DAIFUKU
Always an Edge Ahead

Daifuku Report 2019

Financial Section

Eleven-Year Summary

Daifuku Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2009 to 2019

	Jump Up for 2010		Material
(Million yen)	2009	2010	2011
For the Year			
Net sales	¥242,182	¥154,208	¥159,263
Cost of sales	195,430	128,195	131,639
Gross profit	46,752	26,012	27,623
Selling, general and administrative expenses	31,736	25,932	25,897
Operating income	15,015	80	1,726
Income before income taxes	13,956	862	703
Net income attributable to shareholders of the parent company	7,851	1,018	269
Capital investment	4,613	2,280	3,221
Depreciation	3,930	3,679	3,577
R&D	8,018	6,075	6,370
Cash Flows			
Cash flows from operating activities	¥ (8,425)	¥ 20,921	¥ 11,417
Cash flows from investing activities	(6,900)	(7,303)	(3,616)
Free cash flows	(15,325)	13,617	7,801
Cash flows from financing activities	16,189	(11,321)	(6,056)
At Year-End			
Total assets	¥194,727	¥165,430	¥163,388
Working capital	75,087	66,265	65,908
Interest-bearing liabilities	55,417	45,295	40,912
Net assets	82,810	81,295	77,714
Shareholders' equity	85,727	83,852	82,454
Number of employees	5,660	5,395	5,209
Amounts per Share of Common Stock			
Net income per share (Yen)	¥ 70.29	¥ 9.20	¥ 2.43
Net assets per share (Yen)	718.68	716.07	683.39
Cash dividends per share (Yen)	26.00	20.00	15.00
Ratios			
Operating income/net sales	6.2%	0.1%	1.1%
Income before income taxes/net sales	5.8	0.6	0.4
Net income/net sales	3.2	0.7	0.2
Return on shareholders' equity (ROE)	9.6	1.3	0.3
Total assets turnover (Times)	1.2	0.9	1.0
Shareholders' equity/total assets	40.9	47.9	46.3
D/E ratio	0.70	0.57	0.54

Notes: 1. The amount of "Capital investment" in the years ended March 31, 2015, 2014, and 2013 includes goodwill generated from acquisition of shares in overseas companies.
2. In the calculation of net assets per share, the amount of non-controlling interests is subtracted from the amount of net assets in accordance with the above guidelines.
3. In the calculation of shareholders' equity/total assets ratio and ROE, shareholders' equity represents the amount of net assets less non-controlling interests.
4. D/E ratio=Interest-bearing liabilities/(Net assets – Non-controlling interests – Bonds with stock acquisition rights)

Handling and Beyond		Value Innovation 2017				Value Innovation 2020	
2012	2013	2014	2015	2016	2017	2018	**2019**
¥198,052	¥202,337	¥241,811	¥267,284	¥ 336,184	¥ 320,825	¥ 404,925	**¥459,486**
165,505	165,340	194,974	215,641	272,832	256,417	321,836	**358,230**
32,546	36,996	46,836	51,642	63,351	64,407	83,089	**101,255**
28,328	28,986	34,279	36,759	42,472	41,308	43,164	**46,574**
4,217	8,010	12,556	14,883	20,878	23,099	39,924	**54,681**
3,129	7,316	12,137	15,211	20,650	23,942	41,059	**55,329**
1,223	4,439	7,740	9,810	13,652	16,746	29,008	**39,567**
2,393	7,687	10,446	7,532	4,210	5,905	6,348	**7,920**
3,612	3,332	3,821	4,157	4,587	4,202	4,419	**4,598**
6,484	6,855	7,490	6,945	7,009	7,489	8,123	**8,615**
¥ (5,187)	¥ 15,666	¥ 20,447	¥ 6,295	¥ 7,206	¥ 26,683	¥ 11,497	**¥ 8,559**
(4,039)	(13,649)	(7,372)	(5,846)	(2,099)	(5,393)	(5,600)	**5,937**
(9,227)	2,016	13,074	448	5,107	21,289	5,897	**14,496**
7,709	88	1,045	(509)	(8,702)	(4,404)	13,444	**(6,893)**
¥185,049	¥206,875	¥249,531	¥271,011	¥ 296,055	¥ 303,540	¥ 373,013	**¥409,982**
61,943	45,832	87,070	91,187	99,293	96,401	137,298	**170,277**
51,010	53,385	58,144	60,547	40,904	39,770	37,967	**40,001**
76,618	85,685	99,690	111,521	130,116	142,340	191,474	**222,885**
82,013	84,486	90,652	98,469	123,669	136,694	181,454	**214,656**
5,617	6,678	7,349	7,746	7,835	8,689	9,193	**9,857**
¥ 11.05	¥ 40.12	¥ 69.96	¥ 88.59	¥ 118.72	¥ 137.58	¥ 235.62	**¥ 314.54**
674.72	754.98	875.14	972.75	1,044.40	1,142.14	1,493.69	**1,738.20**
15.00	15.00	18.00	22.00	30.00	42.00	70.00	**90.00**
2.1%	4.0%	5.2%	5.6%	6.2%	7.2%	9.9%	**11.9%**
1.6	3.6	5.0	5.7	6.1	7.5	10.1	**12.0**
0.6	2.2	3.2	3.7	4.1	5.2	7.2	**8.6**
1.6	5.6	8.6	9.6	11.6	12.6	17.7	**19.5**
1.1	1.0	1.0	1.0	1.1	1.1	1.1	**1.1**
40.3	40.4	38.8	39.8	42.9	45.8	50.4	**53.3**
0.68	0.64	0.60	0.56	0.32	0.29	0.20	**0.18**

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Operating and Financial Review

Business Overview

Fiscal 2018 marked the end of the first two years of the Daifuku Group's four-year medium-term business plan Value Innovation 2020 (April 2017-March 2021). Marking another milestone, the Group also successfully achieved its numerical targets set under the plan. Orders remained strong, driven by large projects such as systems for semiconductor factories in East Asia and North America, and systems for pharmaceutical wholesalers and distributors including e-commerce in Japan. In systems for airports, which non-Japanese subsidiaries have been handling, the Group received orders for large projects in North America. In addition, we built our first track record in Japan, where the demand for facility upgrades is increasing as we approach the 2020 Tokyo Olympics.

Sales were favorable, underpinned by the high level of orders. With an increase in production capacity due to continuous capital investment and through collaboration among the Group companies worldwide, we have improved our supply capacity to meet rapidly increasing demand, which has led to growth in sales.

As a result, the Group received orders 503,399 million yen, up 3.2% from a year earlier, and recorded net sales of 459,486 million yen, up 13.5%.

In terms of profits, operating income rose significantly from a year ago, reflecting increased earnings strength along with higher sales and efforts to cut costs by the parent company Daifuku Co., Ltd. Profits also benefitted from the strong performance of East Asian subsidiaries that handle systems for the semiconductor and flat-panel display (FPD) sectors.

With the transfer of shares of Austria's Knapp AG, which was an equity-method affiliate, Daifuku posted extraordinary income from a gain on sales of shares in affiliates of 6,948 million yen (the balance of consolidated book value).

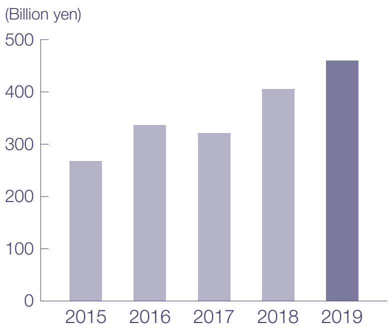
On the other hand, a buyout* of part of the defined benefit pension plan of the consolidated subsidiary, Jervis B. Webb Company (a wholly owned subsidiary of Daifuku North America Holding Company, which oversees operations in North America) resulted in the inclusion of retirement benefit expenses of 6,897 million yen (including consolidated adjustment) under extraordinary losses. The purpose of the transfer of shares of Knapp was to concentrate management resources in the growing markets of Asia and North America. The buyout of the pension plan of Jervis B. Webb was intended to eliminate accounting and financial uncertainties such as pension fund management risk and financial deterioration risk.

*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.

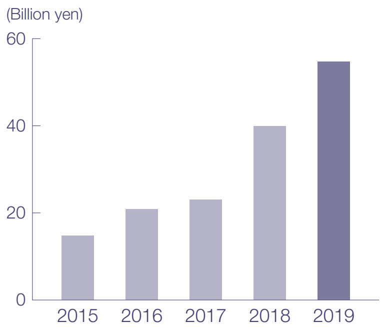
Consequently, the Group posted operating income of 54,681 million yen, up 37.0% from a year earlier, and ordinary income of 55,842 million yen, up 35.9%. Net income attributable to shareholders of parent company was 39,567 million yen, up 36.4%.

ROE improved from the previous fiscal year, from 17.7% to 19.5%. This primarily reflected an improvement in return on sales from 7.2% to 8.6%.

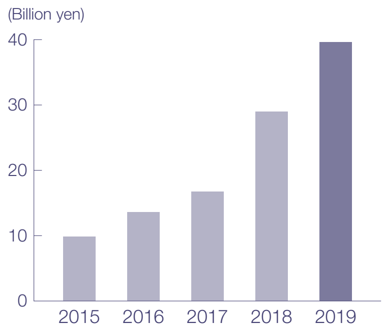
Net Sales



Operating Income



Net Income Attributable to Share-holders of the Parent Company



FY2018 Results

- Orders received: 503,399 million yen
  (up 3.2% from the 487,976 million yen in the previous fiscal year)
- Net sales: 459,486 million yen
  (up 13.5% from the 404,925 million yen in the previous fiscal year)
- Operating income: 54,681 million yen
  (up 37.0% from the 39,924 million yen in the previous fiscal year)
- Ordinary income: 55,842 million yen
  (up 35.9% from the 41,105 million yen in the previous fiscal year)
- Net income attributable to shareholders of the parent company: 39,567 million yen
  (up 36.4% from the 29,008 million yen in the previous fiscal year)
- Comprehensive income: 40,800 million yen
  (up 22.0% from the 33,433 million yen in the previous fiscal year)

Operating Results by Segment

1. Daifuku Co., Ltd.

Orders were robust for systems for semiconductor factories in East Asia and North America through exports to each region, as well as for large systems for manufacturers and distributors in Japan. Orders remained firm in automobile production line systems, mainly for production re-building and development, services and small upgrade projects in Japan.

As for systems for airports, beginning with a project for New Chitose Airport, the first order in Japan, successful steps have been made to establish a steady track record.

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

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

As a result, the Company recorded orders of 231,480 million yen, up 7.2% from the same period of the previous fiscal year, sales of 202,528 million yen, up 8.3%, and segment income of 33,760 million yen, up 33.9%.

2. Contec Co., Ltd. and its affiliates

Industrial computers

In Japan, uncertainty increased due largely to the U.S.-China trade friction, and sales were flat. In the United States, sales of industrial computers for airport security were strong.

Measuring and control boards

Sales of wireless LAN products fell; however, sales of products for the IoT market, including CONPROSYS, increased.

Solution products

Sales of remote monitoring systems and cloud services increased. Sales of repair and maintenance services also rose.

Income increased, reflecting a rise in sales, enhanced productivity, and extraordinary income due to sales of investment securities.

As a result, Contec posted orders of 16,398 million yen, down 0.4% from the previous year, sales of 16,391 million yen, up 4.3%, and segment income of 1,617 million yen, up 77.6%.

3. Daifuku North American Holding Company and its affiliates

Orders for systems for airports and semiconductor production lines remained strong. 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 carefully considering their car model strategies.

Sales fell slightly due mainly to delays in orders and installations.

Operating income improved largely as a result of cost cutting and the end of unprofitable projects. However, segment income was adversely affected by extraordinary losses of 6,513 million yen attributable to a buyout of part of the defined benefit plan of Jervis B. Webb, a subsidiary, and a non-current asset impairment loss of 807 million yen at Wynright Corporation.

As a result, Daifuku North America achieved orders of 109,450 million yen, down 0.9% from the previous fiscal year, sales of 97,186 million yen, down 2.6%, and segment income of 432 million yen, down 85.0%.

4. Clean Factomation, Inc.

Clean Factomation, Daifuku's wholly owned subsidiary in South Korea, continued to record favorable results. The company mainly provides cleanroom transport systems to the country's semiconductor manufacturers and strives to improve peripheral related equipment and develop related improvements. In addition, the company plays an additional role in global production of the same systems in collaboration with Group factories in Japan, China, and Taiwan.

As a result, Clean Factomation posted orders of 41,783 million yen, up 39.6% from the same period of the previous year, sales of 34,211 million yen, up 61.1%, and segment income of 2,545 million yen, up 75.3%

5. Daifuku Plusmore Co., Ltd.

Daifuku Plusmore benefited from firm sales to its main customers, such as car service stations and car dealerships; however, its profits reflected an intensely competitive environment.

