Always an Edge Ahead

Daifuku Report 2021

Financial Section

Eleven-Year Summary

Daifuku Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2011 to 2021

	Material Handling and Beyond		
(Million yen)	2011	2012	2013
For the Year			
Net sales	¥159,263	¥198,052	¥202,337
Cost of sales	131,639	165,505	165,340
Gross profit	27,623	32,546	36,996
Selling, general and administrative expenses	25,897	28,328	28,986
Operating income	1,726	4,217	8,010
Income before income taxes	703	3,129	7,316
Net income attributable to shareholders of the parent company	269	1,223	4,439
Capital investment	3,221	2,393	7,687
Depreciation	3,577	3,612	3,332
R&D expenditures	6,370	6,484	6,855
Cash Flows			
Cash flows from operating activities	¥ 11,417	¥ (5,187)	¥ 15,666
Cash flows from investing activities	(3,616)	(4,039)	(13,649)
Free cash flows	7,801	(9,227)	2,016
Cash flows from financing activities	(6,056)	7,709	88
At Year-End			
Total assets	¥163,388	¥185,049	¥206,875
Working capital	65,908	61,943	45,832
Interest-bearing liabilities	40,912	51,010	53,385
Net assets	77,714	76,618	85,685
Shareholders' equity	82,454	82,013	84,486
Number of employees	5,209	5,617	6,678
Amounts per Share of Common Stock			
Net income per share (Yen)	¥ 2.43	¥ 11.05	¥ 40.12
Net assets per share (Yen)	683.39	674.72	754.98
Cash dividends per share (Yen)	15.00	15.00	15.00
Ratios			
Operating income/net sales	1.1%	2.1%	4.0%
Income before income taxes /net sales	0.4	1.6	3.6
Net income/net sales	0.2	0.6	2.2
Return on shareholders' equity (ROE)	0.3	1.6	5.6
Total assets turnover (Times)	1.0	1.1	1.0
Shareholders' equity/total assets	46.3	40.3	40.4
D/E ratio	0.54	0.68	0.64

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)

Value Innovation 2017				Value Innovation 2020			
2014	2015	2016	2017	2018	2019	2020	**2021**
¥241,811	¥267,284	¥336,184	¥320,825	¥404,925	¥459,486	¥443,694	**¥473,902**
194,974	215,641	272,832	256,417	321,836	358,230	357,870	**385,744**
46,836	51,642	63,351	64,407	83,089	101,255	85,824	**88,157**
34,279	36,759	42,472	41,308	43,164	46,574	45,326	**43,591**
12,556	14,883	20,878	23,099	39,924	54,681	40,497	**44,566**
12,137	15,211	20,650	23,942	41,059	55,329	39,808	**45,109**
7,740	9,810	13,652	16,746	29,008	39,567	28,063	**32,390**
10,446	7,532	4,210	5,905	6,348	7,920	13,220	**7,462**
3,821	4,157	4,587	4,202	4,419	4,598	5,667	**6,401**
7,490	6,945	7,009	7,489	8,123	8,615	8,936	**9,165**
¥ 20,447	¥ 6,295	¥ 7,206	¥ 26,683	¥ 11,497	¥ 8,559	¥ 13,706	**¥38,229**
(7,372)	(5,846)	(2,099)	(5,393)	(5,600)	5,937	(14,791)	**(6,132)**
13,074	448	5,107	21,289	5,897	14,496	(1,084)	**32,097**
1,045	(509)	(8,702)	(4,404)	13,444	(6,893)	(18,354)	**(8,932)**
¥249,531	¥271,011	¥296,055	¥303,540	¥373,013	¥409,982	¥410,887	**¥445,456**
87,070	91,187	99,293	96,401	137,298	170,277	180,988	**181,236**
58,144	60,547	40,904	39,770	37,967	40,001	33,418	**35,143**
99,690	111,521	130,116	142,340	191,474	222,885	237,356	**262,012**
90,652	98,469	123,669	136,694	181,454	214,656	231,714	**255,282**
7,349	7,746	7,835	8,689	9,193	9,857	10,863	**11,697**
¥ 69.96	¥ 88.59	¥ 118.72	¥ 137.58	¥ 235.62	¥ 314.54	¥ 222.96	**¥257.13**
875.14	972.75	1,044.40	1,142.14	1,493.69	1,738.20	1,850.28	**2,040.07**
18.00	22.00	30.00	42.00	70.00	90.00	75.00	**80.00**
5.2%	5.6%	6.2%	7.2%	9.9%	11.9%	9.1%	**9.4%**
5.0	5.7	6.1	7.5	10.1	12.0	9.0	**9.5**
3.2	3.7	4.1	5.2	7.2	8.6	6.3	**6.8**
8.6	9.6	11.6	12.6	17.7	19.5	12.4	**13.2**
1.0	1.0	1.1	1.1	1.1	1.1	1.1	**1.1**
38.8	39.8	42.9	45.8	50.4	53.3	56.7	**57.7**
0.60	0.56	0.32	0.29	0.20	0.18	0.14	**0.14**

Contents

Operating and Financial Review

Fiscal 2020 marked the end of the four-year medium-term business plan Value Innovation 2020 (April 2017 to March 2021). Orders bounced back from the third quarter as economic activities restarted; however, the figure fell short of the results of the previous fiscal year, reflecting delays in negotiations with customers, mainly due to restrictions on international/domestic movements and working at the office during the first half. In contrast, sales marked a new record high, underpinned by an extensive order backlog at the end of the previous fiscal year.

Specifically, the Daifuku Group received orders of 451,065 million yen, down 6.6% from a year earlier, and recorded sales of 473,902 million yen, up 6.8%.

Income remained favorable, driven by increased sales of intralogistics systems for manufacturers and distributors in Japan.

Consequently, the Group posted operating income of 44,566 million yen, up 10.0% from the previous fiscal year, and ordinary income of 45,846 million yen, up 11.9%. Net income attributable to shareholders of the parent company was 32,390 million yen, up 15.4%.

The return on equity (ROE) increased from 12.4% in the previous fiscal year, to 13.2%. This primarily reflected a rise in the return on sales from 6.3% in the previous fiscal year, to 6.8%.

Fiscal 2020 results

- Orders received 451,065 million yen
  (483,184 million yen, down 6.6% year-on-year)
- Net sales 473,902 million yen
  (443,694 million yen, up 6.8% year-on-year)
- Operating income 44,566 million yen
  (40,497 million yen, up 10.0% year-on-year)
- Ordinary income 45,846 million yen
  (40,976 million yen, up 11.9% year-on-year)
- Net income attributable to shareholders of the parent company 32,390 million yen
  (28,063 million yen, up 15.4% year-on-year)
- Comprehensive income 33,345 million yen
  (25,627 million yen, up 30.1% year-on-year)

Segment Information

Daifuku Co., Ltd.

Orders fell as a whole, reflecting sluggish growth in orders for cleanroom systems for the semiconductor and flat-panel display sectors and automotive systems, while orders for intralogistics systems bounced back from the third quarter despite limited business negotiations impacted by restrictions on international/domestic movement and working at the office during the first half.

Sales remained generally firm, with declines in cleanroom systems and automotive systems offset by a favorable performance in intralogistics systems that benefited from an extensive order backlog.

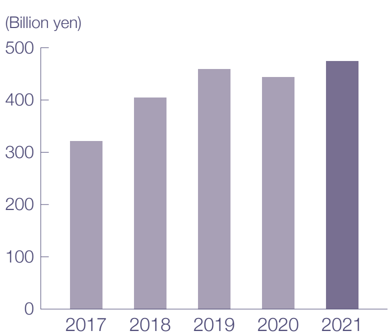
Segment income rose, driven by increased sales and profitability in intralogistics systems, despite a decline in sales posted in automotive systems.

As a result, the Company recorded orders of 184,144 million yen, down 15.7% from the previous fiscal year, sales of 199,396 million yen, down 2.5%, and segment income of 26,039 million yen, up 39.3%.

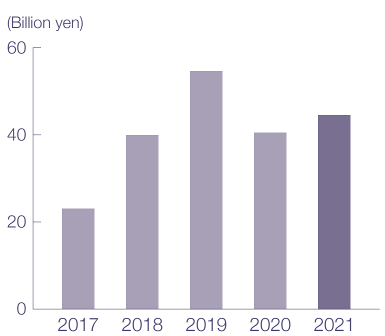
Contec Co., Ltd. and its subsidiaries

Industrial computers

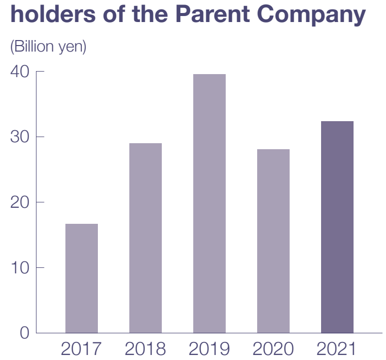
Net Sales



Operating Income



Net Income Attributable to Shareholders of the Parent Company



In the Japanese market, sales remained broadly flat, given firm sales of industrial computers for the factory automation (FA) sector and large orders from the non-FA sector, despite sluggish industry-wide capital investment reflecting the COVID-19 pandemic.

In the U.S. market, sales of industrial computers for the medical device and airport security sectors increased.

Measuring and control boards

Sales fell, principally for the FA sector, reflecting sluggish industry-wide capital investment during the first half.

