87,600 shares owned by the BBT. In addition, the number of treasury stock at the end of the third quarter of the fiscal year ending March 31, 2019 includes 168,200 shares owned by a trust on behalf of Daifuku employees' shareholding association.

These quarterly consolidated financial statements are not subject to audit through the certified public accountant or an auditing company.

Disclaimer

The business forecasts contained in this document are based on information available to management at the present time and certain assumptions judged to be rational. As such, actual sales and income may differ from this forecast due to uncertain factors present in the forecast or future changes in business circumstances. For the business forecasts, please see 1-(3) "Outlook for the fiscal year ending March 31, 2019."

Quarterly earnings supplementary materials are available at the TDnet and our website: www.daifuku.com/ir.

Contents

1. Qualitative Information Relating to Quarterly Consolidated Financial Results

(1) Operating results

During the first three quarters of the fiscal year under review, the global economy benefited from an expansion in the U.S. and generally firm trends in Japan as well as in European and emerging nations. Meanwhile, a trade conflict between the U.S. and China, a slowdown in economic growth in China, and other issues are creating uncertainty about the future.

The Daifuku Group's mainstay material handling systems continued to enjoy robust investment, bolstered by demand from a broad range of industries, including e-commerce and other distribution sectors, semiconductors, flat-panel displays (FPDs), automobiles, and airports.

Amid these economic and business conditions, the operating results of the Daifuku Group showed favorable progress. Sales and income reached new record highs during the first three quarters of the fiscal year.

Orders remained strong, driven by large orders from the semiconductor sector in East Asia and the U.S., as well as from pharmaceutical wholesalers and distributors including e-commerce in Japan. In systems for airports, which non-Japanese subsidiaries have been handling, large orders were posted in North America. In addition, the Group received the first-ever order from an airport in Japan, where demand for equipment upgrades is rising in preparation for the 2020 Tokyo Summer Olympics.

Sales were positive with enhanced production capacity in anticipation of robust demand.

Specifically, the Group received orders of 374,688 million yen, down 3.3% from a year earlier, and recorded sales of 330,655 million yen, up 13.2%.

In terms of profits, operating income easily surpassed the year-ago figure, reflecting increased earnings strength from higher sales and cost cutting by the parent company Daifuku Co., Ltd., while also benefiting from the strong performance of an East Asian subsidiary that handles systems for the semiconductor and FPD sectors. In addition, with the transfer of shares of Knapp AG, which was an equity-method affiliate in Austria, during the first quarter, Daifuku posted extraordinary income from a gain on the sale of shares in affiliates of 6,948 million yen (balance of consolidated book value).

Consequently, the Group posted operating income of 38,108 million yen, up 36.2% from a year earlier, and ordinary income of 39,033 million yen, up 34.5%. Net income attributable to shareholders of the parent company was 32,696 million yen, up 60.9%.

The average exchange rate used for transactions within the Group during the first three quarters of the fiscal year under review was 109.64 yen to the U.S. dollar, compared with an exchange rate of 111.80 yen for the same period the previous year. Due to the effect of exchange rate changes, orders declined by about 6,000 million yen, though the impact on net sales and operating income was minor. As for the breakdown of the impact on orders, the impact on orders received during the first three quarters of the fiscal year under review was about 1,300 million yen, and the impact on the order backlog was about 4,700 million yen.

Results by reportable segment are described below. Orders from and sales to outside customers are described as segment orders and sales, and quarterly net income attributable to shareholders of the parent company is recorded as segment income. For more details about segments, please see "Segment information" below. Clean Factomation, Inc. (South Korea), which was previously included in Other, has been changed to a reportable segment due to its increased quantitative significance since the second quarter.

Daifuku Co., Ltd.

In systems for semiconductor factories in East Asia and North America through exports to each region, as well as large systems for manufacturers and distributors in Japan, orders were strong. Orders remained firm in automobile production line systems, mainly for production re-building and development, services and small upgrade projects of Japanese automakers. In systems for airports, the Company posted Japan's first order received from New Chitose Airport, Hokkaido.