The company will promote sales in the car dealerships market and the bus business by launching new products to improve working environments in response to work-style reform. Zechs, a space-saving, gate-type car wash machine for the car dealership market, can be installed in maintenance facilities with limited space. A dryer system for large vehicle washing machines, Z-Blow, was launched to tap into demand for tour buses, which is rising along with the increased number of visitors to Japan.

As a result, Daifuku Plusmore recorded orders of 11,814 million yen, up 6.7% from the previous fiscal year, sales of 11,611 million yen, up 7.7%, and segment income of 91 million yen, down 7.9%.

6. Other

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

China

Orders from FPD factories fell from the fiscal year ended March 31, 2018, when there was a concentration of large projects, but exceeded the initial plan. Sales rose significantly. Meanwhile, in systems for the food, pharmaceutical, auto parts, e-commerce and other distribution sectors, demand for material handling systems is increasing. In the automotive sector, orders, sales and income remained strong, bolstered by brisk capital investment from Japanese automakers.

Taiwan

Orders for systems for leading-edge semiconductor factories increased. Taiwan Daifuku received an award from its customers for its contributions as a supplier.

Daifuku's technology, quality, and ability to execute projects were highly acclaimed.

South Korea

Orders for automobile production line systems and sales of car wash machines were firm. MEGA CLENS750, a new tunnel-type car wash machine, was well received.

ASEAN countries and India

Capital investment in systems for manufacturers, including the food, miscellaneous daily goods, and pharmaceutical sectors, is robust. In particular, demand from the frozen-food sector is rising. In Thailand, the momentum for capital investment in automobile factories is rising. In addition, inquiries from the food, pharmaceutical, and beverage sectors are increasing. Daifuku Thailand started to construct a new factory building on its premises to respond to rising demand in Vietnam and other parts of the ASEAN region.

New Zealand

BCS Group Limited sells airport baggage handling systems, self-service baggage check-in systems, and other products, and is bolstering its business extensively in Western countries and Japan by collaborating with other Group companies.

As a result, the segment reported orders of 93,309 million yen, down 10.4% from the same period the previous year, sales of 99,280 million yen, up 33.2%, and segment income of 5,658 million yen, up 72.2%.

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 fiscal 2018. 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.

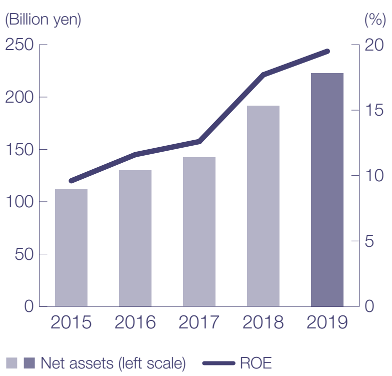
Assets

Total assets at the end of fiscal 2018 stood at 409,982 million yen, an increase of 36,968 million yen from the end of the previous fiscal year. Current assets increased by 40,151 million yen, principally reflecting an increase of 28,765 million yen in notes and accounts receivable and unbilled receivables and an increase of 5,755 million yen in cash on hand and in banks. The former reflected the increased sales. The latter was due to sales of shares in affiliates, and referring mainly to Japan, the collection of notes and accounts receivable for completed contracts of large projects that concluded at the end of the previous fiscal year and advances received on uncompleted construction contracts. Non-current assets decreased by 3,182 million yen, mainly attributable to a decrease of 3,372 million yen in investments and other assets resulting from sales of shares in affiliates among others.

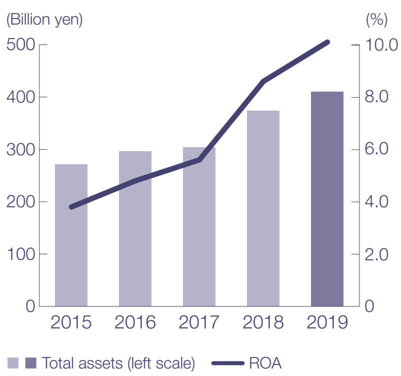
Liabilities

Total liabilities at the end of fiscal 2018 amounted to 187,097 million yen, an increase of 5,557 million yen from

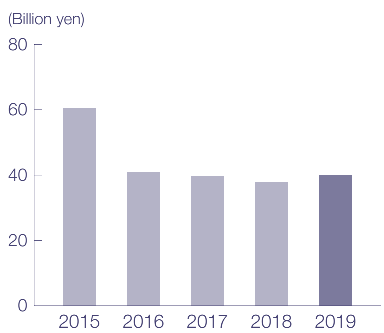
Net Assets and ROE



Total Assets and ROA



Interest-Bearing Liabilities



the end of the previous fiscal year. Current liabilities increased by 7,172 million yen. Primary factors included an increase of 2,164 million yen in short-term borrowings mainly due to an increase in borrowings at foreign subsidiaries and an increase of 3,028 million yen in income taxes payable due to income taxes paid, despite the repayment of current portion of long-term borrowings by Japanese companies. Non-current liabilities decreased by 1,614 million yen, mainly attributable to a decrease of 4,196 million yen in liabilities for retirement benefits and an increase of 2,569 million yen in long-term borrowings centering around borrowings in Japan.

Net Assets

Net assets at the end of fiscal 2018 were 222,885 million yen, an increase of 31,410 million yen from the end of the previous fiscal year. The main factors were an increase of 33,067 million yen in retained earnings due to the recording of net income attributable to shareholders of the parent company and a rise of 2,823 million yen in accumulated adjustments on retirement benefits, which was attributable chiefly to a buyout of part of the defined benefit pension plan of a subsidiary in North America

Cash flows

Cash and cash equivalents at the end of fiscal 2018 increased by 5,751 million yen from the end of the previous fiscal year, to 90,903 million yen, compared with 85,152 million yen in the same period of the previous fiscal year.

Cash flows from operating activities

Cash provided by operating activities totaled 8,559 million yen, compared with cash provided of 11,497 million yen in the same period of the previous fiscal year. Extraordinary items, mainly retirement benefit expenses of 6,897 million yen and a gain on sales of shares in affiliates of 6,948 million yen, are included in income before income taxes, 55,329 million yen. The main factors decreasing cash were an increase in notes and accounts receivable of 32,172 million yen, an increase in inventories of 7,509 million yen, and income taxes paid of 16,278 million yen. Cash was provided principally by an increase in notes and accounts payable of 4,052 million yen and an increase in advances received on uncompleted construction contracts of 4,279 million yen.

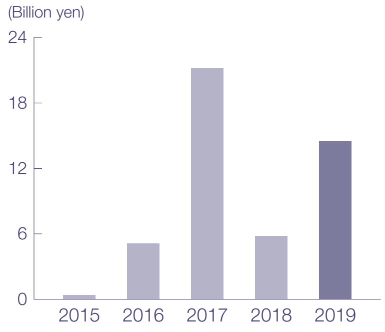
Cash flows from investing activities

Cash provided in investing activities was 5,937 million yen, compared with cash used of 5,600 million yen in the same period of the previous fiscal year. Major factors included proceeds of 13,223 million yen including sales of shares in affiliates, which offset the 7,744 million yen for the purchase of property, plant and equipment.

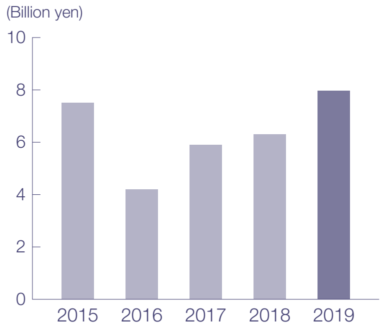
Cash flows from financing activities

Cash used in financing activities was 6,893 million yen, compared with cash provided of 13,444 million yen in the same period of the previous fiscal year, mainly attributable to repayments of long-term borrowings and

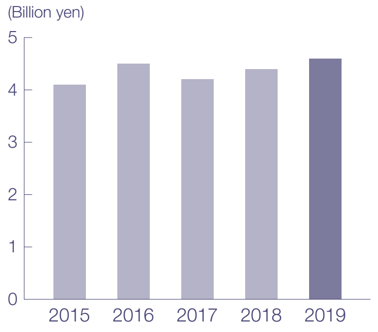
Free Cash Flows



Capital Investment



Depreciation



the redemption of bonds of 15,339 million yen and payments of cash dividends of 9,428 million yen chiefly at Japanese companies, offsetting an increase in short-term borrowings, net of 12,844 million yen at non-Japanese subsidiaries and proceeds from long-term borrowings of 5,188 million yen at Japanese companies.

Capital Investment

During fiscal 2018, the Group's capital investment was 7,920 million yen, which included expenditures mainly in Daifuku Co., Ltd. for maintenance and renewal work on various factory equipment at the Company's Shiga Works.

Funds such as the above-mentioned capital investment are self-financed.

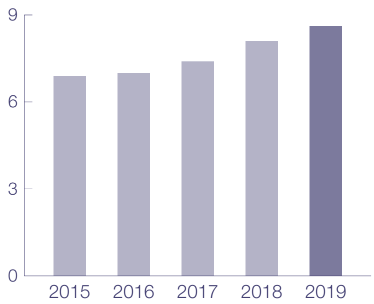
Dividend Policy

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. Under its 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. In line with the above policy and the results of fiscal 2018, Daifuku paid an interim dividend of 30 yen per share, and a year-end dividend of 60 yen per share, thus bringing the annual dividend to 90 yen per share for fiscal 2018.

With respect to dividends for fiscal 2019, Daifuku plans to pay an annual dividend of 90 yen (an interim dividend of 30 yen per share and a year-end dividend of 60 yen), taking into consideration the earnings forecast for fiscal 2019 and the aforementioned policy.

R&D

(Billion yen)



Consolidated Balance Sheets

Daifuku Co., Ltd. and consolidated subsidiaries
March 31, 2019 and 2018

		(Million yen)
	March 31	
ASSETS	**2019**	2018
Current assets:		
Cash on hand and in banks (Notes 9 and 29)	**¥ 90,916**	¥ 85,160
Notes and accounts receivable and unbilled receivables (Note 9)	**191,867**	163,101
Merchandise and finished goods	**5,497**	5,084
Costs incurred on uncompleted construction contracts and other (Note 8)	**14,074**	10,657
Raw materials and supplies	**14,634**	11,296
Other current assets	**9,475**	10,915
Less: allowance for doubtful accounts	**(226)**	(128)
Total current assets	**326,239**	286,088
Non-current assets:		
Property, plant and equipment (Notes 7 and 13):		
Buildings and structures, net	**15,041**	15,091
Machinery and vehicles, net	**4,379**	4,411
Tools and fixtures, net	**1,915**	1,768
Land	**12,162**	11,800
Other, net	**3,522**	2,179
Total property, plant and equipment	**37,020**	35,252
Intangible assets:		
Software	**3,425**	3,208
Goodwill	**7,561**	8,794
Other	**1,473**	2,035
Total intangible assets	**12,460**	14,037
Investments and other assets:		
Investments in securities (Notes 9, 10, and 11)	**15,341**	23,976
Long-term loans	**145**	140
Assets for retirement benefits (Note 14)	**4,932**	3,967
Deferred tax assets (Notes 5 and 28)	**10,529**	6,367
Other	**3,510**	3,319
Less: allowance for doubtful accounts	**(198)**	(136)
Total investments and other assets	**34,262**	37,635
Total non-current assets	**83,742**	86,925
Total assets	**¥409,982**	¥373,013

The accompanying notes are an integral part of these statements.

