DAIFUKU

Consolidated Financial Results
for the Fiscal Year Ended March 31, 2020
[Japan GAAP]

Prepared in accordance with accounting principles generally accepted in Japan

Translated from the original Japanese-language document

May 12, 2020

Daifuku Co., Ltd.
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Scheduled date of general meeting of shareholders: June 26, 2020
Scheduled date of commencing dividend payment: June 29, 2020
Scheduled date for filing financial statements: June 29, 2020
Earnings supplementary materials: Yes
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 Fiscal 2019

(April 1, 2019 - March 31, 2020)

(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	%
Fiscal 2019	**443,694**	**(3.4)**	**40,497**	**(25.9)**	**40,976**	**(26.6)**	**28,063**	**(29.1)**
Fiscal 2018	459,486	13.5	54,681	37.0	55,842	35.9	39,567	36.4

Note: Comprehensive income

Fiscal 2019: 25,627 million yen (37.2 %)

Fiscal 2018: 40,800 million yen 22.0 %

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal 2019	**222.96**	**—**	**12.4**	**10.0**	**9.1**
Fiscal 2018	314.54	—	19.5	14.3	11.9

Reference: Equity in earnings of affiliates

Fiscal 2019: 19 million yen

Fiscal 2018: 172 million yen

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal 2019	**410,887**	**237,356**	**56.7**	**1,850.28**
Fiscal 2018	409,982	222,885	53.3	1,738.20

Reference: Shareholders' equity
Fiscal 2019: 232,961 million yen
Fiscal 2018: 218,689 million yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of year
	Million yen	Million yen	Million yen	Million yen
Fiscal 2019	**13,502**	**(14,791)**	**(18,354)**	**70,883**
Fiscal 2018	8,559	5,937	(6,893)	90,903

2. Dividends

	Dividend per share					Total cash dividends (annual)	Dividends payout (consolidated)	Net assets dividend ratio (consolidated)
	Q1-end	Q2-end	Q3-end	FY-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal 2018	—	30.00	—	60.00	90.00	11,338	28.6	5.6
Fiscal 2019	—	30.00	—	45.00	75.00	9,456	33.6	4.2
Fiscal 2020 (forecast)	—	**30.00**	—	**45.00**	**75.00**		**32.6**	

3. Consolidated Earnings Forecast for the Fiscal 2020

(April 1, 2020- March 31, 2021)

(Figures in percentage denote the year-on-year change from 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
Interim	212,000	1.6	16,300	(5.7)	16,900	(4.1)	11,600	(11.9)	92.16
Full-year	460,000	3.7	41,000	1.2	41,800	2.0	29,000	3.3	230.40

Notes:

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

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

1) Changes in accounting policies resulting from the revision of the accounting standards and other regulations: Yes
2) Changes in accounting policies other than 1): None
3) Changes in accounting estimates: None
4) Restatement: None

(3) Number of shares issued (Common stock)

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

Fiscal 2019: 126,610,077 shares

Fiscal 2018: 126,610,077 shares

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

Fiscal 2019: 703,806 shares

Fiscal 2018: 795,986 shares

3) Average number of shares during the period

Fiscal 2019: 125,867,093 shares

Fiscal 2018: 125,794,780 shares

Note: For the number of shares, which is the basis for the calculation of net income per share, please see "Per share information" on page 35. The number of treasury stock at the end of the period includes shares owned by the Board Benefit Trust (BBT) and a trust on behalf of Daifuku employees' shareholding association. The number of treasury stock at the end of the fiscal year ended March 31, 2020 includes 159,100 shares owned by the BBT. The number of treasury stock at the end of the fiscal year ended March 31, 2019 included 75,300 shares owned by the BBT. In addition, the number of treasury stock at the end of the fiscal year ended March 31, 2020 includes 61,900 shares owned by the trust on behalf of Daifuku employees' shareholding association. The number of treasury stock at the end of the fiscal year ended Mach 31, 2019 included 149,400 shares owned by the trust on behalf of Daifuku employees' shareholding association.

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

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-(5) "Outlook for the fiscal year ending March 31, 2021."

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

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1. Operating Results and Financial Review

(1) Operating results

During 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 in the first half. Meanwhile, in the second half, trade conflict between the U.S. and China, a slowdown in economic growth in China, and the COVID-19 pandemic created uncertainty about the future.

In response to the COVID-19 pandemic, the Daifuku Group quickly set up a task force to implement control measures, making it its top priority to ensure the safety of its employees and their families, customers and suppliers.

The impact of the pandemic on sales and income for the fiscal year under review was minor because most of the Company's non-Japan subsidiaries have their fiscal year-end on December 31. However, orders for some projects were postponed due to measures to prevent the spread of the virus, such as work from home orders and restrictions on movement.

Amid these economic and business conditions, the orders of the Group were affected by decreased capital investment in the semiconductor and flat panel display (FPDs) sectors. However, systems for the manufacturers and distributors performed solidly, especially in the e-commerce, pharmaceutical wholesale and food sectors, supported by increases in the global movement of people and goods, transformations of distribution modes, changes in the industrial structure associated with technological innovations including the Internet of Things (IoT), and investment in automation spurred by labor shortages. Also, in systems for automated production lines, the Group received an order for its largest ever project in North America.

Sales remained firm, underpinned by the high level of order backlogs, but fell short of the year-ago level due to a decline in orders from the semiconductor and FPD sectors, which were translated into revenue in the fiscal year under review.

Specifically, the Group received orders of 483,184 million yen, down 4.0% from a year earlier, and recorded net sales of 443,694 million yen, down 3.4%.

Profits were affected by lower margins in systems for semiconductor and FPD productions lines as a result of reduction in the value of orders received for large projects as well as additional costs. Net income attributable to shareholders of the parent company reflected the absence of a gain on sales of shares in affiliates of 6,948 million yen (balance of consolidated book value) recorded the previous fiscal year and the impact of one-time amortization of goodwill, among other factors.

Consequently, the Group posted operating income of 40,497 million yen, down 25.9% from a year earlier, and ordinary income of 40,976 million yen, down 26.6%. Net income attributable to shareholders of the parent company was 28,063 million yen, down 29.1%.