Sales of systems for semiconductor and FPD factories grew significantly. Also, sales of systems for manufacturers, distributors, and automobile production lines were positive.

Income rose significantly, mainly attributable to the increased sales and reduced costs. In addition, extraordinary income from a gain on the sale of shares in Knapp AG, which was an equity-method affiliate, of 8,030 million yen (balance of acquisition cost) boosted income.

As a result, the Company recorded orders of 175,039 million yen, up 0.5% from the same period the previous year, sales of 144,105 million yen, up 8.4%, and segment income of 24,434 million yen, up 58.5%.

Contec Co., Ltd. and its affiliates

In the U.S. market, sales of industrial computers for the airport security related sector remained favorable. In addition, with the aim of increasing sales of the STAND-PC, a touch panel LCD integrated computer, U.S. subsidiary Contec Americas Inc. established a clean room within its factory and built a supply framework for future production expansion. In Japan, sales of wireless LAN products fell; however, sales of products for the IoT (Internet of Things) market, including the CONPROSYS, increased.

Income rose, backed by increased sales and productivity.

As a result, Contec posted orders of 12,607 million yen, up 3.6% from the same period the previous year, sales of 12,278 million yen, up 8.8%, and segment income of 988 million yen, up 50.2%.

Daifuku North America Holding Company and its affiliates

Orders were driven by large projects for airports, and orders for semiconductor production lines remained favorable. Also, in systems for manufacturers and distributors, orders from the e-commerce sector remained firm. In automobile production line systems, orders were influenced by the fact that automakers were considering carefully their car model strategies.

Sales declined slightly, affected by delays in receiving orders and project progress. Meanwhile, income improved as unprofitable projects were completed.

As a result, Daifuku North America achieved orders of 88,157 million yen, down 1.8% from the same period the previous year, sales of 68,244 million yen, down 7.9%, and segment income of 3,594 million yen, up 66.5%.

Clean Factomation, Inc.

Clean Factomation, Daifuku's wholly owned subsidiary in South Korea, mainly provides cleanroom transport systems to the country's semiconductor manufacturers. Also, playing a role in global production of the same system in collaboration with Group factories in Japan, China, and Taiwan, the company's results remained strong.

As a result, Clean Factomation posted orders of 28,848 million yen, up 20.1% from the same period the previous year, sales of 26,280 million yen, up 65.2%, and segment income of 2,206 million yen, up 78.5%.

Daifuku Plusmore Co., Ltd.

Daifuku Plusmore benefited from strong sales to its main customers, such as car service stations and car dealerships.

To seek the bus sector in addition to the conventional market, the company launched a new dryer system for large vehicle wash machines. A large diameter spot nozzle removes water drops on the vehicle window effectively. This accommodates increased demand for tour buses due to increasing inbound tourism in Japan, while helping improve drivers' working environment.

As a result, Daifuku Plusmore recorded orders of 8,873 million yen, up 2.1% from the same period the previous year, sales of 8,790 million yen, up 1.3%, and segment income of 120 million yen, up 76.5%.

Other

The Group has a total of 53 consolidated subsidiaries worldwide. The Other segment includes all Group companies excluding the aforementioned Contec and its affiliates, Daifuku North America and its affiliates, Clean Factomation, and Daifuku Plusmore.

Outside Japan, major subsidiaries include Daifuku (China) Co., Ltd., Taiwan Daifuku Co., Ltd., Daifuku Korea Co., Ltd., and Daifuku (Thailand) Ltd., which primarily manufacture and sell material handling systems and equipment. Each of these companies plays a global role in optimizing the local production and procurement framework of the Group, while also increasing its exports.

In China, orders from FPD factories fell at one point during the third quarter; however, sales remained firm. Meanwhile, in systems for the food, pharmaceutical, auto parts, e-commerce and other distribution sectors, demand for material handling systems is increasing. In the automobile related sector, orders, sales and income remained favorable, bolstered by brisk capital investment from Japanese automakers.