	(Million yen)	
	March 31	
LIABILITIES	**2019**	2018
Current liabilities:		
Notes and accounts payable and construction contracts payable (Note 9)	**¥ 47,883**	¥ 46,450
Electronically recorded obligations - operating (Note 9)	**23,915**	22,826
Short-term borrowings and current portion of long-term borrowings (Notes 9 and 12)	**19,431**	17,267
Current portion of bonds (Notes 9 and 12)	**—**	2,700
Income taxes payable	**13,388**	10,360
Advances received on uncompleted construction contracts and other	**29,245**	28,298
Provision for losses on construction contracts (Notes 8 and 19)	**317**	562
Other current liabilities (Note 12)	**21,779**	20,322
Total current liabilities	**155,961**	148,789
Non-current liabilities:		
Long-term borrowings (Notes 9 and 12)	**20,569**	18,000
Deferred tax liabilities (Notes 5 and 28)	**485**	531
Liabilities for retirement benefits (Note 14)	**7,459**	11,656
Other non-current liabilities (Note 12)	**2,620**	2,562
Total non-current liabilities	**31,135**	32,749
Total liabilities	**187,097**	181,539
NET ASSETS		
Shareholders' equity (Notes 6 and 17):		
Common stock:		
Authorized—250,000,000 shares		
Issued—126,610,077 shares	**31,865**	31,865
Capital surplus	**21,518**	20,717
Retained earnings	**162,722**	129,654
Less: treasury stock, at cost—March 31, 2019—795,986 shares	**(1,449)**	(782)
March 31, 2018—828,727 shares		
Total shareholders' equity	**214,656**	181,454
Accumulated other comprehensive income:		
Net unrealized gain (loss) on securities	**4,554**	5,358
Deferred gain (loss) on hedges	**(20)**	34
Foreign currency translation adjustments	**2,003**	6,360
Accumulated adjustments on retirement benefits (Note 14)	**(2,505)**	(5,328)
Total accumulated other comprehensive income	**4,032**	6,424
Non-controlling interests		
Non-controlling interests	**4,195**	3,595
Total net assets	**222,885**	191,474
Total liabilities and net assets	**¥409,982**	¥373,013

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income and Comprehensive Income

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2019 and 2018

	2019	2018
		(Million yen)
		March 31
Net sales	**¥459,486**	¥404,925
Cost of sales (Notes 19 and 20)	**358,230**	321,836
Gross profit	**101,255**	83,089
Selling expenses (Note 18)	**18,878**	18,336
General and administrative expenses (Notes 18 and 20)	**27,696**	24,828
Total selling, general and administrative expenses	**46,574**	43,164
Operating income	**54,681**	39,924
Other income:		
Interest income	**547**	223
Dividend income	**417**	388
Equity in earnings of affiliates	**172**	734
Land and house rental revenue	**243**	241
Other	**456**	303
Total other income	**1,836**	1,891
Other expenses:		
Interest expenses	**469**	373
Other	**206**	337
Total other expenses	**675**	711
Ordinary income	**55,842**	41,105
Extraordinary income:		
Gain on sales of property, plant and equipment (Note 22)	**27**	96
Gain on sales of shares in affiliates (Note 24)	**6,948**	—
Other	**523**	45
Total extraordinary income	**7,499**	141
Extraordinary loss:		
Retirement benefit expenses (Note 25)	**6,897**	—
Loss on sales of property, plant and equipment (Note 23)	**92**	46
Loss on disposal of property, plant and equipment (Note 21)	**215**	135
Impairment loss (Note 26)	**807**	—
Other	**—**	5
Total extraordinary loss	**8,012**	187
Income before income taxes	**55,329**	41,059
Income taxes (Note 28)		
Current	**20,218**	11,675
Deferred	**(5,077)**	28
Total income taxes	**15,140**	11,704
Net income	**40,188**	29,355
(Net income attributable to:)		
Shareholders of the parent company	**39,567**	29,008
Non-controlling interests	**620**	346
Other comprehensive income (Note 27)		
Net unrealized gain (loss) on securities	**(693)**	1,097
Deferred gain (loss) on hedges	**(55)**	26
Foreign currency translation adjustments	**(3,321)**	1,154
Retirement benefits reserves adjustments	**5,760**	1,701
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	**(1,078)**	97
Total other comprehensive income (loss)	**611**	4,078
Comprehensive income	**¥ 40,800**	¥ 33,433
(Comprehensive income attributable to:)		
Shareholders of the parent company	**¥ 40,116**	¥ 33,034
Non-controlling interests	**683**	399
		(Yen)
Net income per share (Note 33)	**¥314.54**	¥235.62
Cash dividends per share	**90.00**	70.00

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2019 and 2018

	Number of shares of common stock	Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	(Thousands)					(Million yen)
Balance at March 31, 2017	123,610	¥15,016	¥15,915	¥107,349	¥(1,586)	¥136,694
Cumulative effects of changes in accounting policies	—	—	—	—	—	—
Restated balance	123,610	¥15,016	¥15,915	¥107,349	¥(1,586)	¥136,694
Cash dividends	—	—	—	(6,702)	—	(6,702)
Issuance of new shares	3,000	16,849	—	—	—	16,849
Net income attributable to shareholders of the parent company	—	—	—	29,008	—	29,008
Purchase of treasury stock	—	—	—	—	(15)	(15)
Disposal of treasury stock	—	—	4,802	—	819	5,621
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	(0)	—	—	(0)
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2018	126,610	¥31,865	¥20,717	¥129,654	¥ (782)	¥181,454
Cumulative effects of changes in accounting policies	**—**	**—**	**—**	**2,940**	**—**	**2,940**
Restated balance	**126,610**	**¥31,865**	**¥20,717**	**¥132,595**	**¥ (782)**	**¥184,394**
Cash dividends	**—**	**—**	**—**	**(9,440)**	**—**	**(9,440)**
Issuance of new shares	**—**	**—**	**—**	**—**	**—**	**—**
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 shareholders	**—**	**—**	**(3)**	**—**	**—**	**(3)**
Net changes of items other than shareholders' equity	**—**	**—**	**—**	**—**	**—**	**—**
Balance at March 31, 2019	**126,610**	**¥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
							(Million yen)
Balance at March 31, 2017	¥4,290	¥ (5)	¥5,102	¥(6,989)	¥2,398	¥3,247	¥142,340
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—
Restated balance	¥4,290	¥ (5)	¥5,102	¥(6,989)	¥2,398	¥3,247	¥142,340
Cash dividends	—	—	—	—	—	—	(6,702)
Issuance of new shares	—	—	—	—	—	—	16,849
Net income attributable to shareholders of the parent company	—	—	—	—	—	—	29,008
Purchase of treasury stock	—	—	—	—	—	—	(15)
Disposal of treasury stock	—	—	—	—	—	—	5,621
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	(0)
Net changes of items other than shareholders' equity	1,067	39	1,258	1,660	4,025	347	4,373
Balance at March 31, 2018	¥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**
Cash dividends	**—**	**—**	**—**	**—**	**—**	**—**	**(9,440)**
Issuance of new shares	**—**	**—**	**—**	**—**	**—**	**—**	**—**
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 shareholders	**—**	**—**	**—**	**—**	**—**	**—**	**(3)**
Net changes of items other than shareholders' equity	**(803)**	**(54)**	**(4,356)**	**5,763**	**548**	**600**	**1,148**
Balance at March 31, 2019	**¥4,554**	**¥(20)**	**¥2,003**	**¥(2,505)**	**¥4,032**	**¥4,195**	**¥222,885**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2019 and 2018

		(Million yen)
		March 31
	2019	2018
Cash flows from operating activities:		
Income before income taxes	**¥55,329**	¥41,059
Adjustments for:		
Depreciation	**4,598**	4,419
Impairment loss	**807**	—
Retirement benefit expenses	**6,897**	—
Loss (gain) on sales of shares in affiliates	**(6,948)**	—
Amortization of goodwill	**927**	943
Amortization of negative goodwill	**—**	(59)
Interest and dividend income	**(964)**	(612)
Interest expenses	**469**	373
Loss (gain) on disposal or sales of property, plant and equipment	**281**	82
Decrease (increase) in notes and accounts receivable	**(32,172)**	(37,923)
Decrease (increase) in inventories	**(7,509)**	(4,155)
Increase (decrease) in notes and accounts payable	**4,052**	9,464
Increase (decrease) in advances received on uncompleted construction contracts	**4,279**	(4,462)
Other, net	**(6,371)**	5,275
Subtotal	**23,674**	14,403
Interest and dividend received	**964**	610
Interest paid	**(423)**	(372)
Income taxes refund (paid)	**(16,278)**	(3,493)
Other, net	**622**	350
Net cash provided by (used in) operating activities	**8,559**	11,497
Cash flows from investing activities:		
Investments in time deposits	**(4)**	(0)
Proceeds from refund of time deposits	**—**	3
Payments for purchase of property, plant and equipment	**(7,744)**	(6,417)
Proceeds from sales of property, plant and equipment	**102**	740
Payments for purchase of investments in securities	**(33)**	(24)
Collection of loans receivable	**6**	10
Proceeds from sales of shares in affiliates	**13,223**	—
Other, net	**387**	88
Net cash provided by (used in) investing activities	**5,937**	(5,600)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings, net	**12,844**	(1,400)
Proceeds from long-term borrowings	**5,188**	15,100
Repayment of long-term borrowings	**(12,639)**	(15,605)
Redemption of bonds	**(2,700)**	—
Proceeds from issuance of new shares	**—**	16,697
Proceeds from disposal of treasury stock	**1,088**	5,621
Payments for purchase of treasury stock	**(957)**	(15)
Payments of cash dividends	**(9,428)**	(6,695)
Other, net	**(290)**	(256)
Net cash provided by (used in) financing activities	**(6,893)**	13,444
Effect of exchange rate change on cash and cash equivalents	**(1,851)**	1,018
Net increase (decrease) in cash and cash equivalents	**5,751**	20,361
Cash and cash equivalents at beginning of year	**85,152**	64,790
Cash and cash equivalents at end of year (Note 29)	**¥90,903**	¥85,152

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2019 and 2018

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Daifuku Co., Ltd. (hereinafter "the Company") and its consolidated subsidiaries.

The Company and its domestic subsidiaries have maintained their accounts and records in accordance with the provisions set forth in Japan's Companies Act and in conformity with generally accepted accounting principles prevailing in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

The accounts of its overseas consolidated subsidiaries are based on their accounting records, which are maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries in which the subsidiaries have been incorporated. Necessary adjustments to the accounts of the overseas consolidated subsidiaries have been reflected in the accompanying consolidated financial statements, in all material respects, to present them in conformity with International Financial Reporting Standards or accounting principles generally accepted in the United States of America.

The presentation of the accompanying consolidated financial statements is made in conformity with the "Regulations Concerning Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (ordinance promulgated by the Japanese Cabinet Office) and meets the requirements for disclosure of financial information of the Company on a consolidated basis.

Amounts less than ¥1 million have been rounded down. As a result, the totals shown in the consolidated financial statements and notes thereto do not necessarily agree with the sum of the individual account balances.

2. Summary of significant accounting policies

(1) Principles of consolidation

The consolidated financial statements consist of the accounts of the parent company and 53 subsidiaries as of March 31, 2019.

The domestic consolidated subsidiaries and Daifuku India Private Limited, an overseas consolidated subsidiary, adopt the same fiscal year as the Company. Forty-seven (47) overseas consolidated subsidiaries adopt the fiscal year ending December 31. For the consolidation of these overseas subsidiaries, the Company makes appropriate adjustments for any material transactions subsequent to December 31.

The Company has one affiliate, Kunming Logan-KSEC Airport Logistics System Company Ltd., as of March 31, 2019, which is accounted for using the equity method. For equity-method affiliate that have a different fiscal year from the Company's, the financial statement for the fiscal year of the affiliate is used. For the year ended March 31, 2019, Knapp AG, an equity-method affiliate in Austria, was excluded from the Company's equity-method affiliates, as a result of transferring all shares held by the Company.

The Company has one affiliate, IKS Co., Ltd., which is not accounted for using the equity method but using the cost method since total assets, net sales, net income or loss (the amount corresponding to equity interests), and retained earnings (the amount corresponding to equity interests), etc. of the affiliates are not deemed to have a significant impact on the Company's consolidated financial statements as a whole. The number of non-equity-method affiliates is the same as the year ended March 31, 2018.

All significant intercompany transactions, account balances, and unrealized profit among the consolidated group have been eliminated.

(2) Translation of foreign currencies

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

The balance sheet accounts of the overseas consolidated subsidiaries and affiliates are translated into Japanese yen at year-end exchange rates, except for shareholders' equity, which is translated at the historical exchange rates. Revenue and expense accounts of the overseas consolidated subsidiaries and affiliates are translated into Japanese yen at the average exchange rates for the year.

The translation differences in Japanese yen arising from the use of different rates are recorded as "Foreign currency translation adjustments" and "Non-controlling interests" in the consolidated balance sheets.

(3) Cash and cash equivalents

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

(4) Inventories

Inventories are stated at the lower of cost or market. The costs of components relating to material handling systems and "Raw materials and supplies" are determined using the moving-average method, while the specific identification method is used for other inventories.

(5) Financial instruments

(a) Derivatives

All derivatives are stated at fair value.

(b) Securities

Under the Japanese accounting standard for financial instruments, securities are classified into four categories: “Trading securities,” “Held-to-maturity debt securities,” “Investments in subsidiaries and affiliates” and “Other securities.”

“Trading securities” are the securities that are held for the purpose of generating profits from short-term changes in prices. “Held-to-maturity debt securities” are debt securities the Company intends to hold to maturity.

The Company and its subsidiaries also have “Investments in non-consolidated subsidiaries and affiliates” and “Other securities.”

“Investments in non-consolidated subsidiaries and affiliates” are stated at cost, and costs of securities sold are determined based on the moving average method.

“Other securities” for which market quotations are available are stated at fair value. Unrealized gain or loss on securities is included as a component of net assets in the consolidated balance sheets, and costs of securities sold are determined based on the moving average method.

“Other securities” for which market quotations are unavailable are stated at cost, and costs of securities sold are determined based on the moving average method.

(c) Hedge accounting

(i) Gains or losses arising from changes in fair value of the derivatives designated as “Hedging instruments” are deferred as assets or liabilities and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The interest rate swaps that qualify for the exceptional treatment in hedge accounting are not revalued to market value, but the differences paid or received under the swap agreements are recognized and included in interest expense or income.