Solution products

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

Segment income fell, reflecting the absence of the gain on sales of investments in securities posted during the previous year.

As a result, Contec posted orders of 15,336 million yen, down 8.9% from the previous fiscal year, sales of 16,239 million yen, down 0.7%, and segment income of 1,171 million yen, down 27.1%.

Daifuku North America Holding Company and its subsidiaries

Orders declined as a whole from the previous fiscal year, given a reactionary fall in automotive systems that had received orders for a large project during the previous fiscal year, although intralogistics systems saw significant growth driven by e-commerce projects, along with large orders for airport technologies, while results in cleanroom systems for semiconductor factories were also favorable.

Sales achieved a new record high, with significantly increased sales of automotive systems and favorable sales of intralogistics systems and airport systems.

Segment income remained unchanged from the previous fiscal year, affected by certain large projects with low profitability, despite the increased sales.

As a result, Daifuku North America achieved orders of 119,426 million yen, down 12.7% from the previous fiscal year, sales of 137,116 million yen, up 34.1%, and segment income of 6,046 million yen, down 3.9%.

Clean Factomation, Inc.

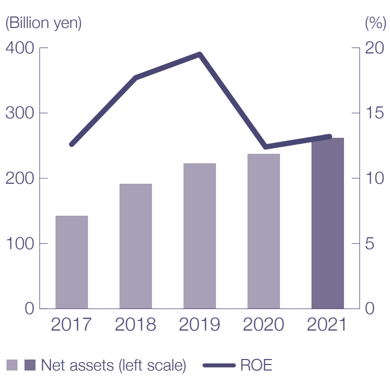
Orders remained robust, bolstered by increased demand for semiconductors for data centers due to increased work from home and the extensive use of online meetings, and exceeded the initial plan. Sales reflected the sluggish orders recorded in the previous fiscal year. Segment income remained firm.

As a result, Clean Factomation posted orders of 31,088 million yen, up 30.6% from (the same period) the previous fiscal year, sales of 30,554 million yen, down 6.5%, and segment income of 2,794 million yen, up 8.2%.

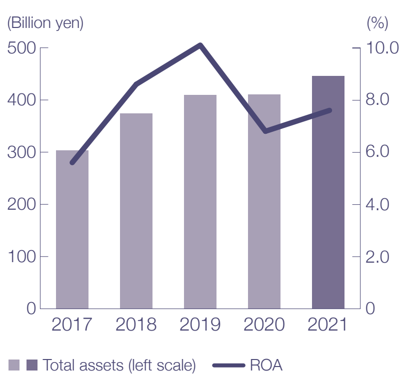
Other

The Group has a total of 66 consolidated subsidiaries worldwide. The Other segment includes all consolidated subsidiaries excluding the aforementioned Contec and its subsidiaries, Daifuku North America and its subsidiaries, and Clean Factomation. These companies primarily manufacture and sell material handling systems and equipment, and car wash machines. The status of major subsidiaries is as follows.

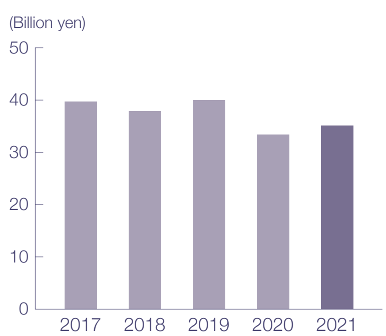
Net Assets and ROE



Total Assets and ROA



Interest-Bearing Liabilities



Japan subsidiaries

Daifuku Plusmore Co., Ltd. is strengthening sales of large vehicle wash machines for trucks and buses, in addition to car wash machines for service stations and car dealerships. During the second half, sales of units were favorable, but did not reach the results of the previous fiscal year, reflecting the impact from the COVID-19 pandemic including limitations of business activities compelled by movement restrictions during the first half.

Non-Japan subsidiaries

The Group has production sites in China, Taiwan, South Korea, Thailand, India, and other regions, which also provide sales, installations and services, playing a global role in the optimal local production and procurement framework.

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

During the first half, the results generally reflected restraints on social activities due to the COVID-19 pandemic and the subsequent deterioration in the economic environment; however, the segment reported orders of 101,068 million yen, up 15.6% from (the same period) the previous fiscal year, sales of 89,620 million yen, down 4.6%, and segment income of 2,308 million yen, down 8.6%, which was underpinned by winning large orders in China, South Korea, and other regions, and an economic recovery from the third quarter.

Financial Position

Assets

Total assets at the end of fiscal 2020 stood at 445,456 million yen, an increase of 34,569 million yen from the end of the previous fiscal year. The result principally reflected increases of 23,260 million yen in cash on hand and in banks and 9,193 million yen in notes and accounts receivable and unbilled receivables.

Liabilities

Liabilities at the end of fiscal 2020 amounted to 183,443 million yen, an increase of 9,912 million yen from the end of the previous fiscal year. Primary factors included an increase of 7,307 million yen in income taxes payable.

Net assets

Net assets at the end of fiscal 2020 were 262,012 million yen, an increase of 24,656 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 23,085 million yen in retained earnings.

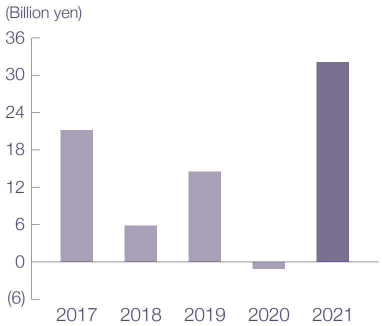
Cash flows

Cash and cash equivalents at the end of fiscal 2020 increased 23,195 million yen from the end of the previous fiscal year, to 94,079 million yen.

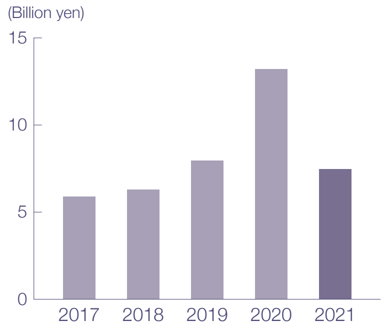
Cash flows from operating activities

Cash provided by operating activities totaled 38,229 million yen (13,706 million yen in cash provided in the year-ago period). This was mainly attributable to 45,109 million yen in income before income taxes and non-controlling interests, offsetting an increase of 10,669

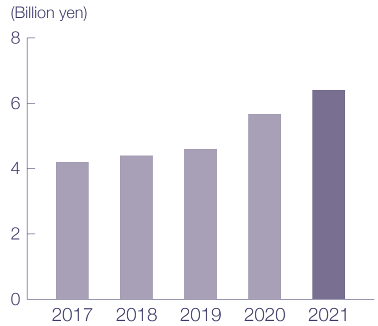
Free Cash Flows



Capital Investment



Depreciation



million yen in notes and accounts receivable.

Cash flows from investing activities

Cash used in investing activities was 6,132 million yen (14,791 million yen in cash used in the year-ago period). Major factors included an outlay of 7,481 million yen for the purchase of property, plant and equipment.

Cash flows from financing activities

Cash used in financing activities was 8,932 million yen (18,354 million yen in cash used in the year-ago period), mainly attributable to dividend payments of 9,462 million yen, offsetting an increase in short-term borrowings of 1,760 million yen.

Capital Investment

During fiscal 2020, the Group's capital investment was 7,462 million yen, which included maintenance and upgrades of production facilities of Daifuku Co., Ltd. and its subsidiaries in North America.

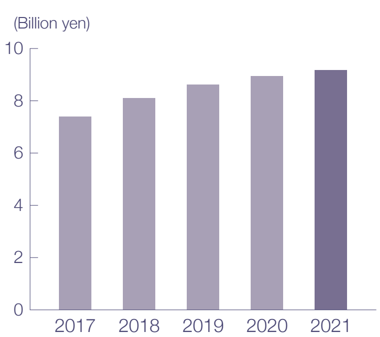
The above-mentioned capital investment were implemented on a self-financing basis.

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 net income attributable to shareholders of the parent company, with the aim of achieving additional profit distribution to shareholders. We appropriate the remaining surplus to internal reserves for future growth.

For fiscal 2020, Daifuku paid an interim dividend of 30 yen per share and decided to pay a year-end dividend of 50 yen per share for an annual dividend of 80 yen per share, an increase of 5 yen per share from the initial plan. Under its three-year business plan Value Transformation 2023, which started in April 2021, Daifuku aims to achieve a consolidated dividend payout ratio of 30% or more and increase its corporate value through investment in growth.