In Taiwan, orders for systems for most advanced semiconductor factories are increasing.

In South Korea, orders for automobile production line systems and sales of car wash machines were firm.

In ASEAN countries and India, capital investment in systems for manufacturers, including the food, miscellaneous daily goods, and pharmaceutical sectors, is rising. In particular, demand from the frozen-food sector is growing. In Thailand, the momentum toward capital investment in automobile factories is rising, backed by favorable production volumes. In addition, inquiries from the food, pharmaceutical, and beverage sectors are increasing, and the presence of automated warehouses are widely recognized, given a shortage of warehouses mainly at exporting companies.

New Zealand-based BCS Group Limited sells airport baggage handling systems, self-service baggage check-in systems, and other products, and is bolstering its business extensively outside of Oceania by collaborating with other Group companies.

As a result, the segment reported orders of 61,162 million yen, down 22.3% from the same period the previous year, sales of 68,311 million yen, up 31.8%, and segment income of 3,506 million yen, up 75.2%.

(2) Financial position

The Group's financial position is as described below. Daifuku adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and other standards from the beginning of the first quarter of the fiscal year under review. A year-on-year comparison and analysis of the financial position were made after retroactively applying the above standards to the values for the previous fiscal year.

Assets

Total assets at the end of the third quarter of the fiscal year under review stood at 411,823 million yen, an increase of 38,809 million yen from the end of the previous fiscal year. Current assets increased by 44,170 million yen, principally reflecting an increase of 18,370 million yen in cash on hand and in banks and an increase of 11,824 million yen in notes and accounts receivable and unbilled receivables. The former was mainly due to sales of shares in affiliates, and mainly in Japan the collection of notes and accounts receivable for completed contracts of large projects completed at the end of the previous fiscal year and advances received on uncompleted construction contracts. The latter reflected the increased sales.

Non-current assets decreased by 5,361 million yen, mainly attributable to a decrease of 5,692 million yen in investments and other assets resulting from a decrease of shares in affiliates among others.

Liabilities

Total liabilities at the end of the third quarter of the fiscal year under review amounted to 199,176 million yen, an increase of 17,637 million yen from the end of the previous fiscal year. Current liabilities increased by 21,795 million yen. Primary factors included an increase of 4,597 million yen received on uncompleted construction contracts and other resulting from advances by customers for non-Japan projects, an increase of 9,000 million yen in short-term borrowings mainly for borrowings of foreign subsidiaries, and an increase of 7,249 million yen in notes and accounts payable and construction contracts payable.

Non-current liabilities decreased by 4,158 million yen, mainly attributable to a decrease of 4,383 million yen in liabilities for retirement benefits.

Net assets

Net assets at the end of the third quarter of the fiscal year under review were 212,646 million yen, an increase of 21,172 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 23,256 million yen in retained earnings due to the booking of net income attributable to shareholders of the parent company.

(3) Outlook for the fiscal year ending March 31, 2019

Daifuku Co., Ltd. has revised its consolidated full-year earnings forecast for the fiscal year ending March 31, 2019, which was announced on November 9, 2018, as follows.

The earnings ratio of the Group rose, reflecting the return of profitability of systems for manufacturers and distributors of the parent company Daifuku Co., Ltd. as initially planned, while also benefiting from the strong management of projects with high development potential for the semiconductor and FPD sectors outside of Japan. Meanwhile, in systems for manufacturers and distributors, sales reflected a delay in project progress mainly due to the protracted confirmation of final specifications along with the increased scale of large projects in Japan.

Given the favorable results, Daifuku has revised its year-end dividend for the fiscal year ending March 31, 2019 to 55 yen per share, an increase of 5 yen. Accordingly, the annual dividend per share is projected to be 85 yen, a new record high. For details, please see the news release "Notice of Revision to Year-End Dividend Forecast" separately announced on February 8, 2019.