The forward foreign exchange contracts and currency swaps that qualify for the exceptional treatment in hedge accounting are not revalued to market value, but the assets and liabilities denominated in foreign currencies hedged by the forward foreign exchange contracts are translated at the contractual rates of exchange.

(ii) The derivatives designated as hedging instruments by the Company are mainly forward exchange contracts, currency swap agreements and interest swap agreements. The corresponding hedged items are accounts receivable and payable, future transactions denominated in foreign currencies, borrowings denominated in foreign currencies, and long-term bank borrowings.

The Company has a policy to utilize the above hedging instruments in order to reduce the Company’s exposure to the risk of fluctuations in foreign exchange and interest rates. Thus, the Company’s purchases of hedging instruments are limited to, at maximum, the amounts of the hedged items.

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

(6) Depreciation and amortization

(a) Property, plant and equipment (excluding leased assets)

Property, plant and equipment are stated at cost. Depreciation of these assets of the Company and its domestic consolidated subsidiaries is computed principally on the declining-balance method, at rates based on the estimated useful lives of the assets. Depreciation of buildings, acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016 is computed on the straight-line method, at rates based on the estimated useful lives of the assets. The estimated useful life over which the asset is depreciated and the treatment of residual value of the Company and its domestic consolidated subsidiaries are principally determined according to the same standards set out in the Corporation Tax Act of Japan.

Depreciation of the assets of the overseas consolidated subsidiaries is computed principally on the straight-line method.

(b) Intangible assets (excluding leased assets)

Intangible assets are principally amortized on the straight-line method.

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

(c) Leased assets

Finance lease transactions that transfer ownership:

The leased assets are depreciated using the same method as the assets in the Company’s possession.

Finance lease transactions that do not transfer ownership:

The leased assets are fully depreciated using the straight-line method over the lease term, which represents the expected useful life. However, the leased assets with guaranteed residual value are depreciated to the amount of the residual value.

(7) Amortization of goodwill and negative goodwill

Goodwill is amortized on the straight-line basis over its estimated useful life, which is a period of investment effects expected. However, in case of immaterial goodwill, it is fully amortized when it arises. Furthermore, the negative goodwill recognized before March 31, 2010, is amortized on the straight-line basis over its estimated useful life.

(8) Allowance for doubtful accounts

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

(9) Liabilities for retirement benefits

(a) Allocation method of projected retirement benefits to periods of services

In calculating the retirement benefit obligations, the benefit formula method is used to allocate projected retirement benefits for the year ended March 31, 2019.

(b) Amortization methods of prior service costs and actuarial gains and losses

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

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

(10) Provision for losses on construction contracts

Provision for losses on construction contracts is provided based on estimated amounts of losses from uncompleted construction contracts as of the end of the fiscal year.

(11) Accounting policy for significant revenues and expenses

Accounting policy for recognition of revenues and costs of construction work is as follows:

(a) Construction work, for which the outcome of the percentage completed at the balance sheet date is deemed certain:

Percentage-of-completion method (in which the percentage of completion is estimated based on the percentage of cost incurred relative to the estimated total cost)

(b) Other construction work:

Completed-contract method

(12) Japanese consumption taxes

Consumption taxes withheld by the Company and its domestic consolidated subsidiaries on sales of products are not included in the amount of "Net sales" in the accompanying consolidated statements of income and comprehensive income. Equally, any consumption taxes borne by the Company and its domestic consolidated subsidiaries on goods, services, and expenses are not included in the accompanying consolidated statements of income and comprehensive income, but are recorded as an asset or liability in the consolidated balance sheets.

3. Changes in significant accounting policies

(1) Adoption of IFRS 15 Revenue from Contracts with Customers

From the beginning of the year ended March 31, 2019, the Daifuku 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 year ended March 31, 2019 is insignificant.

(2) Adoption of Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

The subsidiaries in North America that have adopted the U.S. standards adopted ASU 2018-02 Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (February 14, 2018) for the year ended March 31, 2019.

The adoption resulted in a ¥2,940 million increase in retained earnings and a ¥2,940 million decrease in accumulated adjustments on retirement benefits at the beginning of the year ended March 31, 2019. It does not have any impact on income or per share information for the year ended March 31, 2019.

4. Accounting standards and related guidance issued but have not yet been applied

(1) An accounting standard and related guidance issued before March 31, 2019 but have not yet been applied among the Company and its domestic consolidated subsidiaries are as follows:

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30; March 30, 2018)

(a) Overview

In May 2014, the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly issued Revenue from Contracts with Customers (IASB's IFRS 15 and FASB's Topic 606), a jointly developed global revenue recognition standard. IFRS 15 is applicable for periods commencing on or after January 1, 2018 and Topic 606 is applicable for periods commencing after December 15, 2017. In light of these developments, the Accounting Standards Board of Japan (ASBJ) developed and issued the Accounting Standard for Revenue Recognition together with the Implementation Guidance on Accounting Standard for Revenue Recognition.

In developing the Accounting Standard for Revenue Recognition, the ASBJ's policy was to incorporate and build on all the core principles of IFRS 15 from the viewpoint of increasing financial statements comparability which is one of the benefits of alignment with IFRS 15, but to consider additional alternative treatments where they would make application in Japan easier, to the extent that this would not impair international comparability.

(b) Planned date of application

The standard and related guidance will be applied from the beginning of the year ending March 31, 2022.

(c) Impact of applying the accounting standard and related guidance

The financial impact of applying the accounting standard and related guidance is under review.

(2) Accounting standards revised before March 31, 2019 but have not yet been applied among overseas consolidated subsidiaries are as follows:

• Revenue from contracts with customers (FASB, ASU 2014-09 and other)

(a) Overview

This revised standard provides a single and comprehensive model on revenue recognition to be applied to all contracts with customers.

(b) Planned date of application

This revised standard will be applied from the fiscal year beginning on or after April 1, 2019.

(c) Impact of applying the revised accounting standard

The financial impact of applying the revised accounting standard is insignificant.

• Leases (IASB, IFRS 16)

(a) Overview

This revised standard provides an accounting standard for lease transaction.

(b) Planned date of application

This revised standard will be applied from the fiscal year beginning on or after April 1, 2019.

(c) Impact of applying the revised accounting standard

The financial impact of applying the revised accounting standard is insignificant.

• Leases (FASB, ASU 2016-02)

(a) Overview

This revised standard provides an accounting standard for lease transaction.

(b) Planned date of application

This revised standard will be applied from the fiscal year beginning on or after April 1, 2020.

(c) Impact of applying the revised accounting standard

The financial impact of applying the revised accounting standard is under review.

5. Changes in method of presentation

Change according to adoption of Partial Amendments to Accounting Standard for Tax Effect Accounting

The Group has adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the year ended March 31, 2019. Accordingly, “Deferred tax assets” are classified as investments and other assets, and “Deferred tax liabilities” as non-current liabilities for the year ended March 31, 2018. As a result, ¥4,289 million, which were previously included in ¥4,988 million of “Deferred tax assets” in current assets are included in ¥6,367 million of “Deferred tax assets” in investment and other assets, and ¥19 million, which were previously presented as “Deferred tax liabilities” in current liabilities are included in “Deferred tax liabilities” of ¥531 million in non-current liabilities. “Deferred tax assets” are offset by “Deferred tax liabilities” at the same taxable entities, which results in a ¥698 million decrease in total assets for the year ended March 31, 2018.

6. Additional information

(1) Board Benefit Trust (BBT)

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

The system further clarifies the linkage of the remuneration for Directors, etc. with the Company’s business performance as well as its stock value, which enables Directors, etc. to share not only the benefit of increase in stock value but also the risk of decrease in stock value with shareholders. It is expected to motivate Directors, etc. to contribute to improving the Company’s business performance in the medium and long terms and boosting corporate value.

(a) Outline of the transaction

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

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

(b) The Company's shares still held by the Trust

The Company records the shares of the Company, which are held by the Trust, as treasury stock in net assets, at its carrying amounts (excluding incidental expenses) in the Trust. The carrying amount and the number of the treasury stock were ¥151 million and 75 thousand shares, respectively, as of March 31, 2019.

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

Under the resolution adopted at the Board of Directors' meeting on November 22, 2018, the Company introduced an employee shareholding incentive plan through a trust (E-Ship; "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 in 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.

(a) Overview

The Plan is an incentive plan for all employees who are members of the Daifuku Employee Shareholding Association ("the Shareholding Association"). In 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 sale of shares is accumulated in the E-Ship Trust upon termination of the trust, the equivalent of gains will be distributed to qualified beneficiaries as residual assets. Since the Company provides loan guarantees for the E-Ship's borrowings to purchase shares of the Company, the Company will repay the debt under the guarantee agreement, if the equivalent of losses on sale of shares is accumulated in the E-Ship Trust due to falls in the Company's stock price, and if the E-Ship still has outstanding debts equivalent to losses on sale of shares at its termination.

(b) 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 carrying amount (excluding incidental expenses) in the Trust.

The carrying amount of treasury stock still held by the E-Ship Trust was ¥ 823 million and the number of treasury stock still held by the E-Ship Trust was 149 thousand shares as of March 31, 2019.

(c) The carrying amount of borrowings recorded using the gross method

The carrying amount of borrowings recorded using the gross method was ¥828 million as of March 31, 2019.

7. Accumulated depreciation of property, plant and equipment

Accumulated depreciation of property, plant and equipment was ¥54,160 million and ¥53,149 million as of March 31, 2019 and 2018, respectively.

8. Inventories related to construction contracts with probable loss and provision for losses on construction contracts

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

The amount of inventories related to construction contracts with probable loss, for which provision for losses on construction contracts is provided, totaled ¥55 million and ¥33 million as of March 31, 2019 and 2018, respectively.

9. Financial instruments

(1) Status of financial instruments

(a) Policy for financial instruments

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

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

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

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

Derivative transactions are executed in accordance with the Company's internal derivative control regulations, which include transaction authorization, administrative structure, and minimum credit ratings for counterparties. For information regarding hedging instruments, hedged items, policy on hedging, evaluation methods for hedge effectiveness, refer to "Hedge accounting" described under the previously specified "Summary of significant accounting policies."

(c) Supplementary explanation concerning fair values of financial instruments

The fair values of financial instruments include values based on the market price, and rationally calculated values in cases where market price is not readily available. In the calculation of such values, variable factors are also taken into consideration, and, therefore, the values calculated may vary if different factors or assumptions are employed. The contract amounts and other information provided in Note 16 "Derivatives and hedging activities" are not necessarily indicative of the amounts of the actual market risk involved in derivative transactions.

(2) Fair values of financial instruments

The balance sheet carrying amounts, fair values, and unrealized gains/losses of the financial instruments as of March 31, 2019 and 2018 are as presented below. However, the financial instruments whose fair values are not readily determinable are excluded from these tables (see [Note 2] below):

For the year ended March 31, 2019:

(Million yen)

	Carrying amount on consolidated balance sheets	Fair value	Variance
(1) Cash on hand and in banks	¥ 90,916	¥ 90,916	¥—
(2) Notes and accounts receivable and unbilled receivables	191,867	191,867	—
(3) Investments in securities			
"Other securities"	13,862	13,862	—
Total assets	¥296,647	¥296,647	¥—
(1) Notes and accounts payable and construction contracts payable	¥ 47,883	¥ 47,883	¥—
(2) Electronically recorded obligations - operating	23,915	23,915	—
(3) Short-term borrowings and current portion of long-term borrowings	19,431	19,431	—
(4) Long-term borrowings	20,569	20,595	25
Total liabilities	¥111,800	¥111,825	¥25
Derivative transactions (*)	¥ (43)	¥ (43)	¥—

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

[Note 1] Calculation methods of fair values of financial instruments and related information concerning investment in securities and derivative transactions:

Assets

(1) Cash on hand and in banks, (2) Notes and accounts receivable and unbilled receivables

These assets are recorded at their carrying amounts because their fair values approximate the carrying amounts reflective of their short-term maturity nature.

(3) Investments in securities

The fair values of equity securities are determined using the quoted prices at the stock exchange. For information concerning securities classified by holding purposes, see Note 10 "Investments in securities."

Liabilities
(1) Notes and accounts payable and construction contracts payable, (2) Electronically recorded obligations - operating, (3) Short-term borrowings and current portion of long-term borrowing

These liabilities are recorded at their carrying amounts because their fair values approximate the carrying amounts reflective of their short-term maturity nature.
(4) Long-term borrowings
The fair values of long-term borrowings are determined by discounting the aggregate amounts of the principal and interests using estimated interest rates assuming that the similar borrowings are newly made. Long-term borrowings bearing variable interest rates (floating-rate borrowings) are subject to the exceptional treatment applicable to interest rate swap transactions or currency swap transactions (see Note 16 “Derivatives and hedging activities”) and, therefore, their fair values are determined by discounting the aggregate amounts of the principal and interests (that are accounted for together with the relevant interest rate swap transactions or currency swap transactions) in the same manner.