R&D



Consolidated Balance Sheets

Daifuku Co., Ltd. and consolidated subsidiaries
March 31, 2021 and 2020

		(Million yen)
		March 31
ASSETS	**2021**	2020
Current assets:		
Cash on hand and in banks (Notes 9 and 28)	**¥94,167**	¥70,907
Notes and accounts receivable and unbilled receivables (Note 9)	**211,906**	202,712
Merchandise and finished goods	**6,355**	6,453
Costs incurred on uncompleted construction contracts and other (Note 8)	**13,670**	11,169
Raw materials and supplies	**16,325**	15,720
Other current assets	**8,749**	13,103
Less: allowance for doubtful accounts	**(571)**	(383)
Total current assets	**350,604**	319,683
Non-current assets:		
Property, plant and equipment (Notes 7 and 13):		
Buildings and structures, net	**21,304**	21,203
Machinery and vehicles, net	**5,802**	5,635
Tools and fixtures, net	**2,637**	2,486
Land	**12,228**	12,250
Other, net	**7,574**	5,768
Total property, plant and equipment	**49,547**	47,343
Intangible assets:		
Software	**3,998**	4,096
Goodwill	**4,212**	4,891
Other	**1,804**	1,145
Total intangible assets	**10,015**	10,133
Investments and other assets:		
Investments in securities (Notes 9, 10, and 11)	**14,965**	15,182
Long-term loans	**117**	128
Assets for retirement benefits (Note 14)	**7,738**	5,708
Deferred tax assets (Note 27)	**9,566**	9,480
Other	**3,066**	3,397
Less: allowance for doubtful accounts	**(165)**	(169)
Total investments and other assets	**35,289**	33,727
Total non-current assets	**94,852**	91,204
Total assets	**¥445,456**	¥410,887

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

LIABILITIES	2021	2020
	(Million yen) March 31	
Current liabilities:		
Notes and accounts payable and construction contracts payable (Note 9)	**¥43,778**	¥46,509
Electronically recorded obligations-operating (Note 9)	**20,169**	22,587
Short-term borrowings and current portion of long-term borrowings (Notes 9 and 12)	**15,543**	11,772
Income taxes payable	**9,907**	2,599
Advances received on uncompleted construction contracts and other	**34,263**	33,091
Provision for losses on construction contracts (Notes 8 and 18)	**343**	263
Other current liabilities (Note 13)	**25,172**	21,870
Total current liabilities	**149,178**	138,695
Non-current liabilities:		
Long-term borrowings (Notes 9 and 12)	**19,600**	21,645
Deferred tax liabilities (Note 27)	**516**	321
Liabilities for retirement benefits (Note 14)	**7,674**	8,082
Other reserves	**351**	330
Other non-current liabilities (Note 12)	**6,123**	4,455
Total non-current liabilities	**34,265**	34,836
Total liabilities	**183,443**	173,531
NET ASSETS		
Shareholders' equity (Notes 6 and 17):		
Common stock:		
Authorized—250,000,000 shares	**31,865**	31,865
Issued—126,610,077 shares	**21,980**	21,987
Capital surplus	**202,377**	179,292
Retained earnings		
Less: treasury stock, at cost—March 31, 2021—604,068 shares	**(941)**	(1,430)
March 31, 2020—703,806 shares		
Total shareholders' equity	**255,282**	231,714
Accumulated other comprehensive income:		
Net unrealized gain (loss) on securities	**4,376**	2,716
Deferred gain (loss) on hedges	**(260)**	(89)
Foreign currency translation adjustments	**(1,425)**	1,038
Accumulated adjustments on retirement benefits (Note 14)	**(912)**	(2,419)
Total accumulated other comprehensive income	**1,778**	1,246
Non-controlling interests:	**4,952**	4,394
Total net assets	**262,012**	237,356
Total liabilities and net assets	**¥445,456**	¥410,887

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

Consolidated Statements of Income and Comprehensive Income

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2021 and 2020

		(Million yen)
		March 31
	2021	2020
Net sales	**¥473,902**	¥443,694
Cost of sales (Notes 19 and 20)	**385,744**	357,870
Gross profit	**88,157**	85,824
Selling expenses (Note 18)	**16,185**	17,791
General and administrative expenses (Notes 18 and 20)	**27,405**	27,535
Total selling, general and administrative expenses	**43,591**	45,326
Operating income	**44,566**	40,497
Other income:		
Interest income	**347**	599
Dividend income	**415**	435
Foreign exchange gains	**296**	—
Land and house rental revenue	**218**	216
Other	**808**	486
Total other income	**2,086**	1,739
Other expenses:		
Interest expenses	**644**	758
Foreign exchange losses	**—**	308
Other	**162**	193
Total other expenses	**806**	1,260
Ordinary income	**45,846**	40,976
Extraordinary income:		
Gain on sales of property, plant and equipment (Note 22)	**14**	19
Gain on sales of investments securities	**920**	971
Total extraordinary income	**935**	990
Extraordinary loss:		
Loss on sales of property, plant and equipment (Note 23)	**3**	2
Loss on disposal of property, plant and equipment (Note 21)	**235**	270
Amortization of goodwill (Note 25)	**—**	1,693
Loss on valuation of shares in affiliates (Note 24)	**1,027**	—
Settlement package	**234**	—
Other	**170**	192
Total extraordinary loss	**1,671**	2,158
Income before income taxes	**45,109**	39,808
Income taxes (Note 27)		
Current	**14,010**	9,389
Deferred	**(1,683)**	1,724
Total income taxes	**12,326**	11,114
Net income	**32,783**	28,693
Net income attributable to:		
Shareholders of the parent company	**32,390**	28,063
Non-controlling interests	**393**	630
Other comprehensive income (Note 26)		
Net unrealized gain (loss) on securities	**1,666**	(2,070)
Deferred gain (loss) on hedges	**(171)**	(68)
Foreign currency translation adjustments	**(2,539)**	(971)
Retirement benefits reserves adjustments	**1,589**	51
Share of other comprehensive income (loss) of affiliates for using the equity method	**16**	(7)
Total other comprehensive income (loss)	**562**	(3,066)
Comprehensive income	**¥33,345**	¥25,627
Comprehensive income attributable to:		
Shareholders of the parent company	**¥32,921**	¥25,277
Non-controlling interests	**423**	349
		(Yen)
Net income per share (Note 32)	**¥257.13**	¥222.96
Cash dividends per share	**80.00**	75.00

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

Consolidated Statements of Changes in Net Assets

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2021 and 2020

	Number of shares of common stock	Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	(Thousands)					(Million yen)
Balance at March 31, 2019	126,610	¥31,865	¥21,518	¥162,722	¥(1,449)	¥214,656
Cumulative effects of changes in accounting policies	—	—	—	¥(150)	—	¥(150)
Restated balance	126,610	¥31,865	¥21,518	¥162,572	¥(1,449)	¥214,506
Cash dividends	—	—	—	(11,343)	—	(11,343)
Net income attributable to shareholders of the parent company	—	—	—	28,063	—	28,063
Purchase of treasury stock	—	—	—	—	(551)	(551)
Disposal of treasury stock	—	—	466	—	570	1,036
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	3	—	—	3
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2020	126,610	¥31,865	¥21,987	¥179,292	¥(1,430)	¥231,714
Cumulative effects of changes in accounting policies	—	—	—	—	—	—
Restated balance	**126,610**	**¥31,865**	**¥21,987**	**¥179,292**	**¥(1,430)**	**¥231,714**
Cash dividends	—	—	—	**(9,459)**	—	**(9,459)**
Net income attributable to shareholders of the parent company	—	—	—	**32,390**	—	**32,390**
Purchase of treasury stock	—	—	—	—	**(22)**	**(22)**
Disposal of treasury stock	—	—	**0**	—	**511**	**512**
Change in scope of consolidation	—	—	—	**155**	—	**155**
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	**(7)**	—	—	**(7)**
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2021	**126,610**	**¥31,865**	**¥21,980**	**¥202,377**	**¥(941)**	**¥255,282**

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gain (loss) on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Accumulated adjustments on retirement benefits	Total accumulated other comprehensive income		
							(Million yen)
Balance at March 31, 2019	¥4,554	¥(20)	¥2,003	¥(2,505)	¥4,032	¥4,195	¥222,885
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	¥(150)
Restated balance	¥4,554	¥(20)	¥2,003	¥(2,505)	¥4,032	¥4,195	¥222,734
Cash dividends	—	—	—	—	—	—	(11,343)
Net income attributable to shareholders of the parent company	—	—	—	—	—	—	28,063
Purchase of treasury stock	—	—	—	—	—	—	(551)
Disposal of treasury stock	—	—	—	—	—	—	1,036
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	3
Net changes of items other than shareholders' equity	(1,838)	(68)	(965)	85	(2,786)	199	(2,587)
Balance at March 31, 2020	¥2,716	¥(89)	¥1,038	¥(2,419)	¥1,246	¥4,394	¥237,356
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—
Restated balance	**¥2,716**	**¥(89)**	**¥1,038**	**¥(2,419)**	**¥1,246**	**¥4,394**	**¥237,356**
Cash dividends	—	—	—	—	—	—	**(9,459)**
Net income attributable to shareholders of the parent company	—	—	—	—	—	—	**32,390**
Purchase of treasury stock	—	—	—	—	—	—	**(22)**
Disposal of treasury stock	—	—	—	—	—	—	**512**
Change in scope of consolidation	—	—	—	—	—	—	**155**
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	**(7)**
Net changes of items other than shareholders' equity	**1,659**	**(171)**	**(2,463)**	**1,507**	**531**	**557**	**1,089**
Balance at March 31, 2021	**¥4,376**	**¥(260)**	**¥(1,425)**	**¥(912)**	**¥1,778**	**¥4,952**	**¥262,012**