ROE fell from 19.5% the previous fiscal year, to 12.4%. This primarily reflected a decline in return on sales, from 8.6% the previous fiscal year to 6.3%.

The average exchange rate used for transactions during the fiscal year under review was 109.25 yen to the U.S. dollar (110.37 yen in the year-ago period), 15.82 yen to the Chinese yuan (16.64 yen), 0.0939 yen to the Korean won (0.1003 yen), and 122.15 yen to the euro (130.00 yen). The change reduced orders by about 10.2 million yen and net sales by about 6.7 billion yen, but its impact on operating income was minor. As for the breakdown of the impact on orders, the impact on orders received during the fiscal year under review was about 6.3 billion yen, and the impact on the order backlog was about 3.9 billion yen.

Results by reportable segment are described below. Orders from and sales to outside customers are presented as segment orders and sales, and net income attributable to shareholders of the parent company is recorded as segment income.

Daifuku Plusmore Co., Ltd., which was previously a reportable segment, was included in Other due to its decreased significance from the beginning of the fiscal year under review. For more details about segments, please see "Segment information" below.

Daifuku Co., Ltd.

Orders remained firm, supported by large systems for manufacturers and distributors in Japan, and services and small upgrade projects for automobile production lines, which offset the impact of slow growth in export projects for semiconductor factories in East Asia and North America.

Sales were solid and mostly unchanged from the year-ago level, underpinned by a large order backlog, especially for manufacturers and distributors.

First-half income was affected by lower margins in systems for semiconductor and FPD production lines as a result of reduction in the value of orders received for large projects as well as additional costs. However, second-half operating income was higher than the level recorded in the second half of the previous fiscal year, driven by the effect of increased sales of systems for manufacturers and distributors as well as improvement in profitability. Segment income reflected the absence of the gain on sales of shares in affiliates recorded in the previous fiscal year of 8,030 million yen (a difference between sale price and acquisition cost) and the impact of a loss on valuation of shares in affiliates, among other factors.

As a result, the Company recorded orders of 218,360 million yen, down 5.7% from the previous fiscal year, sales of 204,443 million yen, up 0.9%, and segment income of 18,699 million yen, down 44.6%.

Contec Co., Ltd. and its subsidiaries

- Industrial computers

In the United States, sales increased as a result of steady growth in demand for medical equipment. Sales also increased in Japan, partly due to orders received for large projects for distribution-related companies.

- Measuring and control boards

Sales of products for the IoT market, including CONPROSYS, were solid. However, sales of measuring and control boards used in factories, etc. declined, reflecting a slowdown in corporate capital expenditure.

- Solution products

Sales of automobile-related systems fell, impacted by decreased capital investment in the automobile-related sector.

While orders received by Contec and its subsidiaries as a whole increased, sales showed slow growth and income fell short of the year-ago level, despite the recording of extraordinary income due to sales of investment securities.

As a result, Contec posted orders of 16,831 million yen, up 2.6% from the previous fiscal year, sales of 16,352 million yen, down 0.2%, and segment income of 1,607 million yen, down 0.6%.

Daifuku North America Holding Company and its subsidiaries

Orders increased significantly, benefiting from an order for a large project for automobile production line systems as part of the remodeling of a facility in response to new model production. In systems for manufacturers and distributors, orders from the e-commerce sector remained firm. Orders reflected delays in the timing of receiving orders in new projects involving systems for airports, as well as systems for semiconductor production lines.

Sales increased firmly, driven by sales in systems for the semiconductor, automobile, and airport sectors, despite a decrease in systems for manufacturers and distributors due to delays in project progress.

Segment income improved significantly in the absence of extraordinary losses of 6,513 million yen attributable to a buyout of part of the defined benefit pension plan of Jervis B. Webb Company, a subsidiary, and a non-current asset impairment loss of 807 million yen at Wynright Corporation, which were recorded the previous fiscal year.

As a result, Daifuku North America achieved orders of 136,757 million yen, up 24.9% from the same period the previous year, sales of 102,253 million yen, up 5.2%, and segment income of 6,295 million yen, up 1,356.5%.

Clean Factomation, Inc.

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

Orders declined, mainly due to a delay in the recovery in demand for semiconductor memory. Sales fell short of the year-ago level but income held firm.

As a result, Clean Factomation posted orders of 23,804 million yen, down 43.0% from the previous fiscal year, sales of 32,685 million yen, down 4.5%, and segment income of 2,582 million yen, up 1.4%.

Other

The Group has a total of 54 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 manufacture and sell material handling systems and equipment, and car wash machines.

Japan subsidiaries

Daifuku Plusmore Co., Ltd. sells car wash machines in Japan. The company saw firm sales in units including car wash machines for car dealerships and large vehicle wash machines for trucks and buses, backed by demand for car wash machines for service stations accompanying consolidations and tie-ups among oil wholesalers.

Non-Japan subsidiaries

The Group has major production sites in China, Taiwan, South Korea, Thailand, and India, which are playing a global role in the optimal local production and procurement framework.

In China, the construction of OLED factories is expected in the future, despite a decline in capital investment in the FPD sector as a whole. Although systems for manufacturers and distributors performed less strongly than in the previous year, both in terms of orders and sales, demand for systems for the food, pharmaceutical and e-commerce sectors held firm. In the automotive sector, orders were solid and sales rose year on year, reflecting the ties built mainly with Japanese automakers. The segment implemented various initiatives in response to such market conditions, including expanding and renovating factories, opening sales and service centers, and establishing training centers.

In Taiwan, systems for semiconductor production lines remained favorable both in terms of orders and sales.

In South Korea, automobile production line system orders and sales fell, reflecting challenging economic conditions generally.

In ASEAN countries and India, capital investment in the manufacturing industry, including the food, miscellaneous daily goods and pharmaceutical sectors, is brisk especially in India and Vietnam. Non-Japan subsidiaries in these two countries tapped into this demand and the segment also strengthened local production, including building a new factory in Thailand.