Derivative transactions
Please refer to Note 16 “Derivatives and hedging activities.”

For the year ended March 31, 2018:

(Million yen)

	Carrying amount on consolidated balance sheets	Fair value	Variance
(1) Cash on hand and in banks	¥ 85,160	¥ 85,160	¥ —
(2) Notes and accounts receivable and unbilled receivables	163,101	163,101	—
(3) Investments in securities			
“Other securities”	15,453	15,453	—
Total assets	¥263,716	¥263,716	¥ —
(1) Notes and accounts payable and construction contracts payable	¥ 46,450	¥ 46,450	¥ —
(2) Electronically recorded obligations - operating	22,826	22,826	—
(3) Short-term borrowings and current portion of long-term borrowings	17,267	17,267	—
(4) Current portion of bonds	2,700	2,700	—
(5) Long-term borrowings	18,000	17,969	(30)
Total liabilities	¥107,245	¥107,215	¥(30)
Derivative transactions (*)	¥ 49	¥ 49	¥ —

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

[Note 1] Calculation methods of fair values of financial instruments and related information concerning investment in securities and derivative transactions:
Assets
(1) Cash on hand and in banks, (2) Notes and accounts receivable and unbilled receivables
These assets are recorded at their carrying amounts because their fair values approximate the carrying amounts reflective of their short-term maturity nature.
(3) Investments in securities
The fair values of equity securities are determined using the quoted prices at the stock exchange. For information concerning securities classified by holding purposes, see Note 10 “Investments in securities.”

Liabilities
(1) Notes and accounts payable and construction contracts payable, (2) Electronically recorded obligations - operating, (3) Short-term borrowings and current portion of long-term borrowings, (4) Current portion of bonds
These liabilities are recorded at their carrying amounts because their fair values approximate the carrying amounts reflective of their short-term maturity nature.
(5) Long-term borrowings
The fair values of long-term borrowings are determined by discounting the aggregate amounts of the principal and interests using estimated interest rates assuming that the similar borrowings are newly made. Long-term borrowings bearing variable interest rates (floating-rate borrowings) are subject to the exceptional treatment applicable to interest rate swap transactions or currency swap transactions (see Note 16 “Derivatives and hedging activities”) and, therefore, their fair values are determined by discounting the aggregate amounts of the principal and interests (that are accounted for together with the relevant interest rate swap transactions or currency swap transactions) in the same manner.

Derivative transactions
Please refer to Note 16 “Derivatives and hedging activities.”

[Note 2] Financial instruments, of which fair values are not readily determinable as of March 31, 2019 and 2018:
For the year ended March 31, 2019:

(Million yen)

Category	Carrying amount on consolidated balance sheets
Unlisted securities	**¥1,478**

For the year ended March 31, 2018:

(Million yen)

Category	Carrying amount on consolidated balance sheets
Unlisted securities	¥8,522

These securities have no quoted market prices, and the future cash flows thereof are not estimable. As their fair values are not readily determinable, they are excluded from “Assets (3) Investments in securities.” The unlisted securities include the investments in non-consolidated subsidiaries and affiliates, amounting to ¥276 million and ¥7,937 million as of March 31, 2019 and 2018, respectively.

[Note 3] The expected settlement subsequent to the balance sheet date for monetary assets and investments in securities with maturity dates:
For the year ended March 31, 2019:

(Million yen)

	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Cash on hand and in banks	**¥ 90,916**	**¥—**	**¥—**	**¥—**
Notes and accounts receivable and unbilled receivables	**191,867**	**—**	**—**	**—**
Total	**¥282,784**	**¥—**	**¥—**	**¥—**

For the year ended March 31, 2018:

(Million yen)

	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Cash on hand and in banks	**¥ 85,160**	¥—	¥—	¥—
Notes and accounts receivable and unbilled receivables	**163,101**	—	—	—
Total	**¥248,262**	¥—	¥—	¥—

[Note 4] The expected redemption subsequent to the balance sheet date for bonds, long-term borrowings, and other interest-bearing liabilities:
For the year ended March 31, 2019:

(Million yen)

	Due within one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Short-term borrowings and current portion of long-term borrowings	**¥16,931**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥—**
Bonds	**—**	**—**	**—**	**—**	**—**	**—**
Long-term borrowings	**2,500**	**200**	**2,569**	**15,100**	**2,700**	**—**
Total	**¥19,431**	**¥200**	**¥2,569**	**¥15,100**	**¥2,700**	**¥—**

For the year ended March 31, 2018:

(Million yen)

	Due within one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Short-term borrowings and current portion of long-term borrowings	¥17,267	¥ —	¥ —	¥ —	¥ —	¥—
Bonds	2,700	—	—	—	—	—
Long-term borrowings	—	2,500	200	200	15,100	—
Total	¥19,967	¥2,500	¥200	¥200	¥15,100	¥—

10. Investments in securities

"Other securities" with carrying amounts on the consolidated balance sheets that exceed their acquisition costs were as follows:

(Million yen)

			March 31, 2019
	Acquisition cost	Carrying amount on consolidated balance sheets	Difference
Investments in securities:			
Equity securities	**¥7,121**	**¥13,338**	**¥6,216**

(Million yen)

			March 31, 2018
	Acquisition cost	Carrying amount on consolidated balance sheets	Difference
Investments in securities:			
Equity securities	¥7,318	¥15,118	¥7,800

"Other securities" with carrying amounts on the consolidated balance sheets that do not exceed their acquisition costs were as follows:

(Million yen)

			March 31, 2019
	Acquisition cost	Carrying amount on consolidated balance sheets	Difference
Investments in securities:			
Equity securities	**¥585**	**¥524**	**¥(60)**

			(Million yen)
			March 31, 2018
	Acquisition cost	Carrying amount on consolidated balance sheets	Difference
Investments in securities:			
Equity securities	¥386	¥335	¥(50)

The acquisition costs in the above tables are representative of carrying amounts after impairment adjustment.

No impairment loss was recorded for the year ended March 31, 2019.

In general, the Company recognizes an impairment loss when the fair value of the security decreases by 50% or more from its acquisition cost as it is deemed as a significant decline. Furthermore, the Company recognizes an impairment loss when the fair value of the security continuously decreases for two years by 40% or more and below 50% from the acquisition cost.

"Held-to-maturity debt securities" as of March 31, 2019 and 2018:
Omitted due to no material securities being held

"Held-to-maturity debt securities" sold during the years ended March 31, 2019 and 2018:
Not applicable

"Other securities" sold during the years ended March 31, 2019 and 2018 were as follows:
For the year ended March 31, 2019:

		(Million yen)
	Sale value	Gain on sales
Investments in securities:		
Equity securities	**¥422**	**¥374**

For the year ended March 31, 2018:
Not applicable

11. Investments in non-consolidated subsidiaries and affiliates

Investments in non-consolidated subsidiaries and affiliates that are included in "Investments in securities" were as follows:

		(Million yen)
March 31	**2019**	2018
Investments in securities:		
Equity securities	**¥276**	¥7,937

12. Short-term borrowings, long-term borrowings, bonds, and lease obligations

Short-term borrowings are principally bank borrowings.

The weighted average interest rate applicable to the short-term borrowings outstanding as of March 31, 2019 was 3.4%.

Short-term borrowings outstanding as of March 31, 2019 and 2018 were as follows:

		(Million yen)
March 31	**2019**	2018
Borrowings from banks:		
Unsecured	**¥16,931**	¥4,743

Long-term borrowings are principally bank borrowings.

The weighted average interest rate applicable to the portion due within one year of long-term borrowings outstanding as of March 31, 2019 was 0.9%. The weighted average interest rate applicable to the long-term borrowings outstanding as of March 31, 2019 was 0.4%.

Long-term borrowings and bonds outstanding as of March 31, 2019 and 2018 were as follows:

		(Million yen)
March 31	2019	2018
Borrowings, principally from banks:		
Secured and unsecured	**¥23,069**	¥30,523
Less: portion due within one year	**2,500**	12,523
Subtotal	**20,569**	18,000
Bonds		
0.50% yen unsecured bonds, due 2019	**—**	700
0.73% yen unsecured bonds, due 2019	**—**	2,000
Subtotal	**—**	2,700
Total	**¥20,569**	¥20,700

The 0.50% unsecured bonds in the principal amount of ¥700 million, due 2019, issued on March 25, 2014 were issued in Japan at their face value.

The 0.73% unsecured bonds in the principal amount of ¥2,000 million, due 2019, issued on March 25, 2014 were issued in Japan at their face value.

Borrowings details

The analysis of long-term borrowings with maturity within five years after March 31, 2019, other than the portion due within one year was as follows:

	(Million yen)
Due after one year and within two years	¥ 200
Due after two years and within three years	2,569
Due after three years and within four years	15,100
Due after four years and within five years	2,700
Total	¥20,569

Lease obligations details

Lease obligations outstanding as of March 31, 2019 and 2018 were as follows:

		(Million yen)
March 31	2019	2018
Lease obligations	**¥1,247**	¥1,368
Less: portion due within one year	**238**	312
Total	**¥1,009**	¥1,056

[Note 1] Average interest rates of lease obligations are not provided herein because, on the consolidated balance sheets, the amounts of lease obligations are presented inclusive of interest expenses as part of the total lease payments.

[Note 2] The analysis of lease obligations with maturity within five years after March 31, 2019, other than the portion due within one year was as follows:

	(Million yen)
Due after one year and within two years	¥155
Due after two years and within three years	217
Due after three years and within four years	121
Due after four years and within five years	111
Total	¥604

[Note 3] To secure timely and efficient financing of working capital, the Group entered into and maintains lending commitments with six banks that provide lines of credit up to ¥20,000 million in total.

13. Asset retirement obligations details

Since the amounts of asset retirement obligations as of March 31, 2019 and 2018 were less than 1% of the total liabilities and net assets as of March 31, 2019 and 2018, asset retirement obligations details have been omitted.

14. Retirement benefit plan

Employees who terminate their services with the Company or its domestic consolidated subsidiaries are, under most circumstances, entitled to lump-sum severance indemnities determined by reference to current basic rates of pay, length of service, and conditions under which the terminations occur. The Company and its domestic consolidated subsidiaries have defined contribution plans and a hybrid type of pension plans (cash balance plans).

In addition, the Company contributed certain marketable equity securities to an employee retirement benefit trust, which is included in the plan assets.

Certain of the overseas consolidated subsidiaries have defined contribution plans as well as defined benefit plans.

In defined contribution plans in certain consolidated subsidiaries, liabilities for retirement benefits and retirement benefit expenses are calculated using the simplified method.

The cash balance plan is a defined benefit pension plan, which was established by the Company and its domestic consolidated subsidiaries. This plan is a multiple employer plan. Notes for the retirement benefits based on the multiple employer plan are included in the notes for the retirement benefits based on defined contribution plans below.

(1) Movements in retirement benefit obligations (excluding the plans using the simplified method) for the years were as follows:

(Million yen)

March 31	2019	2018
Balance at beginning of year	**¥59,037**	¥58,836
Service cost	**1,302**	1,364
Interest cost	**946**	1,039
Accrued actuarial gains and losses	**(2,545)**	581
Payments for retirement benefits	**(2,252)**	(2,206)
Prior service cost	**—**	—
Foreign currency translation adjustments	**(1,137)**	(495)
Other	**(19,999)**	(82)
Balance at end of year	**¥35,351**	¥59,037

[Note] Retirement benefit obligations decreased by ¥19,977 million due to a buyout* of part of the defined benefit pension plan of a consolidated subsidiary, Jervis B. Webb Company in December 2018.

* 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.

(2) Movements in plan assets (excluding the plans using the simplified method) for the years were as follows:

(Million yen)

March 31	2019	2018
Balance at beginning of year	**¥51,852**	¥48,695
Expected return on plan assets	**2,454**	2,468
Accrued actuarial gains and losses	**(3,407)**	1,587
Employer contributions	**5,144**	1,327
Payments for retirement benefits	**(1,713)**	(1,871)
Foreign currency translation adjustments	**(983)**	(271)
Other	**(20,000)**	(82)
Balance at end of year	**¥33,346**	¥51,852

[Note] Plan assets decreased by ¥19,977 million due to a buyout of part of the defined benefit pension plan of a consolidated subsidiary, Jervis B. Webb Company in December 2018.