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

Consolidated Statements of Cash Flows

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2021 and 2020

		(Million yen)
		March 31
	2021	2020
Cash flows from operating activities:		
Income before income taxes and non-controlling interests	**¥45,109**	¥39,808
Adjustments for:		
Depreciation	**6,401**	5,667
Amortization of goodwill	**695**	2,520
Interest and dividend income	**(763)**	(1,035)
Interest expenses	**644**	758
Loss (gain) on sales of investments in securities	**(920)**	(971)
Loss (gain) on disposal or sales of property, plant and equipment	**224**	252
Loss on valuation of shares in affiliates	**1,027**	—
Decrease (increase) in notes and accounts receivable	**(10,669)**	(12,053)
Decrease (increase) in inventories	**(3,279)**	486
Increase (decrease) in notes and accounts payable	**(4,599)**	(2,208)
Increase (decrease) in advances received on uncompleted construction contracts	**647**	2,825
Other, net	**7,259**	(730)
Subtotal	**41,778**	35,320
Interest and dividend received	**763**	1,036
Interest paid	**(624)**	(776)
Income taxes refund (paid)	**(4,173)**	(22,316)
Other, net	**485**	441
Net cash provided by (used in) operating activities	**38,229**	13,706
Cash flows from investing activities:		
Investments in time deposits	**(62)**	(13)
Proceeds from refund of time deposits	**0**	3
Payments for purchase of property, plant and equipment	**(7,481)**	(12,815)
Proceeds from sales of property, plant and equipment	**23**	55
Payments for purchase of investments in securities	**(27)**	(331)
Proceeds from sales of investments in securities	**1,596**	1,336
Payments for purchase of shares in affiliates	**—**	(2,901)
Collection of loans receivable	**6**	8
Other, net	**(186)**	(132)
Net cash provided by (used in) investing activities	**(6,132)**	(14,791)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings, net	**1,760**	(5,064)
Proceeds from long-term borrowings	**—**	1,000
Repayment of long-term borrowings	**(482)**	(2,246)
Proceeds from disposal of treasury stock	**662**	1,036
Payments for purchase of treasury stock	**(22)**	(552)
Payments of cash dividends	**(9,462)**	(11,331)
Other, net	**(1,387)**	(1,195)
Net cash provided by (used in) financing activities	**(8,932)**	(18,354)
Effect of exchange rate change on cash and cash equivalents	**(741)**	(581)
Net increase (decrease) in cash and cash equivalents	**22,422**	(20,020)
Cash and cash equivalents at beginning of year	**70,883**	90,903
Increase (decrease)in cash and cash equivalents resulting from change in scope of consolidation	**772**	—
Cash and cash equivalents at end of year (Note 28)	**¥94,079**	¥70,883

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

Notes to the Consolidated Financial Statements

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2021 and 2020

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 66 subsidiaries as of March 31, 2021.

Sixty (60) 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. Scarabee Aviation Group B.V. and its subsidiaries have been included in the scope of consolidation since the beginning the fiscal year due to its increased materiality.

The Company has two subsidiaries, Vega Conveyors and Automation Private Limited and Airport Digital Holdings (AUS) Pty Ltd, as of March 31, 2021, that have been excluded from the scope of consolidation since their total assets, net sales, net income or loss and retained earnings are not deemed to have a significant impact on the Company's consolidated financial statements as a whole.

The Company has one affiliate, Kunming Logan-KSEC Airport System Company Ltd., as of March 31, 2021, 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.

The Company has two subsidiaries, Vega Conveyors and Automation Private Limited and Airport Digital Holdings (AUS) Pty Ltd and one affiliate, IKS Co., Ltd., which are 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.

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

(iv) 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

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.

(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, 2021.

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

(1) An accounting standard and related guidance issued before March 31, 2021 but have not yet been applied among the Company and its domestic consolidated subsidiaries are as follows:

- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29; March 31, 2020)
- Revised Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30; March 26, 2021)

(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 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

Disclosure for the financial impact of applying the accounting standard and related guidance on the next fiscal year is omitted due to its insignificance.

(2) Accounting standards revised before March 31, 2021 but have not yet been applied among overseas consolidated subsidiaries are as follows:

- Leases (FASB, ASU 2016-02)

(a) Overview

The revised accounting standard provides an accounting standard for lease transaction.

(b) Outline

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

(c) Planned date of application

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

(d) Impact of applying the revised accounting standard

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

4. Changes in method of presentation

(Application of Accounting Standard for Disclosure of Accounting Estimates)

Accounting Standard for Disclosure of Accounting Estimates (Accounting Standards Board of Japan Statement No.31 issued on March 31, 2020) has been applied to the consolidated financial statement for the fiscal year ended March 31, 2021 and the note on significant accounting estimates has been provided in the financial statement. However, in accordance with transitional provisions in Paragraph 11 under the Accounting Standard, the information for the previous fiscal year has not been disclosed in the note.

5. Significant accounting estimates

(1) Estimate of total cost of construction in the application of the percentage-of-completion method

(a) Amounts recorded on the consolidated financial statement for the fiscal year ended March 31, 2021

Net sales recognized under percentage-of-completion method ¥346,100 million

Provision for losses on construction contracts ¥343 million

(b) Method of calculation and primary assumptions

Percentage-of-completion method (the percentage of completion of construction activity is estimated by cost-to-cost method) is applied for a construction contract which the outcome of the construction activity is deemed certain during the course of the activity. In the cost-to-cost method, net sales of completion construction are measured by the percentage of costs incurred to date to estimated total costs to complete the project.

The estimated total costs are determined on the basis of past projects experiences by taking various unique conditions for each individual project into consideration in line with the agreed-upon specification in the contract with a customer and reviewed as of the end of every fiscal year.

The Company's individual long-term contracts are distinct in terms of specification and duration. Especially, the estimate of long-term construction contract costs has been complex since it requires management judgement based on past results. Due to changes orders arising out of specification changes during the construction, unforeseen events such as fluctuations in wage rates and materials and equipment prices and incurring additional costs for modifications, estimated total costs may differ from the result. In order to provide for estimated losses on uncompleted construction contracts, provision for losses on construction contracts are made as of the end of the fiscal year. In case an unforeseen event may cause the estimated total costs to differ from the actual costs, the event may have an impact on provision for losses on construction contracts.

(2) Impairment of property, plant and equipment and intangible assets

(a) The amounts recorded in the consolidated balance sheet as of the end of the fiscal year

The sum of property, plant and equipment and intangible assets 59,562 million

(b) Method of calculation and primary assumptions

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

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

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 Practical Issues Task Force 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, using the book value (excluding incidental expenses) in the Trust.

The book value and the number of the treasury stock

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

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

7. Accumulated depreciation of property, plant and equipment

Accumulated depreciation of property, plant and equipment was ¥58,674 million and ¥55,919 million as of March 31, 2021 and 2020, 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 costs incurred on uncompleted construction contracts and other, for which provision for losses on construction contracts is provided, totaled ¥48 million and ¥45 million as of March 31, 2021 and 2020, 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, 2021 and 2020 are as presented below. However, the financial instruments whose fair values are not readily determinable are excluded from these tables (see [Note 2]):

For the year ended March 31, 2021:

(Million yen)

	Carrying amount on consolidated balance sheets	Fair value	Variance
(1) Cash on hand and in banks	**¥94,167**	**¥94,167**	**¥ —**
(2) Notes and accounts receivable and unbilled receivables	**211,906**	**211,906**	**—**
(3) Investments in securities “Other securities”	**13,134**	**13,134**	**—**
Total assets	**¥319,208**	**¥319,208**	**¥ —**
(1) Notes and accounts payable and construction contracts payable	**¥43,778**	**¥43,778**	**¥ —**
(2) Electronically recorded obligations - operating	**20,169**	**20,169**	**—**
(3) Short-term borrowings and current portion of long-term borrowings	**15,543**	**15,543**	**—**
(4) Long-term borrowings	**19,600**	**19,621**	**(21)**
Total liabilities	**¥99,091**	**¥99,113**	**¥(21)**
Derivative transactions (*)	**¥(376)**	**¥(376)**	**¥ —**

(*) 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

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, 2020:

(Million yen)

	Carrying amount on consolidated balance sheets	Fair value	Variance
(1) Cash on hand and in banks	¥70,907	¥70,907	¥ —
(2) Notes and accounts receivable and unbilled receivables	202,712	202,712	—
(3) Investments in securities “Other securities”	11,429	11,429	—
Total assets	¥285,050	¥285,050	¥ —
(1) Notes and accounts payable and construction contracts payable	¥46,509	¥46,509	¥ —
(2) Electronically recorded obligations - operating	22,587	22,587	—
(3) Short-term borrowings and current portion of long-term borrowings	11,772	11,772	—
(4) Long-term borrowings	21,645	21,643	(1)
Total liabilities	¥102,515	¥102,514	¥(1)
Derivative transactions (*)	¥(136)	¥(136)	¥ —

(*) 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

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.”