BCS Group Limited in New Zealand worked in collaboration with other Group companies to bolster its airport business outside the Oceania region and although it increased sales of products such as self-service baggage check-in systems in Japan, issues in terms of project management remained.

As a result, the segment reported orders of 87,430 million yen, down 16.8% from the previous fiscal year, sales of 93,986 million yen, down 15.2%, and segment income of 2,525 million yen, down 56.1%.

In addition, Daifuku secured a production hub for systems for manufacturers and distributors in India through M&A in April 2019. Moreover, the Company established a subsidiary in Vietnam in August 2019, given that companies from around the world are advancing into that country, which they see as an important production site and automation demand is growing. The Company also acquired companies in the Netherlands and Australia through M&A in the same month to strengthen digital technology in systems for airports.

(2) Financial position

Assets

Total assets at the end of the fiscal year under review stood at 410,887 million yen, an increase of 904 million yen from the end of the previous fiscal year. Current assets decreased by 6,556 million yen, principally reflecting increases of 10,845 million yen in notes and accounts receivable and unbilled receivables and 3,627 million yen in other current assets and a decrease of 20,008 million yen in cash on hand and in banks.

Non-current assets increased by 7,461 million yen, mainly attributable to an increase of 6,161 million yen in buildings and structures.

Liabilities

Total liabilities at the end of the fiscal year under review amounted to 173,531 million yen, a decrease of 13,566 million yen from the end of the previous fiscal year. Current liabilities decreased by 17,266 million yen. Primary factors included decreases of 7,659 million yen in short-term borrowings due to the repayment of borrowings of foreign subsidiaries among others and 10,789 million yen in income taxes payable due to income taxes paid.

Non-current liabilities increased by 3,700 million yen, principally reflecting increases of 1,075 million yen in long-term borrowings centering around borrowings in Japan and 1,976 million yen in other non-current liabilities.

Net assets

Net assets at the end of the fiscal year under review were 237,356 million yen, an increase of 14,471 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 16,569 million yen in retained earnings due to the booking of net income attributable to shareholders of the parent company, as well as a decrease of 1,838 million yen in net unrealized gain (loss) on securities.

(3) Cash flows

Cash and cash equivalents at the end of the fiscal year under review decreased by 20,020 million yen from the end of the previous fiscal year, to 70,883 million yen, compared with 90,903 million yen in the same period of the previous fiscal year.

Individual cash flows and contributing factors were as follows:

Cash flows from operating activities

Cash provided by operating activities totaled 13,502 million yen, compared with cash provided of 8,559 million yen in the same period of the previous fiscal year. This was mainly attributable to an increase of 12,053 million yen in notes and accounts receivable and income taxes paid of 22,316 million yen, offsetting income before income taxes and non-controlling interests of 39,808 million yen and an increase of 2,825 million yen in advances received on uncompleted construction contracts.

Cash flows from investing activities

Cash used in investing activities was 14,791 million yen, compared with cash provided of 5,937 million yen in the same period of the previous fiscal year. Major factors included outlays of 12,815 million yen for the purchase of property, plant and equipment and 2,901 million yen for the purchase of shares in affiliates.

Cash flows from financing activities

Cash used in financing activities was 18,354 million yen, compared with cash used of 6,893 million yen in the same period of the previous fiscal year, mainly attributable to expenditure of 5,064 million yen for the repayment of short-term borrowings of foreign subsidiaries among others and dividend payments of 11,331 million yen.

<Reference> Changes in cash flow indicators

	FY2015	FY2016	FY2017	FY2018	FY2019
Equity ratio (%)	42.9	45.8	50.4	53.3	56.7
Equity ratio based on market capitalization (%)	77.9	111.3	214.8	176.8	209.9
Ratio of interest-bearing liabilities to cash flows (Year)	5.7	1.5	3.3	4.7	2.5
Interest coverage ratio (Times)	14.4	64.8	30.9	20.2	17.4

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

(Note 1) The above indicators are calculated based on the figures in the consolidated financial statements.

(Note 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)

(Note 3) Operating cash flows are used for cash flows.

(Note 4) Interest-bearing liabilities are all liabilities recorded in the consolidated balance sheets that pay interest.

(Note 5) Additionally, interest paid is the amount of interest paid in the consolidated statements of cash flows.

(4) Basic policy for dividends for the fiscal year under review and the following fiscal year

Daifuku regards the return of profits to shareholders as its most important management task and has adopted a performance-based policy for cash dividends based on consolidated net income, with the aim of achieving additional profit distribution to shareholders. We appropriate the remaining surplus to internal reserves for future growth.

Under its four-year medium-term business plan, Value Innovation 2020, Daifuku aims to achieve a dividend payout ratio of 30% and increase its corporate value through investment in growth. For the fiscal year ended March 31, 2020, Daifuku paid an interim dividend of 30 yen per share, and the Board of Directors passed a resolution to pay a year-end dividend of 45 yen per share at a meeting held on May 12, 2020, for an annual dividend of 75 yen per share.

With respect to dividends for the fiscal year ending March 31, 2021, the Company plans to pay an annual dividend of 75 yen (an interim dividend of 30 yen per share and a year-end dividend of 45 yen), taking into consideration the earnings forecast for the fiscal year ending March 31, 2021 and the basic policy described above.

(5) Outlook for the fiscal year ending March 31, 2021

The earnings forecast for the fiscal year ending March 31, 2021 is as follows:

Consolidated earnings forecast for the fiscal year ending March 31, 2021

Orders received	480 billion yen	(down 0.7% year-on-year)
Net sales	460 billion yen	(up 3.7% year-on-year)
Operating income	41.0 billion yen	(up 1.2% year-on-year)
Ordinary income	41.8 billion yen	(up 2.0% year-on-year)
Net income attributable to shareholders of the parent company	29.0 billion yen	(up 3.3% year-on-year)

Daifuku Group's economic and business environment has experienced stagnation and disruption due to the COVID-19 pandemic. However, the pandemic is expected to promote emerging needs, including e-commerce expansion as more people stay at home, demand for more efficient logistics operations and greater demand for semiconductors due to more widespread teleworking and 5G communications. Many of the Group's customers are leading companies in their respective sectors and not only do they have few credit concerns but they also appear to be taking the stance that now when business confidence is low is precisely the time to make forward-looking capital investment. Overall, the Group believes that medium- to long-term growth can still be expected in this operating environment.