(3) Movements in liabilities for retirement benefits in the plans using the simplified method for the years were as follows:

(Million yen)

March 31	2019	2018
Balance at beginning of year	**¥488**	¥713
Retirement benefit expenses	**478**	509
Payments for retirement benefits	**3**	(73)
Employer contributions	**(429)**	(648)
Effect of changes in the plans	**—**	15
Foreign currency translation adjustments	**6**	0
Other	**(34)**	(27)
Balance at end of year	**¥513**	¥488

(4) Reconciliation of retirement benefit obligations and plan assets at the end of the year to liabilities for retirement benefits and assets for retirement benefits on the consolidated balance sheet were as follows (including the plans using the simplified method):

		(Million yen)
March 31	**2019**	2018
Retirement benefit obligations in funded plans	**¥37,171**	¥60,663
Plan assets	**(35,639)**	(53,922)
	1,531	6,741
Retirement benefit obligations in unfunded plans	**1,000**	947
Other	**(5)**	—
Net liabilities and assets on consolidated balance sheets	**2,527**	7,688
Liabilities for retirement benefits	**7,459**	11,656
Assets for retirement benefits	**(4,932)**	(3,967)
Net liabilities and assets on consolidated balance sheets	**¥ 2,527**	¥ 7,688

(5) Details of retirement benefit expenses were as follows:

		(Million yen)
March 31	**2019**	2018
Service cost	**¥1,302**	¥1,364
Interest cost	**946**	1,039
Expected return on plan assets	**(2,454)**	(2,468)
Amortization of actuarial gains and losses	**995**	1,209
Retirement benefit expenses using the simplified method	**478**	509
Other	**6,897**	—
Retirement benefit expenses on defined benefit plans	**¥8,165**	¥1,654

[Note] A buyout of part of the defined benefit pension plan of a consolidated subsidiary, Jervis B. Webb Company in December 2018, resulted in retirement benefit expenses of ¥6,897 million (including consolidated adjustment) in extraordinary losses.

(6) Details of adjustments to retirement benefits before tax effect were as follows:

		(Million yen)
March 31	**2019**	2018
Actuarial gains and losses	**¥(6,735)**	¥(2,492)
Total	**¥(6,735)**	¥(2,492)

(7) Details of accumulated adjustments to retirement benefits before tax effect were as follows:

		(Million yen)
March 31	**2019**	2018
Unrecognized actuarial gains and losses	**¥3,108**	¥8,081
Total	**¥3,108**	¥8,081

(8) Matters regarding plan assets

Percentages of each category of the plan assets were as follows:

		(%)
March 31	**2019**	2018
Equity securities	**34%**	46%
Debt securities	**37**	33
General accounts at life insurance	**15**	10
Cash on hand and in banks	**9**	7
Other	**5**	4
Total	**100%**	100%

[Note] The retirement benefit trust set up for the corporate pension plans consists of 18% and 12% of the total plan assets as of March 31, 2019 and 2018, respectively.

To determine the expected long-term rate of return on plan assets, the Company considers the current and forecast allocation of plan assets and the current and expected long-term rates of return on the diverse assets that compose the plan assets.

(9) Assumptions for actuarial calculations as of March 31, 2019 and 2018 were as follows:

		(%)
March 31	**2019**	2018
Discount rate	**0.075 - 7.66%**	0.075 - 7.73%
Expected long-term rate of return on plan assets	**1.0 – 7.3%**	1.25 - 8.0%

[Note] The Group does not use the salary increase rate for calculating retirement benefit obligation, mainly attributable to the adoption of a point-based plan.

Defined contribution plans

The amount of contributions required under the defined contribution plans of the Company and its consolidated subsidiaries as of March 31, 2019 and 2018 was ¥1,115 million and ¥1,067 million, respectively.

15. Lease commitments

The finance lease transactions, which do not transfer the ownership of the leased assets and commenced prior to the fiscal year when "Accounting Standard for Lease Transactions" was initially applied, were summarized as follows:

Operating leases

The future minimum lease payments for non-cancellable leases as of March 31, 2019 and 2018 were as follows:

		(Million yen)
March 31	**2019**	2018
Due within one year	**¥ 579**	¥ 388
Due after one year	**1,289**	666
Total	**¥1,868**	¥1,054

Impairment loss on leased assets

For the years ended March 31, 2019 and 2018, there was no impairment loss on leased assets.

16. Derivatives and hedging activities

(1) Derivative transactions to which the Group did not apply hedge accounting

For the years ended March 31, 2019 and 2018:

Not applicable

(2) Derivative transactions subject to hedge accounting

(a) Currency-related

For the year ended March 31, 2019:

						(Million yen)
Method of hedge accounting	Category of derivative transaction	Principal hedged item	Contract amount	Of which due after one year	Fair value	Method of calculating the fair value
Principal method	Forward exchange contracts					Determined at the quoted prices at the forward exchange rates market
	Sell					
	U.S. dollar	Accounts receivable (future transactions)	¥ 2,004	¥ —	¥(13)	
	Canadian dollar		153	—	(0)	
	Korean won		665	—	(2)	
	Thai baht		121	—	(1)	
	Chinese yuan		1,095	—	(7)	
	New Taiwan dollar		82	—	(1)	
	Singapore dollar		566	—	(4)	
	Australian dollar		1,014	—	(5)	
	Euro		102	—	0	
	Buy					
	Thai baht	Accounts payable (future transactions)	(54)	—	0	
	Korean won		(193)	—	(5)	
	New Taiwan dollar		(408)	—	(9)	
	Chinese yuan		(267)	—	6	
	U.S. dollar		(55)	—	1	
Exceptional treatment of forward exchange contracts	Forward exchange contracts					
	Sell					
	Canadian dollar	Accounts receivable	64	—	(*1)	
	U.S. dollar		1,796	—		
	Korean won		2,077	—		
	New Taiwan dollar		662	—		
	Chinese yuan		565	—		
	Thai baht		30	—		
	Australian dollar		36	—		
	Euro		6	—		
	Indian rupee		23	—		
	Singapore dollar		426	—		
	Buy					
	Chinese yuan	Accounts payable	(34)	—		
	U.S. dollar		(63)	—		
	Currency swaps					
	U.S. dollar	Long-term borrowings	3,000	3,000	(*2)	
Total			¥13,418	¥3,000	¥(43)	

For the year ended March 31, 2018:

						(Million yen)
Method of hedge accounting	Category of derivative transaction	Principal hedged item	Contract amount	Of which due after one year	Fair value	Method of calculating the fair value
Principal method	Forward exchange contracts					Determined at the quoted prices at the forward exchange rates market
	Sell					
	U.S. dollar	Accounts receivable (future transactions)	¥ 3,021	¥ —	¥105	
	Canadian dollar		184	—	4	
	Korean won		1,590	—	(5)	
	Thai baht		705	—	(14)	
	Chinese yuan		1,062	—	(20)	
	New Taiwan dollar		221	—	0	
	Singapore dollar		39	—	0	
	Buy					
	Thai baht	Accounts payable (future transactions)	(9)	—	(0)	
	Australian dollar		(55)	—	(1)	
	New Zealand dollar		(103)	—	1	
	Canadian dollar		(44)	—	2	
	Korean won		(110)	—	(5)	
	New Taiwan dollar		(430)	—	(10)	
	Chinese yuan		(212)	—	2	
	U.S. dollar		(335)	—	(10)	
Exceptional treatment of forward exchange contracts	Forward exchange contracts					
	Sell					
	Canadian dollar	Accounts receivable	100	—	(*1)	
	British pound		87	—		
	U.S. dollar		2,575	—		
	Korean won		2,771	—		
	New Taiwan dollar		541	—		
	Chinese yuan		606	—		
	Thai baht		48	—		
	Buy					
	Chinese yuan	Accounts payable	(27)	—		
	New Taiwan dollar		(85)	—		
	Currency swaps					
	U.S. dollar	Long-term borrowings	5,000	3,000	(*2)	
Total			¥17,139	¥3,000	¥ 49	

(*1) Forward exchange contracts with exceptional treatment are accounted for together with the principal hedged items of notes and accounts receivable and unbilled receivables; therefore, the fair values of notes and accounts receivable and unbilled receivables include those of the forward exchange contracts.
(*2) Currency swaps with exceptional treatment are accounted for together with the principal hedged item of long-term borrowings; therefore, the fair value of long-term borrowings includes those of the currency swaps.

(b) Interest-related

For the year ended March 31, 2019:

						(Million yen)
Method of hedge accounting	Category of derivative transaction	Principal hedged item	Contract amount	Of which due after one year	Fair value	Method of calculating the fair value
Exceptional treatment of interest rate swaps	Interest rate swaps Fixed payment/ Variable receipt	Long-term borrowings	**¥9,900**	**¥9,900**	**(*)**	
Total			**¥9,900**	**¥9,900**	**¥—**	

(*) Interest rate swaps with exceptional treatment are accounted for together with the principal hedged item of long-term borrowings; therefore, the fair value of long-term borrowings includes those of the interest rate swaps.

For the year ended March 31, 2018:

						(Million yen)
Method of hedge accounting	Category of derivative transaction	Principal hedged item	Contract amount	Of which due after one year	Fair value	Method of calculating the fair value
Exceptional treatment of interest rate swaps	Interest rate swaps Fixed payment/ Variable receipt	Long-term borrowings	¥18,270	¥9,900	(*)	
Total			¥18,270	¥9,900	¥—	

(*) Interest rate swaps with exceptional treatment are accounted for together with the principal hedged item of long-term borrowings; therefore, the fair value of long-term borrowings includes those of the interest rate swaps.

17. Consolidated statements of changes in net assets

(1) Matters regarding issued shares

For the year ended March 31, 2019:

Class of shares	As of April 1, 2018	Increase	Decrease	As of March 31, 2019
				(Thousand shares)
Common stock	**126,610**	**—**	**—**	**126,610**

For the year ended March 31, 2018:

Class of shares	As of April 1, 2017	Increase	Decrease	As of March 31, 2018
				(Thousand shares)
Common stock	123,610	3,000	—	126,610

[Note] Details of increases in the number of issued shares were as follows:
- Increased by 2,480,000 shares due to the issuance of new shares through public offering with a payment date of December 12, 2017
- Increased by 520,000 shares due to the issuance of new shares related to an offering of the Company's shares by way of over-allotment with a payment date of December 27, 2017

(2) Matters regarding treasury stock

For the year ended March 31, 2019:

Class of shares	As of April 1, 2018	Increase	Decrease	As of March 31, 2019
				(Shares)
Common stock	**828,727**	**173,759**	**206,500**	**795,986**

[Note 1] Details of increases in the number of treasury stock were as follows:
- Increased by 1,959 shares due to the repurchase of less-than-a-unit shares
- Increased by 171,800 shares due to the purchase of the Company's shares from the E-ship trust in The Nomura Trust and Banking Co., Ltd. under the E-ship program.

Details of decreases in the number of treasury stock were as follows:
- Decreased by 12,300 shares due to the disposal to Trust & Custody Services Bank, Ltd. (trust account E) for the Board Benefit Trust (BBT)
- Decreased by 171,800 shares due to the disposal from the E-Ship Trust in The Nomura Trust and Banking Co., Ltd. under the E-Ship program
- Decreased by 22,400 shares due to the sale to the Daifuku Employee Shareholding Association from the E-Ship Trust in The Nomura Trust and Banking Co., Ltd. under the E-Ship program

[Note 2] Under a resolution adopted at the general meeting of shareholders held on June 24, 2016 and a decision at the Board of Directors based on that resolution, the Company has decided to introduce the BBT and to conduct a private placement of 90,000 shares of treasury stock to Trust & Custody Services Bank, Ltd. (trust account E). On August 26, 2016, the treasury stock was allocated to the trust account.

The number of treasury stock includes Trust & Custody Services Bank, Ltd. (trust account E); the details were as follows:
The Company's common stock held by Trust & Custody Services Bank, Ltd. (trust account E)
- 87,600 shares as of April 1, 2018 and 75,300 shares as of March 31, 2019

[Note 3] Under the resolution adopted at the Board of Directors' meeting on November 22, 2018, the Company introduced an employee shareholding incentive plan through a trust (E-Ship). At the same time, the Company resolved to dispose 171,800 shares of treasury stock to the Trust in The Nomura Trust and Banking Co., Ltd. as a private placement, which was implemented on December 19, 2018.

The number of treasury stock includes the number of the Company's common stock held by The Nomura Trust and Banking Co., Ltd (E-ship Trust); the details were as follows:
The Company's common stock held by The Nomura Trust and Banking Co., Ltd. (E-ship Trust)
- 0 shares as of April 1, 2018 and 149,400 shares as of March 31, 2019

For the year ended March 31, 2018:

Class of shares	As of April 1, 2017	Increase	Decrease	As of March 31, 2018 (Shares)
Common stock	1,827,904	3,223	1,002,400	828,727

[Note 1] Details of increases in the number of treasury stock were as follows:
- Increased by 3,223 shares due to the repurchase of less-than-a-unit shares

Details of decreases in the number of treasury stock were as follows:
- Decreased by 2,400 shares due to the disposal to Trust & Custody Services Bank, Ltd. (trust account E) for the Board Benefit Trust (BBT)
- Decreased by 1,000,000 shares due to the disposal of treasury stock through public offering

[Note 2] Under a resolution adopted at the general meeting of shareholders held on June 24, 2016 and a decision at the Board of Directors based on that resolution, the Company has decided to introduce the BBT and to conduct a private placement of 90,000 shares of treasury stock to Trust & Custody Services Bank, Ltd. (trust account E). On August 26, 2016, the treasury stock was allocated to the trust account.
The number of treasury stock includes Trust & Custody Services Bank, Ltd. (trust account E); the details were as follows:
The Company's common stock held by Trust & Custody Services Bank, Ltd. (trust account E)
- 90,000 shares as of April 1, 2017 and 87,600 shares as of March 31, 2018

[Note 3] The Company disposed 1,000,000 shares of treasury stock through public offering with a payment date of December 12, 2017.