[Note 2] Financial instruments, of which fair values are not readily determinable as of March 31, 2021 and 2020:
For the year ended March 31, 2021:

	(Million yen)
Category	Carrying amount on consolidated balance sheets
Unlisted securities	**¥1,831**

For the year ended March 31, 2020:

	(Million yen)
Category	Carrying amount on consolidated balance sheets
Unlisted securities	¥3,753

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 ¥1,270 million and ¥3,190 million as of March 31, 2021 and 2020, 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, 2021:

				(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	**¥94,167**	**¥ —**	**¥ —**	**¥ —**
Notes and accounts receivable and unbilled receivables	**211,906**	**—**	**—**	**—**
Total	**¥306,074**	**¥ —**	**¥ —**	**¥ —**

For the year ended March 31, 2020:

				(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	¥70,907	¥ —	¥ —	¥ —
Notes and accounts receivable and unbilled receivables	202,712	—	—	—
Total	¥273,620	¥ —	¥ —	¥ —

[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, 2021:

						(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	**¥13,796**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Long-term borrowings	**1,747**	**15,900**	**2,700**	**1,000**	**—**	**—**
Total	**¥15,543**	**¥15,900**	**¥2,700**	**¥1,000**	**¥ —**	**¥ —**

For the year ended March 31, 2020:

						(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	¥11,572	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	200	2,045	15,900	2,700	1,000	—
Total	¥11,772	¥2,045	¥15,900	¥2,700	¥1,000	¥ —

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, 2021
	Acquisition cost	Carrying amount on consolidated balance sheets	Difference
Investments in securities:			
Equity securities	**¥6,894**	**¥13,134**	**¥6,239**

			(Million yen)
			March 31, 2020
	Acquisition cost	Carrying amount on consolidated balance sheets	Difference
Investments in securities:			
Equity securities	¥4,389	¥8,783	¥4,394

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

			(Million yen)
			March 31, 2021
	Acquisition cost	Carrying amount on consolidated balance sheets	Difference
Investments in securities:			
Equity securities	**¥560**	**¥560**	**¥ —**

			(Million yen)
			March 31, 2020
	Acquisition cost	Carrying amount on consolidated balance sheets	Difference
Investments in securities:			
Equity securities	¥3,718	¥3,209	¥(508)

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

The Company recorded impairment losses of ¥2 million for the fiscal year ended March 31, 2021 and ¥143 million for the fiscal year ended March 31, 2020, respectively.

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, 2021 and 2020:

Omitted due to no material securities being held

"Held-to-maturity debt securities" sold during the years ended March 31, 2021 and 2020:

Not applicable

"Other securities" sold during the years ended March 31, 2021 and 2020 were as follows:

For the year ended March 31, 2021:

		(Million yen)
	Sale value	Gain on sales
Investments in securities:		
Equity securities	**¥1,596**	**¥920**

For the year ended March 31, 2020:

		(Million yen)
	Sale value	Gain on sales
Investments in securities:		
Equity securities	¥1,336	¥971

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	**2021**	2020
Investments in securities:		
Equity securities	**¥1,270**	¥3,190

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, 2021 was 2.6%.

Short-term borrowings outstanding as of March 31, 2021 and 2020 were as follows:

		(Million yen)
March 31	**2021**	2020
Borrowings from banks:		
Unsecured	**¥13,796**	¥11,572

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, 2021 was 1.1%. The weighted average interest rate applicable to the long-term borrowings outstanding as of March 31, 2021 was 0.4%.The maturity dates range from 2022 through 2024.

Long-term borrowings outstanding as of March 31, 2021 and 2020 were as follows:

		(Million yen)
March 31	**2021**	2020
Borrowings, principally from banks:		
Secured and unsecured	**¥21,347**	¥21,845
Less: portion due within one year	**1,747**	200
Total	**¥19,600**	¥21,645

Bonds

Not applicable

Borrowings details

The analysis of long-term borrowings with maturity within five years after March 31, 2021, other than the portion due within one year was as follows:

	(Million yen)
Due after one year and within two years	¥15,900
Due after two years and within three years	2,700
Due after three years and within four years	1,000
Due after four years and within five years	—
Total	¥19,600

Lease obligations details

Lease obligations outstanding as of March 31, 2021 and 2020 were as follows:

		(Million yen)
March 31	**2021**	2020
Lease obligations	**¥4,459**	¥3,841
Less: portion due within one year	**1,168**	997
Total	**¥3,291**	¥2,844

[Note 1] Starting from the beginning of the fiscal year ended March 31, 2020, subsidiaries reporting in IFRS have adopted IFRS 16 Leases. The weighted average interest rate applicable to the portion due within one year of lease obligations as of March 31, 2021 was 2.6%. The weighted average interest rate applicable to lease obligations other than the portion due within one year as of March 31, 2021 was 1.9%. The maturity dates range from 2022 through 2034.

[Note 2] The analysis of lease obligations with maturity within five years after March 31, 2021, other than the portion due within one year was as follows:

	(Million yen)
Due after one year and within two years	¥787
Due after two years and within three years	564
Due after three years and within four years	496
Due after four years and within five years	634
Total	¥2,483

[Note 3] To secure timely and efficient financing of working capital, the Group has entered into a credit facility agreement with six banks that provide lines of credit up to ¥30,000 million in total.

13. Asset retirement obligations details

Since the amounts of asset retirement obligations as of March 31, 2021 and 2020 were less than 1% of the total liabilities and net assets as of March 31, 2021 and 2020, 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	**2021**	2020
Balance at beginning of year	**¥36,248**	¥35,351
Service cost	**1,288**	1,373
Interest cost	**313**	377
Accrued actuarial gains and losses	**1,128**	574
Payments for retirement benefits	**(1,422)**	(1,582)
Foreign currency translation adjustments	**(485)**	122
Other	**7**	31
Balance at end of year	**¥37,077**	¥36,248

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

		(Million yen)
March 31	**2021**	2020
Balance at beginning of year	**¥34,227**	¥33,346
Expected return on plan assets	**1,282**	1,271
Accrued actuarial gains and losses	**2,265**	(440)
Employer contributions	**1,037**	525
Payments for retirement benefits	**(990)**	(990)
Foreign currency translation adjustments	**(440)**	122
Other	**(3)**	392
Balance at end of year	**¥37,378**	¥34,227

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

(Million yen)

March 31	2021	2020
Balance at beginning of year	**¥351**	¥513
Retirement benefit expenses	**562**	521
Payments for retirement benefits	**(30)**	(39)
Employer contributions	**(556)**	(601)
Foreign currency translation adjustments	**(3)**	4
Other	**(51)**	(46)
Balance at end of year	**¥271**	¥351

(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	2021	2020
Retirement benefit obligations in funded plans	**¥39,467**	¥38,239
Plan assets	**(40,685)**	(36,984)
	(1,217)	1,255
Retirement benefit obligations in unfunded plans	**1,192**	1,124
Other	**(38)**	(5)
Net liabilities and assets on consolidated balance sheets	**(63)**	2,374
Liabilities for retirement benefits	**7,674**	8,082
Assets for retirement benefits	**(7,738)**	(5,708)
Net liabilities and assets on consolidated balance sheets	**¥(63)**	¥2,374

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

(Million yen)

March 31	2021	2020
Service cost	**¥1,288**	¥1,304
Interest cost	**313**	377
Expected return on plan assets	**(1,282)**	(1,271)
Amortization of actuarial gains and losses	**1,075**	635
Retirement benefit expenses using the simplified method	**562**	521
Retirement benefit expenses on defined benefit plans	**¥1,957**	¥1,566

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

(Million yen)

March 31	2021	2020
Actuarial gains and losses	**¥(2,323)**	¥128
Total	**¥(2,323)**	¥128

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

(Million yen)

March 31	2021	2020
Unrecognized actuarial gains and losses	**¥913**	¥3,237
Total	**¥913**	¥3,237

(8) Matters regarding plan assets

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

		(%)
March 31	**2021**	2020
Equity securities	**32%**	32%
Debt securities	**38**	40
General accounts at life insurance	**13**	14
Cash on hand and in banks	**10**	9
Other	**7**	5
Total	**100%**	100%

[Note] The retirement benefit trust set up for the corporate pension plans consists of 16% and 17% of the total plan assets as of March 31, 2021 and 2020, 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, 2021 and 2020 were as follows:

		(%)
March 31	**2021**	2020
Discount rate	**0.075 – 8.00%**	0.075 – 8.25%
Expected long-term rate of return on plan assets	**1.0 – 7.2%**	1.0 – 7.2%

[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, 2021 and 2020 was ¥1,175 million and ¥1,166 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, 2021 and 2020 were as follows:

		(Million yen)
March 31	**2021**	2020
Due within one year	**¥342**	¥307
Due after one year	**1,242**	1,213
Total	**¥1,585**	¥1,520

16. Derivatives and hedging activities

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

For the year ended March 31, 2021:

					(Million yen)
Section	Category	Contract amount	Of which due after one year	Fair value	Valuation profit and loss
Non-market transactions	Forward exchange contracts				
	Sell				
	Canadian dollar	¥401	—	¥(0)	¥(0)
	Euro	27	—	(0)	(0)
Total		¥428	—	¥(0)	¥(0)

The fair value is calculated based on forward exchange rate markets.

For the year ended March 31, 2020:

Section	Category	Contract amount	Of which due after one year	Fair value	Valuation profit and loss
					(Million yen)
Non-market transactions	Forward exchange contracts				
	Sell				
	Canadian dollar	¥485	—	¥1	¥1
	Polish zloty	568	—	(4)	(4)
Total		¥1,053	—	¥(3)	¥(3)

The fair value is calculated based on forward exchange rate markets.