Shiga Works, which is the Group's main production site, has hardly been affected by the COVID-19 pandemic at all and the supply chain is also functioning well. The factories, sales offices and service stations of non-Japan subsidiaries are operating in compliance with the guidelines set out by the governments and authorities in the countries where they operate. In China and the U.S., employees are starting to return to work as normal but in parts of Europe and Asia, employees are still working from home. The Group's financial position is strong, with an equity ratio of 56.7% and a debt-to-equity ratio of 0.14, and there are no causes for concern that might significantly damage the Group's financial foundation. Thanks to the development of the global infrastructure of information-communication technology over many years, teleworking has also been smoothly introduced and the pandemic has not posed any significant obstacle to the Group's normal business activities.

The main risks posed by the COVID-19 pandemic include restrictions on movement, working at the office and other activities of the Group and its customers, the delay and stagnation of business activities due to cases of infection, the suspension and discontinuation of customer capital investment as a result of recession, and higher break-even points due to decreased production. In the business environment described above, the Group will put in place its own frameworks to minimize such risks while at the same time giving highest priority to the lives, health and safety of its employees and their families, customers and suppliers to achieve sustainable growth.

The actual exchange rate of 109.25 yen to the U.S. dollar was used for the fiscal year ended March 31, 2020. The same rate is assumed in preparing the plan for the fiscal year ending March 31, 2021. No significant impact from the exchange rate is factored in.

This forecast represents the judgment of the Company based on information presently available. Actual results may differ materially from forecasts due to various uncertainties, including economic and competitive conditions worldwide as well as various risk factors.

2. Management Policy

(1) Basic management policy and medium- and long-term goals

Under its management philosophy: "provide the best solutions to benefit global markets and the development of society" and "focus on healthy, growth-driven global management under a diverse and positive corporate culture," Daifuku has responded to the logistics needs of customers in a variety of sectors, including manufacturing, distribution and services, with its long-established material handling technologies for storage, transport, sortation and picking.

Daifuku Group has strived to provide the best products and services from the standpoint of customers worldwide and has grown to become the world leading material handling equipment manufacturer* in terms of net sales.

*Source: *Modern Materials Handling* (U.S.) - May 2019

The management targets of the four-year business plan Value Innovation 2020 are consolidated net sales of 500 billion yen and an operating margin of 11.5%. Compared to these targets, business results for the fiscal year ended March 31, 2020 were net sales of 443.6 billion yen and an operating margin of 9.1%. Performance was significantly affected by decreased capital investment in the semiconductor and FPD sectors and issues that need to be addressed, such as cost improvement from a global perspective and budget management of large projects, remained.

Meanwhile, in terms of finances, the Group has maintained a ROE of 10% or more, which is the target under Value Innovation 2020, and has established a strong financial position with an equity ratio of 56.7% and a debt-to-equity ratio of 0.14. The Group believes that it is resilient even in the recession phase caused by the COVID-19 pandemic because its customers are leading companies in a wide range of sectors.

Daifuku has four core businesses (i) systems for manufacturers and distributors, (ii) systems for semiconductor and FPD production lines, (iii) systems for automobile production lines, and (iv) systems for airports and its strength lies in its unique portfolio. The Company will not content itself with being the world leading material handling equipment manufacturer in terms of net sales and aims to be world number one in every single business domain and in all its core businesses.

(2) Management environment

1) Business environment

Whilst the outlook for industry in general is unclear due to the COVID-19 pandemic, Daifuku is confident that its customers are facing huge changes in their business environment such as e-commerce, digital transformation, the shift to autonomous driving and electric vehicles, and increased numbers of airline passengers, as well as social challenges such as labor shortages, and expectations are continuously growing for the logistics solutions that Daifuku provides.

2) Competitive environment

As the material handling market expands, competitors from China and emerging countries have been entering the market and growing, joining the traditional competitors from the West. Competition is expected to intensify.

Daifuku will succeed in this highly competitive environment by taking advantage globally of the Group's strength: providing the best systems using its integrated framework from encompassing consulting, manufacturing and after-sales service as well as its product lineup consisting of an abundance of equipment and software and also by focusing on radical cost reforms.

3) Globalization, localization

In the fiscal year ended March 31, 2020, non-Japan sales accounted for 65% of the Group's total sales. However, the extent of globalization varies depending on the business, for example, most sales of systems for the manufacturing and distribution sectors were sales to companies in Japan, whereas in the case of systems for semiconductor and FPD production lines, most customers are non-Japan companies. The "establishment of a global business structure" for drawing up and implementing global strategies aimed at becoming a leader in every business is an important issue that needs to be addressed.

The Group is also working on Group-wide reforms, which will contribute to the "establishment of a global business structure." The Company radically revamped the conventionally complex structure of the subsidiaries of Daifuku North America Holding Company, its largest subsidiary, from a structure based on business, product, region, etc. to a structure based on their customer sector.

As well as promoting globalization, the Group must focus on localization at its non-Japan subsidiaries spread across 26 countries and regions, and it is appointing human resources to lead the implementation of region-based sales, installations, and service activities.

The Group believes that increased in-house production of key products will lead to strength. It has, therefore, actively invested in local production. Starting with South Korea (Daifuku Korea Co., Ltd.) in 2018, the Group increased production in Thailand (Daifuku (Thailand) Ltd.) and China (Daifuku (China) Manufacturing Co., Ltd.), acquired a material handling system manufacturer in India, and commenced operation at a new factory of Wynright Corporation in North America with twice the production capacity of the previous factory, in 2019.

(3) Challenges to address

It is said that the COVID-19 pandemic will trigger the worst economic depression since the Great Depression of the 1930s. The extent and duration of its impact is hard to predict at the present time. All we can say for sure is that businesses will be challenged in all sorts of ways. Fortunately, Daifuku Group is blessed with customers in promising sectors and it also has a great many assets either tangible or intangible. The Group will aim to achieve growth over the medium and long term by solving existing issues and the issues that will emerge in the future one by one.