(3) Matters regarding stock acquisition rights

For the years ended March 31, 2019 and 2018:

Not applicable

(4) Matters regarding dividends

(a) Dividends paid during the years ended March 31, 2019 and 2018 were as follows:

For the year ended March 31, 2019:

Resolution adopted	Class of shares	Aggregate dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 11, 2018	Common stock	**¥5,664**	**¥45**	March 31, 2018	June 25, 2018
Board of Directors' meeting on November 9, 2018	Common stock	**3,776**	**30**	September 30, 2018	December 5, 2018

[Note 1] Aggregate dividends resolved at the Board of Directors' meeting on May 11, 2018, includes dividends of ¥3 million on the Company's shares (treasury stock) held by the BBT in Trust & Custody Services Bank, Ltd. (trust account E) under the BBT program.

[Note 2] Aggregate dividends resolved at the Board of Directors' meeting on November 9, 2018, includes dividends of ¥2 million on the Company's shares (treasury stock) held by the BBT in Trust & Custody Services Bank, Ltd. (trust account E) under the BBT program.

For the year ended March 31, 2018:

Resolution adopted	Class of shares	Aggregate dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 11, 2017	Common stock	¥3,656	¥30	March 31, 2017	June 26, 2017
Board of Directors' meeting on November 10, 2017	Common stock	3,046	25	September 30, 2017	December 5, 2017

[Note 1] Aggregate dividends resolved at the Board of Directors' meeting on May 11, 2017, includes dividends of ¥2 million on the Company's shares (treasury stock) held by the BBT in Trust & Custody Services Bank, Ltd. (trust account E) under the BBT program.

[Note 2] Aggregate dividends resolved at the Board of Directors' meeting on November 10, 2017, includes dividends of ¥2 million on the Company's shares (treasury stock) held by the BBT in Trust & Custody Services Bank, Ltd. (trust account E) under the BBT program.

(b) Dividends with a record date during the years ended March 31, 2019 and 2018, payable in the following year, were as follows:

For the year ended March 31, 2019:

Resolution adopted	Class of shares	Source of dividends	Aggregate dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 10, 2019	Common stock	Retained earnings	**¥7,562**	**¥60**	March 31, 2019	June 24, 2019

[Note] Aggregate dividends include dividends of ¥4 million on the Company's shares (treasury stock) held by the BBT in Trust & Custody Services Bank, Ltd. (trust account E) under the BBT program and aggregate dividends includes dividends of ¥8 million on the Company's shares (treasury stock) held by the E-Ship Trust in The Nomura Trust and Banking Co., Ltd. under the E-Ship program.

For the year ended March 31, 2018:

Resolution adopted	Class of shares	Source of dividends	Aggregate dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 11, 2018	Common stock	Retained earnings	¥5,664	¥45	March 31, 2018	June 25, 2018

[Note] Aggregate dividends resolved at the Board of Directors' meeting on May 11, 2018, include dividends of ¥3 million on the Company's shares (treasury stock) held by the BBT in Trust & Custody Services Bank, Ltd. (trust account E) under the BBT program.

18. Major items of selling, general and administrative expenses

Major items of selling, general and administrative expenses for the years ended March 31, 2019 and 2018, were as follows:

Selling expenses

(Million yen)

March 31	2019	2018
Sales commissions	¥1,963	¥1,707
Advertising	285	238
Outsourcing	585	823
Salaries and bonuses	8,798	8,625
Retirement benefit expenses	301	339
Welfare	1,527	1,564
Travel and transportation	1,630	1,553
Rent	507	481
Depreciation	185	168

General and administrative expenses

(Million yen)

March 31	2019	2018
Outsourcing	¥ 3,136	¥ 2,567
Directors' compensation	1,202	1,176
Salaries and bonuses	10,880	10,076
Retirement benefit expenses	623	934
Welfare	1,678	1,792
Depreciation	1,844	1,770
Research and development	2,774	2,626

19. Provision for losses on construction contracts included in cost of sales

For the years ended March 31, 2019 and 2018 were as follows:

(Million yen)

March 31	2019	2018
Provision for losses on construction contracts included in cost of sales	¥(233)	¥(305)

20. Research and development

Research and development expenditures included in general and administrative expenses and manufacturing costs were ¥8,615 million and ¥8,123 million for the years ended March 31, 2019 and 2018, respectively.

21. Loss on disposal of property, plant and equipment

Details of loss on disposal of property, plant and equipment for the years ended March 31, 2019 and 2018 were as follows:

		(Million yen)
March 31	2019	2018
Buildings	**¥102**	¥ 6
Structures	**21**	13
Machinery	**82**	101
Tools and fixtures	**3**	9

22. Gain on sales of property, plant and equipment

Major items of gain on sales of property, plant and equipment for the years ended March 31, 2019 and 2018 were as follows:

		(Million yen)
March 31	2019	2018
Buildings	**¥6**	¥30
Machinery	**2**	2
Vehicles	**5**	8
Land	**9**	54

23. Loss on sales of property, plant and equipment

Major items of loss on sales of property, plant and equipment for the years ended March 31, 2019 and 2018 were as follows:

		(Million yen)
March 31	2019	2018
Buildings	**¥25**	¥17
Machinery	**1**	1
Tools and fixtures	**1**	22
Land	**64**	1

24. Gain on sales of shares in affiliates

Gain on sales of shares in affiliates for the years ended March 31, 2019 and 2018 were as follows:

For the year ended March 31, 2019:

Gain on sales of shares in affiliates were recorded due to the sales of all shares in Knapp AG, an equity-method affiliate in Austria.

For the year ended March 31, 2018:

Not applicable

25. Retirement benefit expenses

Retirement benefit expenses for the years ended March 31, 2019 and 2018 were as follows:

For the year ended March 31, 2019:

Retirement benefit expenses were recorded due to a buyout* of part of the defined benefit pension plan of a consolidated subsidiary, Jervis B. Webb Company in December 2018.

* 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.

For the year ended March 31, 2018:

Not applicable

26. Impairment loss

Impairment losses for the years ended March 31, 2019 and 2018 were as follows:

For the year ended March 31, 2019:

Daifuku North America Holding Company implemented an impairment test on intangible assets recorded in connection with the acquisition of all outstanding shares of Wynright Corporation, based on the Generally Accepted Accounting Principles in the United States ("U.S. GAAP"). The test showed that the fair value of Intangible Assets of Wynright Corporation was lower than its book value. Accordingly, the Group reduced the difference between the consolidated book value of the company's Intangible Assets and its fair value and posted the reduction of ¥807 million as an impairment loss. The recoverable amount was measured using value in use. Since no future cash flow was expected, the recoverable amount was stated as zero.

For the year ended March 31, 2018:

Not applicable

27. Consolidated statements of comprehensive income

Reclassification adjustment and deferred tax related to other comprehensive income for the years ended March 31, 2019 and 2018 were as follows:

(Million yen)

March 31	2019	2018
Net unrealized gain (loss) on securities:		
Amount arising during the period	¥ (596)	¥1,627
Reclassification adjustment	(375)	—
Pretax amount	(971)	1,627
Tax effect	278	(529)
Net unrealized gain (loss) on securities	¥ (693)	¥1,097
Deferred gain (loss) on hedges:		
Amount arising during the period	¥ (90)	¥ 14
Reclassification adjustment	8	18
Pretax amount	(81)	32
Tax effect	26	(5)
Deferred gain (loss) on hedges	¥ (55)	¥ 26
Foreign currency translation adjustments:		
Amount arising during the period	¥(3,195)	¥1,154
Reclassification adjustment	(126)	—
Foreign currency translation adjustments	¥(3,321)	¥1,154
Adjustments to retirement benefits:		
Amount arising during the period	¥(1,272)	¥1,271
Reclassification adjustment	8,007	1,221
Pretax amount	6,735	2,492
Tax effect	(974)	(791)
Adjustments to retirement benefits	¥ 5,760	¥1,701
Share of other comprehensive income of affiliates accounted for using the equity method:		
Amount arising during the period	¥ (136)	¥ 100
Reclassification adjustment	(942)	(2)
Share of other comprehensive income of affiliates accounted for using the equity method	¥(1,078)	¥97
Total other comprehensive income	¥ 611	¥4,078

28. Income taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2019 and 2018 were as follows:

(Million yen)

March 31	2019	2018
Deferred tax assets:		
Research and development	¥ 2,359	¥ 987
Accrued expenses	3,098	2,312
Provision for losses on construction contracts	27	72
Unrealized profit on inventories	82	115
Liabilities for retirement benefits	2,573	2,552
Loss carried forward	458	708
Unrealized gain on sales of property, plant and equipment	597	597
Loss on valuation of investments in securities	352	352
Excess depreciation	257	61
Accrued business tax	569	543
Foreign tax deduction carried forward	1,578	585
Other	2,743	2,639
Subtotal	¥14,700	¥11,529
Less: Valuation allowance	(1,076)	(1,207)
Offset against deferred tax liabilities	(3,094)	(3,954)
Net deferred tax assets	¥10,529	¥ 6,367
Deferred tax liabilities:		
Net unrealized gain on assets of consolidated subsidiaries	¥ 560	¥ 615
Reserve for deferred gains on sales of property, plant and equipment	134	137
Net unrealized gain on securities	1,978	2,258
Retained profit	743	1,238
Other	162	235
Subtotal	¥ 3,580	¥ 4,486
Offset against deferred tax assets	(3,094)	(3,954)
Net deferred tax liabilities	¥ 485	¥ 531

(2) Reconciliation of the difference between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2019 and 2018 were as follows:

(%)

March 31	2019	2018
Statutory tax rate	30.6%	30.8%
Permanent difference arising from non-deductible expenses	0.4	0.5
Taxation on per capita basis	0.2	0.2
Increase in valuation allowance	0.0	0.2
Tax rate difference applied to overseas subsidiaries	(1.0)	(0.9)
Amortization of goodwill and negative goodwill	0.2	0.6
Tax effects on retained earnings of overseas subsidiaries	0.3	(0.8)
Tax deduction	(3.4)	(3.8)
Other	0.1	1.7
Effective tax rate	27.4%	28.5%

29. Consolidated statements of cash flows

[Note 1] The components of cash and cash equivalents as of March 31, 2019 and 2018 were as follows:

(Million yen)

March 31	2019	2018
Cash on hand and in banks	¥90,916	¥85,160
Time deposits with original maturities exceeding three months	(12)	(8)
Total	¥90,903	¥85,152

30. Stock options

For the years ended March 31, 2019 and 2018:

Not applicable

31. Related party transactions

For the years ended March 31, 2019 and 2018:

Not applicable

32. 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 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 five reportable segments: Daifuku Co., Ltd., the core company dealing in material handling systems and equipment, and car wash machines; Contec Co., Ltd. and its affiliates, 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 affiliates; Clean Factomation, Inc., and Daifuku Plusmore Co., Ltd.

In addition to the manufacture and sale of material handling systems and equipment, and car wash machines in Japan as the core company of the Group, Daifuku develops and supplies key components to companies around the world. Overseas subsidiaries assemble material handling system components supplied by Daifuku with locally manufactured or purchased materials, sell the products, and perform installation work as well as after-sales services. Daifuku North America Holding Company is a U.S. subsidiary that is responsible for key business activities, primarily in North America, with a significant volume of sales. It manufactures and sells leading airport baggage handling systems on its own as part of its material handling systems. Daifuku Plusmore sells car wash machines and provides after-sales services.

Clean Factomation, which was previously included in Other, had been changed to a reportable segment due to its increased quantitative significance since the second quarter of the fiscal year ended March 31, 2019. Clean Factomation provides cleanroom transport systems to semiconductor manufacturers mainly in South Korea. Accordingly, 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.