(2) Derivative transactions subject to hedge accounting

(a) Currency-related

For the year ended March 31, 2021:

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
						(Million yen)
Principal method	Forward exchange contracts					Determined at the quoted prices at the forward exchange rates market
	Sell					
	U.S. dollar	Accounts receivable (future transactions)	¥1,294	¥ —	¥(56)	
	Canadian dollar		259	—	(2)	
	Korean won		685	—	(45)	
	Thai baht		580	—	(13)	
	Chinese yuan		2,277	—	(79)	
	New Taiwan dollar		558	—	(23)	
	Singapore dollar		100	—	(6)	
	Australian dollar		426	—	(145)	
	Euro		614	—	(2)	
	Indian rupee		17	—	(1)	
	Indonesian rupiah		70	—	(8)	
	Buy					
	Thai baht		(156)	—	(0)	
	Korean won	Accounts payable (future transactions)	(224)	—	11	
	U.S. dollar		(78)	—	(1)	
	Japanese yen		(134)	—	(2)	
	Chinese yuan		(37)	—	2	
Exceptional treatment of forward exchange contracts	Forward exchange contracts					
	Sell					
	U.S. dollar	Accounts receivable	1,363	—		
	Korean won		3,553	—		
	New Taiwan dollar		110	—		
	Chinese yuan		1,974	—		
	Thai baht		563	—	(*1)	
	Australian dollar		1,293	—		
	Indian rupee		11	—		
	Singapore dollar		16	—		
	Canadian dollar		212	—		
	Buy					
	Thai baht	Accounts payable	(41)	—	(*1)	
	Currency swaps					
	U.S. dollar	Long-term borrowings	3,000	3,000	(*2)	
Total			¥18,310	¥3,000	¥(375)	

For the year ended March 31, 2020:

(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)	¥1,985	¥ —	¥(26)	
	Canadian dollar		266	—	1	
	Korean won		893	—	10	
	Thai baht		77	—	(0)	
	Chinese yuan		1,261	—	(2)	
	New Taiwan dollar		231	—	(6)	
	Singapore dollar		126	—	6	
	Australian dollar		2,344	—	(117)	
	Euro		72	—	6	
	Indian rupee		49	—	(0)	
	Indonesian rupiah		22	—	2	
	British pound		10	—	0	
	Buy					
	Thai baht	Accounts payable (future transactions)	(409)	—	(4)	
	Korean won		(212)	—	(2)	
	New Taiwan dollar		(270)	—	(2)	
	British pound		(56)	—	(0)	
	U.S. dollar		(258)	—	1	
Exceptional treatment of forward exchange contracts	Forward exchange contracts					
	Sell					
	U.S. dollar	Accounts receivable	2,478	—		
	Korean won		673	—		
	New Taiwan dollar		756	—		
	Chinese yuan		2,327	—		
	Thai baht		80	—	(*1)	
	Australian dollar		228	—		
	Indian rupee		10	—		
	Indonesian rupiah		48	—		
	Singapore dollar		78	—		
	Currency swaps					
	U.S. dollar	Long-term borrowings	3,000	3,000	(*2)	
Total			¥15,816	¥3,000	¥(133)	

(*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, 2021:

(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	**¥8,700**	**¥8,700**	**(*)**	
Total			**¥8,700**	**¥8,700**	**¥ —**	

(*) 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, 2020:

						(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	¥9,362	¥8,700	(*)	
Total			¥9,362	¥8,700	¥ —	

(*) 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, 2021:

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

For the year ended March 31, 2020:

				(Thousand shares)
Class of shares	As of April 1, 2019	Increase	Decrease	As of March 31, 2020
Common stock	126,610	—	—	126,610

(2) Matters regarding treasury stock

For the year ended March 31, 2021:

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

[Note 1] Details of increases in the number of treasury stock were as follows:
- Increased by 2,107 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 45 shares due to the sale of less-than-a-unit shares
- Decreased by 39,900 shares due to the disposal to Custody Bank of Japan, Ltd. (trust account E) under the Board Benefit Trust (BBT)
- Decreased by 61,900 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] The number of treasury stock includes Custody Bank of Japan, Ltd. (trust account E) and The Nomura Trust and Banking Co., Ltd. (E-Ship Trust); the details were as follows:
Trust & Custody Services Bank, Ltd. changed its name to Custody Bank of Japan, Ltd. through a merger on July 27, 2020.
The Company's common stock held by Custody Bank of Japan, Ltd. (trust account E)
- 159,100 shares as of April 1, 2020 and 119,200 shares as of March 31, 2021

The Company's common stock held by The Nomura Trust and Banking Co., Ltd. (E-Ship Trust)
- 61,900 shares as of April 1, 2020 and 0 shares as of March 31, 2021

For the year ended March 31, 2020:

(Shares)

Class of shares	As of April 1, 2019	Increase	Decrease	As of March 31, 2020
Common stock	795,986	91,520	183,700	703,806

[Note 1] Details of increases in the number of treasury stock were as follows:
- Increased by 1,520 shares due to the repurchase of less-than-a-unit shares
- Increased by 90,000 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 6,200 shares due to the disposal to Trust & Custody Services Bank, Ltd. (trust account E) for the Board Benefit Trust (BBT)
- Decreased by 90,000 shares due to the disposal from Trust & Custody Services Bank, Ltd. (trust account E) under the Board Benefit Trust (BBT)
- Decreased by 87,500 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 resolved 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.

A meeting of the Company's Board of Directors held on November 8, 2019, resolved to make an additional contribution for the continuation of the plan and, on November 25, 2019, an additional contribution of 90,000 shares totaling ¥541 million was made to the Trust.

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)
- 75,300 shares as of April 1, 2019 and 159,100 shares as of March 31, 2020

[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)
- 149,400 shares as of April 1, 2019 and 61,900 shares as of March 31, 2020

(3) Matters regarding stock acquisition rights

For the years ended March 31, 2021 and 2020:

Not applicable

(4) Matters regarding dividends

(a) Dividends paid during the years ended March 31, 2021 and 2020 were as follows:

For the year ended March 31, 2021:

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

[Note 1] Aggregate dividends resolved at the Board of Directors' meeting on May 12, 2020, includes dividends of ¥7 million on the Company's shares (treasury stock) held by the BBT in Custody Bank of Japan, Ltd. (trust account E) under the BBT program. It also includes ¥2 million on the Company's shares (treasury stock) held by The Nomura Trust and Banking Co., Ltd. under the E-Ship program.
Trust & Custody Services Bank, Ltd. changed its name to Custody Bank of Japan, Ltd. through a merger on July 27, 2020.

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

For the year ended March 31, 2020:

Resolution adopted	Class of shares	Aggregate dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 10, 2019	Common stock	¥7,562	¥60	March 31, 2019	June 24, 2019
Board of Directors' meeting on November 8, 2019	Common stock	3,781	30	September 30, 2019	December 4, 2019

[Note 1] Aggregate dividends resolved at the Board of Directors' meeting on May 10, 2019, includes 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. It also includes ¥8 million on the Company's shares (treasury stock) held by The Nomura Trust and Banking Co., Ltd. under the E-Ship program.

[Note 2] Aggregate dividends resolved at the Board of Directors' meeting on November 8, 2019, 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. It also includes ¥3 million on the Company's shares (treasury stock) held by The Nomura Trust and Banking Co., Ltd. under the E-Ship program.

(b) Dividends with a record date during the years ended March 31, 2021 and 2020, payable in the following year, were as follows:

For the year ended March 31, 2021:

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

[Note] Aggregate dividends include dividends of ¥5 million on the Company's shares (treasury stock) held by the BBT in Custody Bank of Japan, Ltd. (trust account E) under the BBT program and aggregate dividends includes dividends of ¥0 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, 2020:

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 12, 2020	Common stock	Retained earnings	¥5,675	¥45	March 31, 2020	June 29, 2020

[Note] Aggregate dividends include dividends of ¥7 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 ¥2 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.

18. Major items of selling, general and administrative expenses

Major items of selling, general and administrative expenses for the years ended March 31, 2021 and 2020, were as follows:

Selling expenses

(Million yen)

March 31	2021	2020
Sales commissions	**¥836**	¥1,091
Advertising	**167**	349
Outsourcing	**566**	697
Salaries and bonuses	**8,580**	8,626
Retirement benefit expenses	**374**	380
Welfare	**1,457**	1,499
Travel and transportation	**622**	1,496
Rent	**349**	468
Depreciation	**254**	224

General and administrative expenses

(Million yen)

March 31	2021	2020
Outsourcing	**¥3,268**	¥3,449
Directors' remuneration	**939**	1,278
Salaries and bonuses	**12,019**	10,668
Retirement benefit expenses	**516**	514
Welfare	**1,726**	1,675
Depreciation	**2,427**	2,116
Research and development	**2,980**	3,002

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

For the years ended March 31, 2021 and 2020 were as follows:

(Million yen)

March 31	2021	2020
Provision for losses on construction contracts included in cost of sales	**¥79**	¥(50)

20. Research and development

Research and development expenditures included in general and administrative expenses and manufacturing costs were ¥9,165 million and ¥8,936 million for the years ended March 31, 2021 and 2020, 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, 2021 and 2020 were as follows:

(Million yen)

March 31	**2021**	2020
Buildings	**¥142**	¥146
Structures	**18**	6
Machinery	**20**	91
Tools and fixtures	**13**	21
Software	**36**	—

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, 2021 and 2020 were as follows:

(Million yen)

March 31	**2021**	2020
Buildings	**¥6**	¥ —
Machinery	**3**	2
Vehicles	**4**	10
Tools and fixtures	**0**	4

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, 2021 and 2020 were as follows:

(Million yen)

March 31	**2021**	2020
Machinery	**¥3**	¥1
Tools and fixtures	**0**	0

24. Loss on valuation of shares in affiliates

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

25. Amortization of goodwill

Goodwill is amortized in accordance with the provision in Paragraph 32 in Practical Guidelines on Capital Consolidation Procedures in Consolidated Financial Statements in the Accounting Practice Committee Statement No.7, issued by the Japanese Institute of Certified Public Accountants, on February 16, 2018.