The biggest existing issue that needs to be addressed is improvement of profitability. The Group plans to tighten project management to eliminate the additional costs, which were incurred in certain large projects in the fiscal year ended March 31, 2020.

The Group must also succeed in competition with fast growing emerging manufacturers, especially in the Asian market. Daifuku has launched various products and systems that have been the first of their kind in Japan and the world in the past, and it will not only continue to be a frontrunner by paying as much attention as possible to market trends and meeting constantly changing needs but will also focus on reducing the cost of development and cost reforms.

The Group continues to see Safety, Compliance, Governance and Environment as important issues.

1) Full enforcement of "safety first"
   The Group will practice human-respect management, establishing a diverse and positive company culture in which every employee can demonstrate his or her creativity. It will also overcome the threat posed by the COVID-19 pandemic and prioritize, above all else, actions to ensure the lives, health and safety of employees and their families, customers and suppliers. With employees involved in production, installation and services, the Group believes that "safety is not a relative comparison such as ranking first and second. It is an absolute and is the most important thing in all situations." As such, the Group will continue to make a united effort to eradicate accidents.

2) Strengthening compliance
   Amid increased public awareness about compliance, in October 2019, the Group integrated its legal affairs and compliance departments to form the Legal Affairs and Compliance Division, with the aim of properly managing legal risks and thoroughly implementing legal compliance initiatives on a global scale.

3) Further strengthening governance
   In the fiscal year ended March 31, 2019, the Company sought to strengthen corporate governance by establishing the Audit Division and appointing an Audit Officer, who is on the same level as a Corporate Officer, as General Manager of the Division. In April 2020, to increase the effectiveness of audits by Audit & Supervisory Board Members, the Company established the Audit & Supervisory Board Office to assist the Audit & Supervisory Board Members in their duties.

4) Environmentally friendly management
   In April 2020, the Company reorganized the Environment Enhancement Management Committee, which

focused exclusively on the environment, into the Sustainability Committee. The Sustainability Committee is chaired by the CEO and implements wide-reaching CSR initiatives.

In addition, based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, to which the Company announced its assent in May 2019, the Company is analyzing the impact of climate change on its operations and formulating a new environmental vision that will start from the fiscal year ending March 31, 2022.

In this way, the Group will deepen its efforts for environment, society, and corporate governance to enhance its corporate and social value.

3. Basic Stance on Selecting Accounting Standards

Daifuku has adopted Japan GAAP. With regard to the adoption of the International Financial Reporting Standards (IFRS), the Company will properly address the issue by taking into consideration the accounting standards adopted by other companies in Japan.

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	FY2018 (Year ended March 31, 2019)	FY2019 (Year ended March 31, 2020)
ASSETS		
Current assets:		
Cash on hand and in banks	90,916	70,907
Notes and accounts receivable and unbilled receivables	191,867	202,712
Merchandise and finished goods	5,497	6,453
Costs incurred on uncompleted construction contracts and other	14,074	11,169
Raw materials and supplies	14,634	15,720
Other current assets	9,475	13,103
Allowance for doubtful accounts	(226)	(383)
Total current assets	326,239	319,683
Non-current assets:		
Property, plant and equipment		
Buildings and structures, net	15,041	21,203
Machinery and vehicles, net	4,379	5,635
Tools and fixtures, net	1,915	2,486
Land	12,162	12,250
Other, net	3,522	5,768
Total property, plant and equipment	37,020	47,343
Intangible assets		
Software	3,425	4,096
Goodwill	7,561	4,891
Other	1,473	1,145
Total intangible assets	12,460	10,133
Investments and other assets		
Investments in securities	15,341	15,182
Long-term loans	145	128
Assets for retirement benefits	4,932	5,708
Deferred tax assets	10,529	9,480
Other	3,510	3,397
Allowance for doubtful accounts	(198)	(169)
Total investments and other assets	34,262	33,727
Total non-current assets	83,742	91,204
Total assets	409,982	410,887

(Million yen)

	FY2018 (Year ended March 31, 2019)	FY2019 (Year ended March 31, 2020)
LIABILITIES		
Current liabilities:		
Notes and accounts payable and construction contracts payable	47,883	46,509
Electronically recorded obligations – operating	23,915	22,587
Short-term borrowings and current portion of long-term borrowings	19,431	11,772
Income taxes payable	13,388	2,599
Advances received on uncompleted construction contracts and other	29,245	33,091
Provision for losses on construction contracts	317	263
Other current liabilities	21,779	21,870
Total current liabilities	155,961	138,695
Non-current liabilities:		
Long-term borrowings	20,569	21,645
Deferred tax liabilities	485	321
Liabilities for retirement benefits	7,459	8,082
Other reserves	141	330
Other non-current liabilities	2,478	4,455
Total non-current liabilities	31,135	34,836
Total liabilities	187,097	173,531
NET ASSETS		
Shareholders’ equity:		
Common stock	31,865	31,865
Capital surplus	21,518	21,987
Retained earnings	162,722	179,292
Treasury stock	(1,449)	(1,430)
Total shareholders’ equity	214,656	231,714
Accumulated other comprehensive income:		
Net unrealized gain (loss) on securities	4,554	2,716
Deferred gain (loss) on hedges	(20)	(89)
Foreign currency translation adjustments	2,003	1,038
Accumulated adjustments on retirement benefits	(2,505)	(2,419)
Total accumulated other comprehensive income	4,032	1,246
Non-controlling interests:	4,195	4,394
Total net assets	222,885	237,356
Total liabilities and net assets	409,982	410,887

(2) Consolidated statements of income and comprehensive income

(Million yen)