(2) Methods of calculating the amounts of net sales, income or losses, assets, liabilities and other items by reportable segments

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 loss, assets, liabilities and other items by reportable segments for the years ended March 31, 2019 and 2018 was as follows:

For the year ended March 31, 2019:

(Million yen)

	Reportable segments							
	Daifuku	Contec	Daifuku North America	Clean Factomation	Daifuku Plusmore	Subtotal	Other (*)	Total
Net sales:								
Net sales to outside customers	¥202,528	¥16,391	¥97,186	¥34,211	¥11,611	¥361,929	¥ 99,280	¥461,209
Intersegment sales or transfers	44,261	11,495	1,039	4,862	0	61,660	15,486	77,147
Total	246,790	27,887	98,226	39,073	11,612	423,590	114,766	538,357
Segment income	33,760	1,617	432	2,545	91	38,447	5,658	44,105
Segment assets	278,695	21,874	65,631	16,087	3,982	386,271	86,276	472,547
Segment liabilities	98,975	11,078	28,060	8,835	2,552	149,502	55,488	204,990
Other								
Depreciation	2,747	315	733	83	15	3,895	703	4,598
Amortization of goodwill	109	133	586	—	106	936	—	936
Interest income	25	3	277	118	12	436	155	592
Interest expenses	185	34	17	—	—	236	277	514
Extraordinary income	8,061	343	164	6	—	8,576	109	8,686
Gain on sales of property, plant and equipment	*—*	*0*	*15*	*6*	*—*	*22*	*4*	*27*
Gain on sales of shares in affiliates	*8,030*	*—*	*—*	*—*	*—*	*8,030*	*—*	*8,030*
Extraordinary loss	226	6	7,337	0	—	7,570	108	7,679
Loss on sales of property, plant and equipment	*89*	*—*	*—*	*—*	*—*	*89*	*3*	*92*
Loss on disposal of property, plant and equipment	*90*	*6*	*17*	*0*	*—*	*114*	*101*	*215*
Retirement benefit expenses	*—*	*—*	*6,513*	*—*	*—*	*6,513*	*—*	*6,513*
Impairment loss	*—*	*—*	*807*	*—*	*—*	*807*	*—*	*807*
Income taxes	13,101	537	(868)	727	78	13,577	1,700	15,278
Investments in equity-method affiliates	—	—	—	—	—	—	163	163
Increase in property, plant and equipment and intangible assets	3,944	407	1,985	101	1	6,440	1,482	7,922

(*) "Other" represents an operating segment comprising domestic and overseas subsidiaries that are not included in reportable segments.

For the year ended March 31, 2018:

(Million yen)

	Reportable segments: Daifuku	Contec	Daifuku North America	Clean Factomation	Daifuku Plusmore	Subtotal	Other (*)	Total
Net sales:								
Net sales to outside customers	¥186,983	¥15,716	¥ 99,775	¥21,233	¥10,778	¥334,487	¥74,522	¥409,010
Intersegment sales or transfers	36,283	9,751	433	3,521	0	49,991	11,603	61,595
Total	223,267	25,468	100,208	24,755	10,779	384,479	86,126	470,605
Segment income	25,205	910	2,884	1,452	99	30,552	3,284	33,837
Segment assets	257,703	21,303	55,873	14,450	3,732	353,063	68,046	421,109
Segment liabilities	101,409	12,060	30,962	8,617	2,344	155,394	39,536	194,931
Other								
Depreciation	2,641	282	776	76	12	3,789	630	4,419
Amortization of goodwill	109	135	595	—	106	947	—	947
Interest income	29	2	51	66	14	164	100	265
Interest expenses	208	39	9	—	—	257	157	415
Extraordinary income	50	0	126	29	45	253	437	690
Gain on sales of property, plant and equipment	*0*	*0*	*126*	*29*	*1*	*158*	*435*	*594*
Extraordinary loss	197	4	40	0	0	243	33	277
Loss on sales of property, plant and equipment	—	—	*25*	—	—	*25*	*3*	*29*
Loss on disposal of property, plant and equipment	*106*	*4*	*15*	*0*	*0*	*125*	*10*	*135*
Income taxes	8,551	366	1,588	400	68	10,976	1,041	12,018
Investments in equity-method affiliates	5,193	—	—	—	—	5,193	177	5,370
Increase in property, plant and equipment and intangible assets	2,600	384	1,716	159	39	4,900	1,458	6,359

(*) "Other" represents an operating segment comprising domestic and overseas subsidiaries that are not included 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)

(a) Net sales

(Million yen)

March 31	2019	2018
Reportable segments total	**¥423,590**	¥384,479
Net sales classified in "Other"	**114,766**	86,126
Elimination of intersegment transactions	**(77,147)**	(61,595)
Other adjustments for consolidation	**(1,723)**	(4,084)
Net sales in consolidated financial statements	**¥459,486**	¥404,925

(b) Income

(Million yen)

March 31	2019	2018
Reportable segments total	**¥38,447**	¥30,552
Segment income classified in "Other"	**5,658**	3,284
Elimination of dividends from affiliates	**(2,545)**	(4,037)
Other adjustments for consolidation	**(1,992)**	(791)
Net income in consolidated financial statements	**¥39,567**	¥29,008

(c) Assets

March 31	2019	2018
		(Million yen)
Reportable segments total	**¥386,271**	¥353,063
Segment assets classified in “Other”	**86,276**	68,046
Elimination of investment securities in affiliates in consolidation process	**(43,559)**	(43,493)
Elimination of intercompany receivables	**(26,136)**	(23,381)
Other adjustments for consolidation	**7,130**	18,779
Total assets in consolidated financial statements	**¥409,982**	¥373,013

(d) Liabilities

March 31	2019	2018
		(Million yen)
Reportable segments total	**¥149,502**	¥155,394
Segment liabilities classified in “Other”	**55,488**	39,536
Elimination of intercompany payables	**(26,136)**	(23,381)
Other adjustments for consolidation	**8,243**	9,989
Total liabilities in consolidated financial statements	**¥187,097**	¥181,539

For the year ended March 31, 2019:

Other items	Reportable segments total	Other	Adjustments	Consolidated total
				(Million yen)
Depreciation	**¥3,895**	**¥703**	**¥—**	**¥4,598**
Amortization of goodwill	**936**	**—**	**(9)**	**927**
Interest income	**436**	**155**	**(44)**	**547**
Interest expenses	**236**	**277**	**(44)**	**469**
Gain (loss) on investments accounted for under equity method	**—**	**—**	**172**	**172**
Extraordinary income	**8,576**	**109**	**(1,186)**	**7,499**
Gain on sales of property, plant and equipment	***22***	***4***	***—***	***27***
Gain on sales of shares in affiliates	***8,030***	***—***	***(1,081)***	***6,948***
Extraordinary loss	**7,570**	**108**	**333**	**8,012**
Loss on sales of property, plant and equipment	***89***	***3***	***—***	***92***
Loss on disposal of property, plant and equipment	***114***	***101***	***—***	***215***
Retirement benefit expenses	***6,513***	***—***	***383***	***6,897***
Impairment loss	***807***	***—***	***—***	***807***
Income taxes	**13,577**	**1,700**	**(137)**	**15,140**
Investments in equity-method affiliates	**—**	**163**	**108**	**271**
Increase in property, plant and equipment and intangible assets	**6,440**	**1,482**	**(2)**	**7,920**

For the year ended March 31, 2018:

(Million yen)

Other items	Reportable segments total	Other	Adjustments	Consolidated total
Depreciation	¥ 3,789	¥ 630	¥ —	¥ 4,419
Amortization of goodwill	947	—	(4)	943
Interest income	164	100	(41)	223
Amortization of negative goodwill	—	—	59	59
Interest expenses	257	157	(41)	373
Gain (loss) on investments accounted for under equity method	—	—	734	734
Extraordinary income	253	437	(549)	141
Gain on sales of property, plant and equipment	*158*	*435*	*(498)*	*96*
Extraordinary loss	243	33	(90)	187
Loss on sales of property, plant and equipment	*25*	*3*	*17*	*46*
Loss on disposal of property, plant and equipment	*125*	*10*	*—*	*135*
Income taxes	10,976	1,041	(313)	11,704
Investments in equity-method affiliates	5,193	177	2,496	7,866
Increase in property, plant and equipment and intangible assets	4,900	1,458	(10)	6,348

[Note] The main items in adjustments above are as follows:
A gain on sales of shares in affiliates of minus ¥1,081 million is for an adjustment of the difference between the book value of a gain on sales of shares in Knapp AG, which was an equity-method affiliate of the company, in the non-consolidated results and the book value of it in the consolidated results.

[Related information]

1. Information by product and service

For the year ended March 31, 2019:

(Million yen)

	Logistics systems	Electronics	Other	Consolidated total
Net sales to outside customers	**¥424,857**	**¥16,392**	**¥18,236**	**¥459,486**

For the year ended March 31, 2018:

(Million yen)

	Logistics systems	Electronics	Other	Consolidated total
Net sales to outside customers	¥372,340	¥15,714	¥16,871	¥404,925

2. Information by geographic area

(1) Net sales

For the year ended March 31, 2019:

(Million yen)

	Japan	U.S.A.	China	S. Korea	Other	Consolidated total
Net sales to outside customers	**¥127,602**	**¥91,554**	**¥111,330**	**¥56,745**	**¥72,252**	**¥459,486**

For the year ended March 31, 2018:

(Million yen)

	Japan	U.S.A.	China	S. Korea	Other	Consolidated total
Net sales to outside customers	¥132,468	¥88,700	¥72,560	¥50,841	¥60,355	¥404,925

[Note] Net sales are classified by country or area where customers are located.

(2) Property, plant and equipment

For the year ended March 31, 2019:

(Million yen)

	Japan	U.S.A.	Other	Consolidated total
Property, plant and equipment	**¥24,265**	**¥5,891**	**¥6,863**	**¥37,020**

For the year ended March 31, 2018:

				(Million yen)
	Japan	U.S.A.	Other	Consolidated total
Property, plant and equipment	¥23,773	¥4,759	¥6,719	¥35,252

3. Information by customer

It is omitted because no single outside customer represents 10% or more of the net sales reported in the consolidated statements of income and comprehensive income.

[Information about impairment loss of property, plant and equipment and intangible assets by reportable segment]

For the year ended March 31, 2019:

									(Million yen)
	Reportable segments								
	Daifuku	Contec	Daifuku North America	Clean Factomation	Daifuku Plusmore	Total	Other	Elimination or corporate	Consolidated total
Impairment loss	**¥—**	**¥—**	**¥807**	**¥—**	**¥—**	**¥807**	**¥—**	**¥—**	**¥807**

For the year ended March 31, 2018:

Not applicable

[Information about the amount of amortization and unamortized balance of goodwill and negative goodwill by reportable segment]

For the year ended March 31, 2019:

									(Million yen)
	Reportable segments								
	Daifuku	Contec	Daifuku North America	Clean Factomation	Daifuku Plusmore	Total	Other	Elimination or corporate	Consolidated total
Ending balance of goodwill	**¥100**	**¥1,209**	**¥3,534**	**¥—**	**¥187**	**¥5,032**	**¥473**	**¥2,055**	**¥7,561**

For the year ended March 31, 2018:

									(Million yen)
	Reportable segments								
	Daifuku	Contec	Daifuku North America	Clean Factomation	Daifuku Plusmore	Total	Other	Elimination or corporate	Consolidated total
Ending balance of goodwill	¥210	¥1,369	¥4,203	¥—	¥294	¥6,078	¥521	¥2,194	¥8,794

[Information about gain on new negative goodwill by reportable segment]

Not applicable

33. Per share information

The information on the amounts of net income per share and net assets per share for the year ended March 31, 2019 and 2018 was as follows:

		(Yen)
March 31	2019	2018
Net assets per share	¥1,738.20	¥1,493.69
Net income per share	314.54	235.62

[Note 1] Diluted net income per share is not recorded, as dilutive shares do not exist.

[Note 2] The shares of the Company remaining in the employee shareholding incentive plan through a trust (“E-Ship”) and the Board Benefit Trust (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 52,000 shares for the E-Ship for the year ended March 31, 2019, 78,000 shares for the BBT for the year ended March 31, 2019 and 87,000 shares for the BBT for the year ended March 31, 2018. The number of shares of treasury stock deducted at the end of the fiscal year for the purpose of calculating net assets per share is 149,000 shares for the E-Ship for the year ended March 31, 2019, 75,000 shares for the BBT for the year ended March 31, 2019, and 87,000 shares for the BBT for the year ended March 31, 2018.

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

Net income per share

		(Million yen)
March 31	2019	2018
Net income attributable to shareholders of the parent company	¥ 39,567	¥ 29,008
Amount not attributable to holders of common stock	—	—
Net income attributable to shareholders of the parent company	39,567	29,008

		(Thousand shares)
	2019	2018
Weighted average number of common stock issued and outstanding during the year	125,794	123,115

[Note 4] The basis for the calculation of net assets per share was as shown in the table below.

		(Million yen)
March 31	2019	2018
Total net assets	¥222,885	¥191,474
Amount deducted from total net assets	4,195	3,595
Of which: non-controlling interests	*4,195*	*3,595*
Total net assets attributable to common stock at fiscal year-end	¥218,689	¥187,878

		(Thousand shares)
March 31	2019	2018
Number of common stock issued and outstanding at fiscal year-end for the purpose of calculation of net assets per share	125,814	125,781

34. Major subsequent events

Not applicable

Independent Auditor's Report

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Independent Auditor's Report

To the Board of Directors of Daifuku Co., Ltd.

We have audited the accompanying consolidated financial statements of Daifuku Co., Ltd. ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019, and the consolidated statements of income and comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2019, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

PricewaterhouseCoopers Aarata

July 30, 2019

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