26. Consolidated statements of comprehensive income

Reclassification adjustment and deferred tax related to other comprehensive income for the years ended March 31, 2021 and 2020 were as follows:

(Million yen)

March 31	2021	2020
Net unrealized gain (loss) on securities:		
Amount arising during the period	**¥3,272**	¥(2,061)
Reclassification adjustment	**(920)**	(831)
Pretax amount	**2,352**	(2,892)
Tax effect	**(685)**	822
Net unrealized gain (loss) on securities	**¥1,666**	¥(2,070)
Deferred gain (loss) on hedges:		
Amount arising during the period	**¥(258)**	¥(126)
Reclassification adjustment	**16**	26
Pretax amount	**(242)**	(100)
Tax effect	**71**	32
Deferred gain (loss) on hedges	**¥(171)**	¥(68)
Foreign currency translation adjustments:		
Amount arising during the period	**¥(2,539)**	¥(971)
Reclassification adjustment	**—**	—
Foreign currency translation adjustments	**¥(2,539)**	¥(971)
Adjustments to retirement benefits:		
Amount arising during the period	**¥1,245**	¥(796)
Reclassification adjustment	**1,077**	667
Pretax amount	**2,323**	(128)
Tax effect	**(733)**	179
Adjustments to retirement benefits	**¥1,589**	¥51
Share of other comprehensive income of affiliates accounted for using the equity method:		
Amount arising during the period	**¥16**	¥(7)
Reclassification adjustment	**—**	—
Share of other comprehensive income of affiliates accounted for using the equity method	**¥16**	¥(7)
Total other comprehensive income	**¥562**	¥(3,066)

27. Income taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2021 and 2020 were as follows:

(Million yen)

March 31	2021	2020
Deferred tax assets:		
Research and development	¥2,607	¥2,687
Accrued expenses	3,070	2,779
Provision for losses on construction contracts	43	38
Unrealized profit on inventories	77	95
Liabilities for retirement benefits	2,114	2,633
Loss carried forward	1,412	1,022
Unrealized gain on sales of property, plant and equipment	597	597
Loss on valuation of investments in securities	334	396
Excess depreciation	73	47
Accrued business tax	477	91
Foreign tax credit carried forward	259	—
Other	3,425	3,084
Subtotal	¥14,493	¥13,475
Less: Valuation allowance	(1,635)	(1,342)
Offset against deferred tax liabilities	(3,291)	(2,652)
Net deferred tax assets	¥9,566	¥9,480
Deferred tax liabilities:		
Net unrealized gain on assets of consolidated subsidiaries	¥675	¥526
Reserve for deferred gains on sales of property, plant and equipment	129	131
Net unrealized gain on securities	1,843	1,157
Retained profit	796	852
Other	362	305
Subtotal	¥3,807	¥2,974
Offset against deferred tax assets	(3,291)	(2,652)
Net deferred tax liabilities	¥516	¥321

(2) Reconciliation of the difference between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2021 and 2020 were as follows:

(%)

March 31	2021	2020
Statutory tax rate	30.6%	30.6%
Permanent difference arising from non-deductible expenses	0.5	0.8
Taxation on per capita basis	0.3	0.3
Increase in valuation allowance	0.4	1.1
Tax rate difference applied to overseas subsidiaries	(1.7)	(2.6)
Amortization of goodwill	0.1	1.5
Tax effects on retained earnings of overseas subsidiaries	(0.1)	0.3
Tax credit	(4.4)	(5.3)
Other	1.6	1.3
Effective tax rate	27.3%	27.9%

28. Consolidated statements of cash flows

[Note 1] The components of cash and cash equivalents as of March 31, 2021 and 2020 were as follows:

(Million yen)

March 31	2021	2020
Cash on hand and in banks	¥94,167	¥70,907
Time deposits with original maturities exceeding three months	(88)	(24)
Total	¥94,079	¥70,883

29. Stock options

For the years ended March 31, 2021 and 2020:
Not applicable

30. Related party transactions

For the years ended March 31, 2021 and 2020:
Not applicable

31. Segment information

(1) Overview of reportable segments

Reportable segments comprise components for which discrete financial information is available, and which the Board of Directors reviews regularly to determine the allocation of management resources and assess operating results.

The Daifuku Group manufactures and sells material handling systems, car wash machines, industrial personal computers, interface boards, and other equipment in Japan and overseas. Each company within the Group conducts manufacturing and sales activities based on its roles as an independent management unit.

There are four reportable segments: Daifuku Co., Ltd., the core company dealing in material handling systems and equipment, and car wash machines; Contec Co., Ltd. and its subsidiaries, the core company group engaging in the manufacture and sale of industrial personal computers, interface boards, and other equipment in Japan and overseas; Daifuku North America Holding Company and its subsidiaries, the U.S. company group that is responsible for key business activities, primarily in North America, with a significant volume of sales; and Clean Factomation, Inc., the company providing semiconductor manufacturers with cleanroom transport systems mainly in South Korea.

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

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

(3) Information on the amount of net sales, income or loss, assets, liabilities and other items by reportable segments for the years ended March 31, 2021 and 2020 was as follows:

For the year ended March 31, 2021:

(Million yen)

	Reportable segments						
	Daifuku	Contec	Daifuku North America	Clean Factomation	Subtotal	Other (*)	total
Net sales:							
Net sales to external customers	¥199,396	¥16,239	¥137,116	¥30,554	¥383,307	¥89,620	¥472,927
Intersegment sales or transfers	40,195	11,200	327	2,839	54,562	10,176	64,738
Total	239,592	27,439	137,443	33,394	437,870	99,796	537,666
Segment income	26,039	1,171	6,046	2,794	36,052	2,308	38,361
Segment assets	301,560	22,777	84,417	26,484	435,239	96,027	531,267
Segment liabilities	96,986	10,393	36,161	16,498	160,039	58,038	218,078
Other							
Depreciation	3,170	377	793	288	4,630	1,771	6,401
Amortization of goodwill	33	128	565	—	728	80	808
Interest income	18	2	57	125	204	179	384
Interest expenses	122	21	37	5	187	492	680
Extraordinary income	920	0	2	6	930	6	937
Gain on sales of property, plant and equipment	*—*	*0*	*2*	*6*	*9*	*4*	*14*
Gain on sales of shares of investments in securities	*920*	*—*	*—*	*—*	*920*	*—*	*920*
Extraordinary loss	2,941	5	240	28	3,216	132	3,348
Loss on valuation of shares in affiliates	*2,778*	*—*	*—*	*—*	*2,778*	*0*	*2,778*
Loss on sales of property, plant and equipment	*—*	*—*	*—*	*—*	*—*	*3*	*3*
Loss on disposal of property, plant and equipment	*163*	*5*	*6*	*0*	*175*	*57*	*232*
Income tax expenses	8,750	468	1,249	680	11,149	1,182	12,332
Increase in property, plant and equipment and intangible assets	3,257	228	1,623	60	5,169	2,293	7,462

For the year ended March 31, 2020:

(Million yen)

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

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

(4) Differences between total amounts for reportable segments and the reported amount in the consolidated financial statements and main details of the differences (matters relating to reconciliation)

(a) Net sales

(Million yen)

March 31	2021	2020
Reportable segments total	**¥437,870**	¥409,172
Segment net sales classified in “Other”	**99,796**	109,263
Elimination of intersegment transactions	**(64,738)**	(68,714)
Other adjustment for consolidation	**974**	(6,028)
Net sales in consolidated financial statements	**¥473,902**	¥443,694

(b) Income

(Million yen)

March 31	2021	2020
Reportable segments total	**¥36,052**	¥29,184
Segment income classified in “Other”	**2,308**	2,525
Elimination of dividends from affiliates	**(7,466)**	(5,377)
Other adjustments for consolidation	**1,494**	1,731
Net income in consolidated financial statements	**¥32,390**	¥28,063

(c) Assets

(Million yen)

March 31	2021	2020
Reportable segments total	**¥435,239**	¥395,712
Segment assets classified in “Other”	**96,027**	91,716
Elimination of investment securities in affiliates in consolidation process	**(47,147)**	(43,019)
Elimination of intercompany receivables	**(35,074)**	(28,607)
Other adjustments for consolidation	**(3,589)**	(4,914)
Total assets in consolidated financial statements	**¥445,456**	¥410,887

(d) Liabilities

(Million yen)

March 31	2021	2020
Reportable segments total	**¥160,039**	¥145,960
Segment liabilities classified in “Other”	**58,038**	54,673
Elimination of intercompany payables	**(35,074)**	(28,607)
Other adjustments for consolidation	**439**	1,504
Total liabilities in consolidated financial statements	**¥183,443**	¥173,531

For the year ended March 31, 2021:

(Million yen)