	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Net sales	459,486	443,694
Cost of sales	358,230	357,870
Gross profit	101,255	85,824
Selling, general and administrative expenses:		
Selling expenses	18,878	17,791
General and administrative expenses	27,696	27,535
Total selling, general and administrative expenses	46,574	45,326
Operating income	54,681	40,497
Other income:		
Interest income	547	599
Dividend income	417	435
Land and house rental revenue	243	216
Miscellaneous income	629	486
Total other income	1,836	1,739
Other expenses:		
Interest expenses	469	758
Foreign exchange loss	－	308
Other	206	193
Total other expenses	675	1,260
Ordinary income	55,842	40,976
Extraordinary income:		
Gain on sales of property, plant and equipment	27	19
Gain on sales of investments securities	374	971
Gain on sales of shares in affiliates	6,948	－
Other	149	－
Total extraordinary income	7,499	990
Extraordinary loss:		
Loss on sales of property, plant and equipment	92	2
Loss on disposal of property, plant and equipment	215	270
Amortization of goodwill	－	1,693
Retirement benefit expenses	6,897	－
Impairment loss	807	－
Other	－	192
Total extraordinary loss	8,012	2,158
Income before income taxes and non-controlling interests	55,329	39,808
Income taxes - current	20,218	9,389
Income taxes - deferred	(5,077)	1,724
Total income taxes	15,140	11,114
Net income	40,188	28,693
Net income attributable to:		
Shareholders of the parent company	39,567	28,063
Non-controlling interests	620	630

(Million yen)

	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Other comprehensive income		
Net unrealized gain (loss) on securities	(693)	(2,070)
Deferred gain (loss) on hedges	(55)	(68)
Foreign currency translation adjustments	(3,321)	(971)
Adjustments on retirement benefits	5,760	51
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	(1,078)	(7)
Total other comprehensive income (loss)	611	(3,066)
Comprehensive income:	40,800	25,627
Comprehensive income attributable to:		
Shareholders of the parent company	40,116	25,277
Non-controlling interests	683	349

(3) Consolidated statements of changes in net assets

FY2018 (April 1, 2018 - March 31, 2019)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the previous period	31,865	20,717	129,654	(782)	181,454
Cumulative effects of changes in accounting policies			2,940		2,940
Restated balance	31,865	20,717	132,595	(782)	184,394
Changes of items during the previous period					
Cash dividends			(9,440)		(9,440)
Net income attributable to shareholders of the parent company			39,567		39,567
Purchase of treasury stock				(957)	(957)
Disposal of treasury stock		804		290	1,094
Change in treasury shares of parent arising from transactions with non-controlling interests		(3)			(3)
Net changes of items other than shareholders' equity					
Total changes of items during the previous period	－	800	30,127	(666)	30,261
Balance at the end of the previous period	31,865	21,518	162,722	(1,449)	214,656

	Accumulated other comprehensive income						
	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	Non-controlling interests	Total net assets
Balance at the beginning of the previous period	5,358	34	6,360	(5,328)	6,424	3,595	191,474
Cumulative effects of changes in accounting policies				(2,940)	(2,940)		—
Restated balance	5,358	34	6,360	(8,268)	3,484	3,595	191,474
Changes of items during the previous period							
Cash dividends							(9,440)
Net income attributable to shareholders of the parent company							39,567
Purchase of treasury stock							(957)
Disposal of treasury stock							1,094
Change in treasury shares of parent arising from transactions with non-controlling interests							(3)
Net changes of items other than shareholders' equity	(803)	(54)	(4,356)	5,763	548	600	1,148
Total changes of items during the previous period	(803)	(54)	(4,356)	5,763	548	600	31,410
Balance at the end of the previous period	4,554	(20)	2,003	(2,505)	4,032	4,195	222,885

FY2019 (April 1, 2019 - March 31, 2020)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the current period	31,865	21,518	162,722	(1,449)	214,656
Cumulative effects of changes in accounting policies			(150)		(150)
Restated balance	31,865	21,518	162,572	(1,449)	214,506
Changes of items during the current period					
Cash dividends			(11,343)		(11,343)
Net income attributable to shareholders of the parent company			28,063		28,063
Purchase of treasury stock				(551)	(551)
Disposal of treasury stock		466		570	1,036
Change in treasury shares of parent arising from transactions with non-controlling interests		3			3
Net changes of items other than shareholders' equity					
Total changes of items during the current period	—	469	16,720	18	17,208
Balance at the end of the current period	31,865	21,987	179,292	(1,430)	231,714

	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 the beginning of the current period	4,554	(20)	2,003	(2,505)	4,032	4,195	222,885
Cumulative effects of changes in accounting policies							(150)
Restated balance	4,554	(20)	2,003	(2,505)	4,032	4,195	222,734
Changes of items during the current period							
Cash dividends							(11,343)
Net income attributable to shareholders of the parent company							28,063
Purchase of treasury stock							(551)
Disposal of treasury stock							1,036
Change in treasury shares of parent arising from transactions with non-controlling interests							3
Net changes of items other than shareholders' equity	(1,838)	(68)	(965)	85	(2,786)	199	(2,587)
Total changes of items during the current period	(1,838)	(68)	(965)	85	(2,786)	199	14,621
Balance at the end of the current period	2,716	(89)	1,038	(2,419)	1,246	4,394	237,356

(4) Consolidated statements of cash flows

(Million yen)

	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Cash flows from operating activities:		
Income before income taxes and non-controlling interests	55,329	39,808
Depreciation	4,598	5,667
Amortization of goodwill	927	2,520
Interest and dividend income	(964)	(1,035)
Interest expenses	469	758
Impairment loss	807	—
Retirement benefit expenses	6,897	—
Loss (gain) on sales of investments in securities	(374)	(971)
Loss (gain) on sales of shares in affiliates	(6,948)	—
(Loss) gain on disposal or sales of property, plant and equipment	281	252
Decrease (increase) in notes and accounts receivable	(32,172)	(12,053)
Decrease (increase) in inventories	(7,509)	486
Increase (decrease) in notes and accounts payable	4,052	(2,208)
Increase (decrease) in advances received on uncompleted construction contracts	4,279	2,825
Other, net	(5,997)	(934)
Subtotal	23,674	35,115
Interest and dividend income received	964	1,036
Interest paid	(423)	(776)
Income taxes refund (paid)	(16,278)	(22,316)
Other, net	622	441
Net cash provided by (used in) operating activities	8,559	13,502
Cash flows from investing activities:		
Investments in time deposits	(4)	(13)
Proceeds from refund of time deposits	—	3
Payments for purchase of property, plant and equipment	(7,744)	(12,815)
Proceeds from sales of property, plant and equipment	102	55
Payments for purchase of investments in securities	(33)	(354)
Proceeds from sales of investments in securities	410	1,360
Payments for purchase of shares in affiliates	—	(2,901)
Proceeds from sales of shares in affiliates	13,223	—
Collection of loans receivable	6	8
Other, net	(22)	(132)
Net cash provided by (used in) investing activities	5,937	(14,791)