Revisions to the full-year earnings forecast for the fiscal year ending March 31, 2019

(April 1, 2018 - March 31, 2019)

	Net sales	Operating income	Ordinary income	Net income attributable to shareholders of the parent company	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	470,000	52,000	52,900	35,000	278.25
Current forecast (B)	460,000	53,000	54,200	37,000	294.14
Change (B – A)	-10,000	1,000	1,300	2,000	-
Rate of change (%)	-2.1	1.9	2.5	5.7	-
Reference: Results for fiscal year ended March 31, 2018	404,925	39,924	41,105	29,008	235.62

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

The Company has also revised its consolidated full-year orders forecast of 530,000 million yen to 515,000 million yen, down 2.8% for the fiscal year ending March 31, 2019, based on the project progress of systems for manufacturers and distributors outside of Japan.

2. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	FY2017 (Ended March 31, 2018)	FY2018 Q3 (Ended December 31, 2018)
ASSETS		
Current assets:		
Cash on hand and in banks	85,160	103,531
Notes and accounts receivable and unbilled receivables	163,101	174,926
Merchandise and finished goods	5,084	5,890
Costs incurred on uncompleted construction contracts and other	10,657	19,102
Raw materials and supplies	11,296	14,808
Other current assets	10,915	12,125
Allowance for doubtful accounts	(128)	(125)
Total current assets	286,088	330,259
Non-current assets:		
Property, plant and equipment	35,252	36,350
Intangible assets		
Goodwill	8,794	7,946
Other	5,243	5,330
Total intangible assets	14,037	13,277
Investments and other assets		
Other	37,772	32,080
Allowance for doubtful accounts	(136)	(143)
Total investments and other assets	37,635	31,936
Total non-current assets	86,925	81,563
Total assets	373,013	411,823
LIABILITIES		
Current liabilities:		
Notes and accounts payable and construction contracts payable	46,450	53,700
Electronically recorded obligations - operating	22,826	25,522
Short-term borrowings and current portion of long-term borrowings	17,267	26,267
Current portion of bonds	2,700	2,700
Income taxes payable	10,360	9,298
Advances received on uncompleted construction contracts and other	28,298	32,895
Provision for losses on construction contracts	562	355
Other current liabilities	20,322	19,844
Total current liabilities	148,789	170,585
Non-current liabilities:		
Long-term borrowings	18,000	18,047
Liabilities for retirement benefits	11,656	7,272
Other non-current liabilities	3,093	3,271
Total non-current liabilities	32,749	28,591
Total liabilities	181,539	199,176

(Million yen)

	FY2017 (Ended March 31, 2018)	FY2018 Q3 (Ended December 31, 2018)
NET ASSETS		
Shareholders' equity:		
Common stock	31,865	31,865
Capital surplus	20,717	21,518
Retained earnings	129,654	152,911
Treasury stock	(782)	(1,550)
Total shareholders' equity	181,454	204,744
Accumulated other comprehensive income:		
Net unrealized gain (loss) on securities	5,358	4,257
Deferred gain (loss) on hedges	34	1
Foreign currency translation adjustments	6,360	4,400
Accumulated adjustments on retirement benefits	(5,328)	(4,794)
Total accumulated other comprehensive income	6,424	3,865
Non-controlling interests:	3,595	4,036
Total net assets	191,474	212,646
Total liabilities and net assets	373,013	411,823

(2) Consolidated statements of income and comprehensive income

(Million yen)