Other items	Reportable segments total	Other	Adjustment	Consolidated total
Depreciation	**¥4,630**	**¥1,771**	**¥ —**	**¥6,401**
Amortization of goodwill	**728**	**80**	**112**	**695**
Interest income	**204**	**179**	**(37)**	**347**
Interest expenses	**187**	**492**	**(35)**	**644**
Extraordinary income	**930**	**6**	**(2)**	**935**
Gain on sales of property, plant and equipment	***9***	***4***	***—***	***14***
Gain on sales of investments in securities	***920***	***—***	***—***	***920***
Extraordinary loss	**3,216**	**132**	**(1,676)**	**1,671**
Loss on valuation of shares in affiliates	***2,778***	***0***	***(1,751)***	***1,027***
Loss on sales of property, plant and equipment	***—***	***3***	***—***	***3***
Loss on disposal of property, plant and equipment	***175***	***57***	***2***	***235***
Amortization of goodwill	***—***	***—***	***—***	***—***
Income tax expenses	**11,149**	**1,182**	**(6)**	**12,326**
Increase in property, plant and equipment and intangible assets	**5,169**	**2,293**	**—**	**7,462**

For the year ended March 31, 2020:

(Million yen)

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

[Note] Main items in adjustment above are as follows:
Loss on valuation of shares in affiliates of minus 1,751 million yen for the fiscal year ended March 31, 2021 and minus 4,519 million yen for the fiscal year ended March 31, 2020 represent elimination of a loss on the valuation of shares in affiliates upon consolidation.
Goodwill amortization of 1,693 million yen under extraordinary losses for the fiscal year ended March 31, 2020 represents the amortization of goodwill in accordance with the provision in Paragraph 32 in Practical Guidelines on Capital Consolidation Procedures in Consolidated Financial Statements in the Accounting Practice Committee Statement No.7, issued by the Japanese Institute of Certified Public Accountants, on February 16, 2018.

【Related information】

1. Information by product and service

For the year ended March 31, 2021:

(Million yen)

	Logistics systems	Electronics	Other	Consolidated total
Net sales to external customers	**¥442,140**	**¥16,246**	**¥15,514**	**¥473,902**

For the year ended March 31, 2020:

(Million yen)

	Logistics systems	Electronics	Other	Consolidated total
Net sales to external customers	¥410,526	¥16,363	¥16,804	¥443,694

2. Information by geographic area

(1) Net sales

For the year ended March 31, 2021:

(Million yen)

	Japan	U.S.A.	China	S. Korea	Other	Consolidated total
Net sales to external customers	**¥163,997**	**¥135,360**	**¥59,566**	**¥43,380**	**¥71,597**	**¥473,902**

[Note] Net sales are classified into countries or regions based on the location of customers.

For the year ended March 31, 2020:

(Million yen)

	Japan	U.S.A.	China	S. Korea	Other	Consolidated total
Net sales to external customers	¥155,029	¥95,178	¥70,204	¥43,516	¥79,765	¥443,694

[Note] Net sales are classified into countries or regions based on the location of customers.

(2) Property, plant and equipment

For the year ended March 31, 2021:

(Million yen)

	Japan	U.S.A.	Other	Consolidated total
Property, plant and equipment	**¥28,054**	**¥9,351**	**¥12,140**	**¥49,547**

For the year ended March 31, 2020:

(Million yen)

	Japan	U.S.A.	Other	Consolidated total
Property, plant and equipment	¥28,015	¥9,030	¥10,296	¥47,343

3. Information by customer

It is omitted because no individual external customers represent 10% or more of the net sales reported in the consolidated statements of income and comprehensive income.

【Information about impairment loss of property, plant and equipment and intangible assets by reportable segment】

For the year ended March 31, 2021:

Not applicable

For the year ended March 31, 2020:

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, 2021:

(Million yen)

	Reportable segments							
	Daifuku	Contec	Daifuku North America	Clean Factomation	Total	Other	Elimination or corporate	Consolidated total
Ending balance of goodwill	**¥33**	**¥877**	**¥2,199**	—	**¥3,111**	**¥572**	**¥529**	**¥4,212**

[Note] Information about amortization of goodwill and negative goodwill is omitted because such information is disclosed in segment information.

For the year ended March 31, 2020:

(Million yen)

	Reportable segments							
	Daifuku	Contec	Daifuku North America	Clean Factomation	Total	Other	Elimination or corporate	Consolidated total
Ending balance of goodwill	¥67	¥1,061	¥2,909	—	¥4,038	¥645	¥207	¥4,891

[Note] Information about amortization of goodwill and negative goodwill is omitted because such information is disclosed in segment information.

【Information about gain on new negative goodwill by reportable segment】

Not applicable

32. Per share information

The information on the amounts of net income per share and net assets per share for the year ended March 31, 2021 and 2020 was as follows:

		(Yen)
March 31	**2021**	2020
Net assets per share	**¥2,040.07**	¥1,850.28
Net income per share	**257.13**	222.96

[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 BBT and the employee shareholding incentive plan through a trust ("E-Ship"), which are recorded as treasury stock under shareholders' equity, 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 fiscal year for the purpose of calculation of net income per share is 129 thousand shares for the fiscal year ended March 31, 2021 and 107 thousand shares for the fiscal year ended March 31, 2020 for the BBT; and 30 thousand shares for the fiscal year ended March 31, 2021 and 100 thousand shares for the fiscal year ended March 31, 2020 for the E-Ship. The number of shares of treasury stock deducted at the end of the year for the purpose of calculating net assets per share is 119 thousand shares for the fiscal year ended March 31, 2021 and 159 thousand shares for the fiscal year ended March 31, 2020 for the BBT; and 61 thousand shares for the fiscal year ended March 31, 2020 for the E-Ship. The E-Ship program ended in March 2021.

[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	**2021**	2020
Net income attributable to shareholders of the parent company	**¥32,390**	¥28,063
Amount not attributable to shareholders of common stock	**—**	—
Net income attributable to shareholders of the parent company related to common stock	**32,390**	28,063

		(Thousand shares)
	2021	2020
Weighted average number of common stock issued and outstanding during the year	**125,966**	125,867

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

		(Million yen)
March 31	**2021**	2020
Total net assets	**¥262,012**	¥237,356
Amount deducted from total net assets	**4,952**	4,394
Of which: non-controlling interests	***4.952***	*4,394*
Total net assets attributable to common stock at fiscal year-end	**¥257,060**	¥232,961

		(Thousand shares)
	2021	2020
Number of common stock issued and outstanding at fiscal year-end for the purpose of calculation of net assets per share	**126,006**	125,906

33. Major subsequent events

Not applicable

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Daifuku Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at March 31, 2021, and the consolidated statement of income and comprehensive income, consolidated statements of changes in net assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of estimating the total cost of construction in the application of the percentage-of-completion method	
Key audit matter description	How our audit addressed the key audit matter
The Company conducts business globally as a manufacturer and integrator of material handling systems, and most orders from its customers include construction projects. For the orders involving construction contract, when the outcome of the construction activity is deemed certain, the Company recognizes revenue based on the percentage-of-completion method (progress towards completion is measured by the cost-to-cost method). As described in Significant accounting estimates in Notes to Consolidated Financial Statements, net sales recorded under the percentage-of-completion method for the current consolidated fiscal year were 346,100 million yen (approximately 73% of consolidated net sales). Given the materiality of net sales recognized under the percentage-of-completion method as well as the extent of judgement	We performed the following principal audit procedures to evaluate management's estimates of total cost of construction used to recognize revenue based on the percentage-of-completion method. We evaluated the design and implementation and tested the operating effectiveness of the following internal controls: · Controls for obtaining internal approval for the initial estimate of total cost of construction based on agreed-upon specifications, for example, by ensuring this initial estimate considers the actual cost of similar projects in the past · Controls that periodically compare the estimated total construction cost for each project with the actual amount incurred,

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exercised by management, application of the percentage-of-completion method, particularly with respect to the estimates of total construction costs, requires careful audit consideration. The estimated total costs are determined based on historical project performance and various conditions for each individual project in line with the agreed-upon specification in the contract. As each individual long-term contract is unique in terms of specification and construction periods, the estimates of the total cost require management judgement based on historical project performance and is particularly complex for large-scale long-term contracts. Consequently, in case of unforeseen events, such as changes in specifications during construction due to requests from customers, fluctuations in man-hours requirements and material and equipment prices, and additional costs incurred during construction due to modifications, the estimated total costs may differ from the actual costs. Based on the above, we considered the estimates of total cost of construction used to recognize revenue based on the percentage-of-completion method as a key audit matter.	confirm whether estimates have been revised when necessary, and approve the latest estimate of the total construction cost in a timely and appropriate manner In order to evaluate the reliability of estimates developed by management and cost managers, we compared the estimated amount of total construction costs at the end of the previous consolidated fiscal year to the re-estimated amount or actual amount at the end of the current consolidated fiscal year. We performed the following procedure for samples selected based on our materiality: • Testing the reasonableness of the total cost of construction by examining supporting documents • Observation of meetings held by management periodically to monitor the progress of the project, including conducting inquiries with the cost manager, and inspection of related documents which bear on the estimated total costs of construction • Observation of the construction site and inquiries with the site manager to gain an understanding and evaluate the method utilized by management to estimate the total costs of construction • For construction projects completed after the end of the current consolidated fiscal year, comparison between the estimated total construction cost and the actual confirmed amount

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.
Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or

error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Interest required to be disclosed by the Certified Public Accountants Act of Japan
Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

高濱 滋

Shigeru Takahama

Designated Engagement Partner
Certified Public Accountant

北野和行

Kazuyuki Kitano

Designated Engagement Partner
Certified Public Accountant

August 24, 2021

DAIFUKU CO.,LTD.

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