(Million yen)

	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings, net	12,844	(5,064)
Proceeds from long-term borrowings	5,188	1,000
Repayment of long-term borrowings	(12,639)	(2,246)
Redemption of bonds	(2,700)	—
Proceeds from disposal of treasury stock	1,088	1,036
Payments for purchase of treasury stock	(957)	(552)
Payments of cash dividends	(9,428)	(11,331)
Other, net	(290)	(1,195)
Net cash provided by (used in) financing activities	(6,893)	(18,354)
Effect of exchange rate change on cash and cash equivalents	(1,851)	(377)
Net increase (decrease) in cash and cash equivalents	5,751	(20,020)
Cash and cash equivalents at beginning of year	85,152	90,903
Cash and cash equivalents at end of year	90,903	70,883

(5) Notes on consolidated financial statements

Note on going concern assumption

Not applicable

Changes in significant accounting policies

(Adoption of IFRS 16 Leases)

Starting from the beginning of the fiscal year under review, subsidiaries that adopt IFRS apply IFRS 16 Leases.

Due to the adoption of this accounting standard, the lessee recognizes assets and liabilities for all leases, in principle. With the adoption of this accounting standard, in accordance with transition provisions, the right-of-use assets and lease liabilities are recognized at the beginning of the fiscal year under review.

The impact of the above change on the consolidated financial statements for the fiscal year under review is insignificant.

(Adoption of ASC 606 Revenue from Contracts with Customers)

Starting from the beginning of the fiscal year under review, subsidiaries in North America that adopt US GAAP apply ASC 606 Revenue from Contracts with Customers.

With the adoption of this accounting standard, the subsidiaries recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which they expect to be entitled in exchange for those goods or services.

The subsidiaries have elected to apply a practical expedient of recognizing the cumulative effect of initially applying the revenue standard as an adjustment to the opening balance of retained earnings as of the beginning of the fiscal year under review.

The impact of the above change on the consolidated financial statements for the fiscal year under review is insignificant.

Additional information

(Board Benefit Trust)

The Company has introduced the Board Benefit Trust (BBT) system for its directors and corporate officers (hereinafter "Directors, etc."). By introducing the plan, we aim to further clarify the link between remuneration for our directors, etc., and our business performance and stock value. We also seek to provide a greater incentive for directors, etc. to contribute to the improvement of our business performance over the medium and long term and to boosting corporate value by sharing with our shareholders not only the benefits of a rising stock value but also the risks of a decline in stock prices.

(1) Outline of the transaction

The plan is a stock compensation plan linked directly to its business performance by acquiring its stock through the trust using the funds that the Company contributes (hereinafter referred to as "the Trust") and providing remuneration for directors, etc. through the Trust, in accordance with the stock compensation regulations for its officers. The remuneration is the Company's shares commensurate with points granted based on business performance and the monies 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, our stocks are provided to our 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 PITF 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 the shares of the Company, which are held by the Trust and are yet to be sold to the Shareholding Association, as treasury stock in net assets, using the book value (excluding incidental expenses) in the Trust. A meeting of the Company's Board of Directors held on November 8, 2019, resolved to make an additional contribution for the continuation of the plan and, on November 25, 2019, an additional contribution of 90,000 shares totaling 541 million yen was made to the Trust.

The book value and the number of the treasury stock

151 million yen and 75 thousand shares for the fiscal year ended March 31, 2019

680 million yen and 159 thousand shares for the fiscal year ended March 31, 2020

(Transactions of delivering the Company's own stock to employees, etc. through a trust)

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 are 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

823 million yen and 149 thousand shares for the fiscal year ended March 31, 2019

341 million yen and 61 thousand shares for the fiscal year ended March 31, 2020

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

828 million yen for the fiscal year ended March 31, 2019

282 million yen for the fiscal year ended March 31, 2020

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.

From the beginning of the fiscal year under review, Daifuku Plusmore Co., Ltd., which was previously a reportable segment, was included in Other due to its decreased significance. Accordingly, the change in the segment classification is as follows.

Formerly:

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

From the first beginning of the fiscal year under review:

Daifuku Co., Ltd.
Contec Co., Ltd. and its subsidiaries
Daifuku North America Holding Company and its subsidiaries
Clean Factomation, Inc.

2. Methods of calculating the amount of net sales, income or losses, assets, liabilities and other items by reportable segment

   The method of accounting for the reported business segments is based on the principles and procedures of accounting policies adopted for preparing consolidated financial statements. Intersegment sales or transfers are determined based on the prevailing market price.