	First 3Qs of FY2017 (April 1, 2017 - December 31, 2017)	First 3Qs of FY2018 (April 1, 2018 - December 31, 2018)
Net sales	292,160	330,655
Cost of sales	232,621	258,123
Gross profit	59,538	72,531
Selling, general and administrative expenses:		
Selling expenses	13,680	14,016
General and administrative expenses	17,879	20,407
Total selling, general and administrative expenses	31,560	34,423
Operating income	27,978	38,108
Other income:		
Interest income	140	400
Dividend income	379	407
Equity in earnings of affiliates	445	157
Foreign exchange gain	183	—
Rent income	179	180
Miscellaneous income	195	260
Total other income	1,523	1,407
Other expenses:		
Interest expenses	265	270
Foreign exchange loss	—	135
Share issuance expenses	151	—
Miscellaneous expenses	65	74
Total other expenses	482	481
Ordinary income	29,019	39,033
Extraordinary income:		
Gain on transfer of business	43	—
Gain on sales of shares in affiliates	—	6,948
Other	31	195
Total extraordinary income	74	7,144
Extraordinary loss:		
Loss on disposal or sales of property, plant and equipment	114	188
Impairment loss	—	90
Other	1	2
Total extraordinary loss	115	280
Income before income taxes	28,978	45,896
Income taxes - current	9,595	14,922
Income taxes - deferred	(1,181)	(2,100)
Total income taxes	8,413	12,822
Net income	20,565	33,074
Net income attributable to:		
Shareholders of the parent company	20,318	32,696
Non-controlling interests	247	378

(Million yen)

	First 3Qs of FY2017 (April 1, 2017 - December 31, 2017)	First 3Qs of FY2018 (April 1, 2018 - December 31, 2018)
Other comprehensive income		
Net unrealized gain (loss) on securities	1,917	(944)
Deferred gain (loss) on hedges	(168)	(32)
Foreign currency translation adjustments	(39)	(890)
Retirement benefits reserves adjustments	775	527
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	818	(1,072)
Total other comprehensive income (loss)	3,302	(2,412)
Comprehensive income:	23,868	30,662
Comprehensive income attributable to:		
Shareholders of the parent company	23,603	30,137
Non-controlling interests	264	524

(3) Notes on consolidated financial statements

Notes on going concern assumption
Not applicable

Notes for a material change in the amount of shareholders' equity
Not applicable

Changes in significant accounting policies
(Adoption of IFRS 15 Revenue from Contracts with Customers)
From the first quarter of the fiscal year under review, the Group has adopted IFRS 15 Revenue from Contracts with Customers for Group companies, excluding Daifuku Co., Ltd. and its subsidiaries in Japan, which have adopted Japan GAAP, and its subsidiaries in the United States, which have adopted U.S. GAAP.

The above standard has introduced a single comprehensive model for recognizing revenue arising from contracts with customers.

The impact of the above change on the consolidated financial statements for the third quarter and the first three quarters of the fiscal year under review is insignificant.

Additional information
(Adoption of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)
The Group has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the first quarter of the fiscal under review. As a result, "Deferred tax assets" are classified as "Investments and other assets" and "Deferred tax liabilities" as "Non-current liabilities."

(Introduction of an employee shareholding incentive plan through a trust, "E-Ship")
Under the resolution adopted at a meeting of the Board of Directors on November 22, 2018, the Company has introduced an employee shareholding incentive plan through a trust (E-Ship; hereinafter "the Plan"). The purpose of the Plan is to provide an incentive for the Company's employees to help enhance the Company's enterprise value over the medium to long term, to expand employee benefits and welfare, and to encourage the continuous development of the Company by boosting employees' morale through their capital participation as shareholders.

1) Outline of the transaction

The Plan is an incentive plan for all employees who are members of the Daifuku Employee Shareholding Association ("the Shareholding Association"). Under the Plan, the Company has set up a trust exclusively for the Shareholding Association ("the E-Ship Trust") at a trust bank. The E-Ship Trust acquires shares of the Company that it anticipates the Shareholding Association will acquire during the trust period from November 22, 2018 to March 29, 2021 through a private placement by the Company, using borrowed money. Subsequently, the E-Ship Trust regularly sells shares of the Company to the Shareholding Association. If the equivalent of gains on the sale of shares is accumulated in the E-Ship Trust upon termination of the trust, the equivalent of the gains will be distributed to qualified beneficiaries as residual assets. The Company provides loan guarantees for the E-Ship Trust's borrowings to purchase shares of the Company, and if the equivalent of losses on the sale of shares is accumulated in the E-Ship Trust due to a decline in the Company's share price and the E-Ship Trust has outstanding debt equivalent to losses on the sale of shares upon termination of the trust, the Company will repay the outstanding debt under the guarantee agreement.

2) The Company's shares still held by the Trust

The Company records the shares of the Company, which are held by the Trust and yet to be sold to the Shareholding Association, as treasury stock in net assets, using the book value (excluding incidental expenses) in the Trust. The book value and the number of the treasury stock were 926 million yen and 168,200 shares, respectively, at the end of the third quarter of the fiscal year under review.

3) The book value of borrowings posted using the gross price method

At the end of the third quarter of the fiscal year under review: 947 million yen

Segment Information

I. The first three quarters of the previous fiscal year ended March 31, 2018 (April 1, 2017 - December 31, 2017)

1. Information relating to the amounts of net sales and income (loss) by reportable segment

(Million yen)

	Reportable segment						Other*	Total
	Daifuku	Contec	Daifuku North America	Clean Factomation	Daifuku Plusmore	Total		
Net sales								
Sales to outside customers	132,896	11,289	74,125	15,906	8,680	242,899	51,810	294,710
Intersegment sales or transfers	28,108	7,372	238	2,674	0	38,394	7,809	46,203
Total	161,005	18,661	74,363	18,581	8,681	281,293	59,619	340,913
Segment income (loss)	15,418	657	2,159	1,236	68	19,539	2,001	21,540

* "Other" represents an operating segment comprising subsidiaries that are not included in reportable segments.

2. Differences between total amounts of net sales and income (loss) of reportable segments and those in quarterly consolidated statements of income and comprehensive income and details thereof (matters relating to difference reconciliation)

Net sales	(Million yen)
Reportable segment total	281,293
Net sales classified in "Other"	59,619
Elimination of intersegment transactions	(46,203)
Consolidation adjustments to net sales under the percentage-of-completion method	(1,637)
Other adjustments for consolidation	(911)
Net sales in quarterly consolidated financial statements	292,160

Segment income	(Million yen)
Reportable segment total	19,539
Segment income classified in "Other"	2,001
Elimination of cash dividends from affiliates	(304)
Consolidation adjustments to net sales under the percentage-of-completion method	(434)
Other adjustments for consolidation	(484)
Net income attributable to shareholders of the parent company in quarterly consolidated financial statements	20,318

II. The first three quarters of the fiscal year ending March 31, 2019 (April 1, 2018 - December 31, 2018)

1. Information relating to the amounts of net sales and income (loss) by reportable segment

(Million yen)

	Reportable segment						Other*	Total
	Daifuku	Contec	Daifuku North America	Clean Factomation	Daifuku Plusmore	Total		
Net sales								
Sales to outside customers	144,105	12,278	68,244	26,280	8,790	259,699	68,311	328,010
Intersegment sales or transfers	32,820	8,294	733	3,453	0	45,302	12,009	57,312
Total	176,925	20,572	68,978	29,734	8,791	305,001	80,320	385,322
Segment income (loss)	24,434	988	3,594	2,206	120	31,344	3,506	34,850

* "Other" represents an operating segment comprising subsidiaries that are not included in reportable segments.

2. Differences between total amounts of net sales and income (loss) of reportable segments and those in quarterly consolidated statements of income and comprehensive income and details thereof (matters relating to difference reconciliation)

Net sales	(Million yen)
Reportable segment total	305,001
Net sales classified in "Other"	80,320
Elimination of intersegment transactions	(57,312)
Consolidation adjustments to net sales under the percentage-of-completion method	1,813
Other adjustments for consolidation	830
Net sales in quarterly consolidated financial statements	330,655

Segment income	(Million yen)
Reportable segment total	31,344
Segment income classified in "Other"	3,506
Elimination of cash dividends from affiliates	(291)
Consolidation adjustments to net sales under the percentage-of-completion method	(152)
Adjustments to gain on sales of shares in affiliates	(797)
Other adjustments for consolidation	(912)
Net income attributable to shareholders of the parent company in quarterly consolidated financial statements	32,696

3. Changes to reportable segments

Clean Factomation, Inc., which was previously included in Other, has been changed to a reportable segment due to its increased quantitative significance since the second quarter of the fiscal year under review. The change in the segment classification is as follows.