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

Fiscal year under review (April 1, 2019 - March 31, 2020)

(Million yen)

	Reportable segments					Other*	Total
	Daifuku	Contec	Daifuku North America	Clean Factomation	Subtotal		
Net sales							
Sales to external customers	204,443	16,352	102,253	32,685	355,735	93,986	449,722
Intersegment sales or transfers	38,957	9,382	576	4,520	53,437	15,277	68,714
Total	243,400	25,735	102,830	37,206	409,172	109,263	518,436
Segment income	18,699	1,607	6,295	2,582	29,184	2,525	31,709
Segment assets	277,107	21,585	73,582	23,437	395,712	91,716	487,429
Segment liabilities	91,085	10,192	29,559	15,121	145,960	54,673	200,634
Other							
Depreciation	2,927	394	668	279	4,269	1,398	5,667
Amortization of goodwill	33	132	580	—	746	106	853
Interest income	20	3	278	121	423	218	642
Interest expenses	96	26	0	6	129	671	800
Extraordinary income	298	693	2	0	994	17	1,011
(Gain on sales of property, plant and equipment)	(1)	(0)	(2)	(0)	(3)	(15)	(19)
(Gain on sales of shares of investments in securities)	(296)	(674)	(—)	(—)	(971)	(0)	(971)
Extraordinary loss	4,883	0	70	0	4,955	64	5,019
(Loss on valuation of shares in affiliates)	(4,519)	(—)	(—)	(—)	(4,519)	(—)	(4,519)
(Loss on sales of property, plant and equipment)	(—)	(—)	(—)	(—)	(—)	(2)	(2)
(Loss on disposal of property, plant and equipment)	(183)	(0)	(70)	(0)	(254)	(15)	(270)
Income tax expenses	7,116	653	1,090	702	9,562	1,357	10,920
Increase in property, plant and equipment and intangible assets	6,999	449	4,031	347	11,828	1,392	13,220

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 difference reconsideration)

(Million yen)

Net sales	Fiscal year ended March 31, 2020
Reportable segments total	409,172
Segment net sales classified in “Other”	109,263
Elimination of intersegment transactions	(68,714)
Other adjustment for consolidation	(6,028)
Net sales in consolidated financial statements	443,694

(Million yen)

Segment income	Fiscal year ended March 31, 2020
Reportable segments total	29,184
Segment income classified in “Other”	2,525
Elimination of dividends from affiliates	(5,377)
Other adjustment for consolidation	1,731
Net income in consolidated financial statements	28,063

(Million yen)

Segment assets	Fiscal year ended March 31, 2020
Reportable segments total	395,712
Segment assets classified in “Other”	91,716
Elimination of investment securities in affiliates in consolidation process	(43,019)
Elimination of intercompany receivables	(28,607)
Other adjustment for consolidation	(4,914)
Total assets in consolidated financial statements	410,887

(Million yen)

Segment liabilities	Fiscal year ended March 31, 2020
Reportable segments total	145,960
Segment liabilities classified in “Other”	54,673
Elimination of intercompany payables	(28,607)
Other adjustments for consolidation	1,504
Total liabilities in consolidated financial statements	173,531

(Million yen)

Other items	Reportable segments total	Other	Adjustment	Consolidated total
Depreciation	4,269	1,398	―	5,667
Amortization of goodwill	746	106	-26	826
Interest income	423	218	-42	599
Interest expenses	129	671	-42	758
Extraordinary income	994	17	-20	990
(Gain on sales of property, plant and equipment)	(3)	(15)	(―)	(19)
(Gain on sales of investments in securities)	(971)	(0)	(―)	(971)
Extraordinary loss	4,955	64	-2,860	2,158
(Loss on valuation of shares in affiliates)	(4,519)	(―)	(-4,519)	(―)
(Loss on sales of property, plant and equipment)	(―)	(2)	(―)	(2)
(Loss on disposal of property, plant and equipment)	(254)	(15)	(―)	(270)
(Amortization of goodwill)	(―)	(―)	(1,693)	(1,693)
Income taxes expenses	9,562	1,357	193	11,114
Increase in property, plant and equipment and intangible assets	11,828	1,392	―	13,220

Note: Main items in the adjustment above are as follows.

Loss on valuation of shares in affiliates of 4,519 million yen is due to elimination of a loss on the valuation of shares in affiliates upon consolidation.

Goodwill amortization of 1,693 million yen under extraordinary losses is the amortization of goodwill based on the provisions of the Practical Guideline on the Capital Consolidation Procedure for Consolidated Financial Statements (Accounting Committee Report No. 7, issued by the Japanese Institute of Certified Public Accountants, February 16, 2018).

Related information

Fiscal year under review (April 1, 2019 - March 31, 2020)

1. Information by product and service

(Million yen)

	Logistics systems	Electronics	Other	Total
Net sales to outside customers	410,526	16,363	16,804	443,694

2. Information by geographic area

   Net sales

(Million yen)

Japan	U. S. A.	China	South Korea	Other	Total
155,029	95,178	70,204	43,516	79,765	443,694

Note: Sales are classified into countries or regions based on the location of customers.

Per share information

(Yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net assets per share	1,738.20	1,850.28
Net income per share	314.54	222.96

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 employee shareholding incentive plan through a trust ("E-Ship") and 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 100 thousand shares for the year ended March 31, 2020 and 52 thousand shares for the year ended March 31, 2019 for the E-Ship; and 107 thousand shares for the year ended March 31, 2020 and 78 thousand shares for the year ended March 31, 2019 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 61 thousand shares for the ended March 31, 2020 and 149 thousand shares for the year ended March 31 for the E-Ship; and 159 thousand shares for year ended March 31, 2020 and 75 thousand shares for the year ended March 31, 2019 for the BBT.

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

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net income per share		
Net income attributable to shareholders of the parent company (million yen)	39,567	28,063
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)	39,567	28,063
Weighted average number of common stock issued and outstanding during the year (thousand shares)	125,794	125,867

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

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Total net assets (million yen)	222,885	237,356
Amount deducted from total net assets (million yen)	4,195	4,394
(Of which, non-controlling interests) (million yen)	(4,195)	(4,394)
Total net assets attributable to common stock at fiscal year-end (million yen)	218,689	232,961
The year-end number of common stock used for the calculation of net assets per share (thousand shares)	125,814	125,906

Major subsequent events

Not applicable

5. Other

Changes in officers
(Effective June 26, 2020)

1. Changes in representatives
   Not applicable

2. Candidates for new directors
   Toshiaki Hayashi
   Director and Managing Officer
   Automotive Systems
   Current: Managing Officer, Automotive Systems

3. Directors to retire
   Akio Tanaka
   Director and Senior Adviser

   Mikio Inohara
   Director and Adviser

   Hidenori Iwamoto
   Director and Adviser

   Yoshiyuki Nakashima
   Director and Adviser

4. Audit & supervisory board members to retire
   Tatsujiro Kurosaka
   Audit & Supervisory Board Member