Formerly:

- Daifuku Co., Ltd.
- Contec Co., Ltd. and its affiliates
- Daifuku North America Holding Company and its affiliates
- Daifuku Plusmore Co., Ltd.

From the second quarter of the fiscal year under review:

- Daifuku Co., Ltd.
- Contec Co., Ltd. and its affiliates
- Daifuku North America Holding Company and its affiliates
- Clean Factomation, Inc.
- Daifuku Plusmore Co., Ltd.

The segment information of the first three quarters of the previous fiscal year is based on the new reportable segments.

Major subsequent events

The Company conducted a buyout of part of the pension relating to the defined benefit pension plan of Jervis B. Webb Company (headquartered in the United States), a consolidated affiliate.

A pension buyout is a scheme to transfer all or part of a defined benefit pension plan to an insurance company, etc. in exchange for the payment of premiums whereby the insurance company will operate the pension plan after the transfer.

(1) Reason for this event

The shortage of pension assets of the defined benefit pension plan of Jervis B. Webb Company (a wholly owned subsidiary of Daifuku North America Holding Company, a company overseeing the North American business of the Company; hereinafter "Webb"), a consolidated affiliate of the Company in the United States, has had a significant impact on the accounting and finance of not only Webb but also the entire Daifuku Group due to economic developments in the United States. However, given that the amount of the pension asset shortfall has decreased while the financial standing of the pension plan has improved on the back of recent stable economic conditions and the firm stock market and interest rate trends in the United States, the Company has decided to conduct the buyout of part of the defined benefit pension plan with American International Group, Inc. as the underwriter to remove future accounting and financial uncertainties about the pension, such as the management risk and the risk that the financial standing could deteriorate.

(2) Assets and liabilities for transfer

Retirement benefit obligation: 180,120 thousand U.S. dollars

(unrecognized actuarial differences: 57,056 thousand U.S. dollars)

Pension assets: -180,120 thousand U.S. dollars

(3) Effective date of transfer

December 3, 2018

(4) Expected impact on earnings

Given that retirement benefit expenses of around 7.3 billion yen will be recorded as an extraordinary loss in the consolidated financial statements for the fiscal year ending March 31, 2019 associated with the buyout of part of the defined benefit pension plan, net income attributable to shareholders of the parent company is expected to decline by around 5.1 billion yen. The expected loss has already been incorporated in the full-year earnings forecast for the fiscal year ending March 31, 2019.

3. Other

Changes in Officers

Effective April 1, 2019

(1) Changes in representatives

Not applicable

(2) Changes in corporate officers

Hiroshi Nobuta

New: Managing Officer
General Manager of Global Division, FA&DA Operations

Current: Corporate Officer
Executive Vice President of Daifuku North America Holding Company

Takaya Uemoto

New: Corporate Officer
President and CEO of Daifuku North America Holding Company
Deputy General Manager of ATec Global Operations

Current: Corporate Officer
Deputy General Manager of Production Division, AFA Operations

Akihiko Nishimura

New: Corporate Officer
General Manager of AWT Global Operations
General Manager of AWT Operations
President of Daifuku Plusmore Co., Ltd.

Current: Corporate Officer
President and CEO of Daifuku North America Holding Company
Deputy General Manager of ATec Global Operations

Hideaki Takubo

New: Corporate Officer
General Manager of Human Resources and General Affairs Division

Current: General Manager of Human Resources and General Affairs Division

Yoshihisa Ichinose

New: Audit Officer
General Manager of Audit Division

Current: Corporate Officer
General Manager of Corporate Affairs Operations
Chief Officer of Komaki Works

Akira Ikari

New:	Senior Managing Officer of Contec Co., Ltd.
Current:	Managing Officer
	General Manager of AWT Global Operations
	General Manager of AWT Operations
	President of Daifuku Plusmore Co., Ltd.