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

Prepared in accordance with accounting principles generally accepted in Japan

Translated from the original Japanese-language document

November 9, 2018

Daifuku Co., Ltd.

Stock code: 6383, First Section of Tokyo Stock Exchange

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Scheduled date for filing quarterly financial report: November 12, 2018

Scheduled date of commencing dividend payment: December 5, 2018

Quarterly earnings supplementary materials: Yes

Quarterly earnings presentation: Yes (for institutional investors and securities analysts)

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

1. Consolidated Financial Results for the First Half of Fiscal 2018

(April 1, 2018 - September 30, 2018)

(1) Operating results

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

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half of fiscal 2018	**210,713**	**14.4**	**23,114**	**38.3**	**23,757**	**36.2**	**21,799**	**78.2**
First half of fiscal 2017	184,154	25.1	16,711	63.7	17,437	70.1	12,233	73.0

Note: Comprehensive income

First half of fiscal 2018: 19,066 million yen (37.1%)

First half of fiscal 2017: 13,909 million yen (－%)

	Net income per share	Diluted net income per share
	Yen	Yen
First half of fiscal 2018	**173.31**	**－**
First half of fiscal 2017	100.45	－

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
First half of fiscal 2018	**388,905**	**204,844**	**51.7**
Fiscal 2017	373,013	191,474	50.4

Reference: Shareholders' equity

First half of fiscal 2018: 201,012 million yen

Fiscal 2017: 187,878 million yen

2. Dividends

	Dividend per share				
	End of Q1	End of Q2	End of Q3	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2017	－	25.00	－	45.00	70.00
Fiscal 2018	－	30.00			
Fiscal 2018 (forecast)			－	50.00	80.00

Note: Revisions to the latest dividend forecast: Yes

3. Consolidated Earnings Forecast for the Fiscal 2018

(April 1, 2018 - March 31, 2019)

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

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	470,000	16.1	52,000	30.2	52,900	28.7	35,000	20.7	278.25

Note: Revisions to the latest consolidated financial forecast: Yes

Notes:

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

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

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

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

(4) Number of shares issued (Common stock)

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

First half of fiscal 2018: **126,610,077 shares**

Fiscal 2017: 126,610,077 shares

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

First half of fiscal 2018: **819,422 shares**

Fiscal 2017: 828,727 shares

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

First half of fiscal 2018: **125,787,681 shares**

First quarter of fiscal 2017: 121,783,530 shares

Note: The number of treasury stock at the end of the first half of the fiscal year ending March 31, 2019 includes 77,300 shares owned by the Board Benefit Trust (BBT). The number of treasury stock at the end of the fiscal year ended March 31, 2018 included 87,600 shares owned by the BBT.

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

Disclaimer

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

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

Contents

1. Qualitative Information Relating to Quarterly Consolidated Financial Results

(1) Operating results

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

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

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

Orders continued to be driven by large orders from the semiconductor sector in East Asia and the U.S., as well as from pharmaceutical wholesalers and distributors including e-commerce in Japan.

Sales were positive, underpinned by an extensive order backlog.

Specifically, the Group received orders of 269,831 million yen, up 1.2% from the previous fiscal year, and recorded sales of 210,713 million yen, up 14.4%.

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

Consequently, the Group posted operating income of 23,114 million yen, up 38.3% from a year earlier, and ordinary income of 23,757 million yen, up 36.2%. Net income attributable to shareholders of the parent company was 21,799 million yen, up 78.2%.

The average exchange rate used for transactions within the Group during the first half of the fiscal year under review was 108.52 yen to the U.S. dollar, compared with an exchange rate of 112.12 yen for the same period of the previous fiscal year. Due to the effect of exchange rate changes, orders declined by about 6,100 million yen. The impact on net sales and operating income was minor. Looking at orders, the impact on orders received during the first half of the fiscal year under review was about 1,300 million yen, and the impact on the order backlog was about 4,800 million yen.

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

Daifuku Co., Ltd.

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

Sales were positive in systems for semiconductor and FPD factories, manufacturers and distributors, and automobile production lines, underpinned by an extensive order backlog.

In terms of profits, operating income was favorable, reflecting increased sales and cost cutting. In addition, extraordinary income from a gain on the sale of shares in Knapp AG, which was an equity-method affiliate, of 8,030 million yen (balance of acquisition cost) boosted segment income.

As a result, the Company recorded orders of 121,601 million yen, up 2.3% from the previous fiscal year, sales of 92,970 million yen, up 12.9%, and segment income of 18,186 million yen, up 100.2%.

Contec Co., Ltd. and its affiliates

In the U.S. market, sales of industrial computers for the airport security related sector remained favorable.

In Japan, sales of products for the IoT (Internet of Things) market, including the CONPROSYS, are increasing.

Income rose, backed by increased productivity and sales.

As a result, Contec posted orders of 8,456 million yen, up 10.6% from the same period of the previous fiscal year, sales of 7,828 million yen, up 2.5%, and segment income of 571 million yen, up 36.8%.

Daifuku North America Holding Company and its affiliates

Orders remained strong in systems for semiconductor production lines. Also, in systems for manufacturers and distributors, orders from the e-commerce sector are increasing. In automobile production line systems, orders were influenced by the fact that automakers were considering carefully their car model strategies. In systems for airports, orders fell year on year, despite the company receiving orders for large projects. A high level of orders were received in the same period of the previous fiscal year.

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

As a result, Daifuku North America achieved orders of 63,275 million yen, down 16.3% from the same period of the previous fiscal year, sales of 40,968 million yen, down 14.7%, and segment income of 1,750 million yen, up 16.6%.

Clean Factomation, Inc.

Clean Factomation, Daifuku's wholly owned subsidiary in South Korea, mainly provides cleanroom transport systems to the country's semiconductor manufacturers. The company also plays a role in global production of the same system in collaboration with Group factories in Japan, China, and Taiwan. Its results are improving strongly, backed by the current rapid rise in semiconductor demand along with robust capital investment in semiconductor production lines.

As a result, Clean Factomation posted orders of 23,053 million yen, up 65.4% from the same period of the previous fiscal year, sales of 15,677 million yen, up 58.6%, and segment income of 1,564 million yen, up 117.4%.

Daifuku Plusmore Co., Ltd.

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

In August, the company released a new product called Zechs, a space-saving gate-type car wash machine. Centering on car dealerships that lack the space to introduce conventional car wash machines, the company will strengthen its marketing to in-city service stations and rental car companies.

Declined ratio of high-class car wash machines reflected its results, against a backdrop of the termination of government subsidies for service stations.

As a result, Daifuku Plusmore reported orders of 5,938 million yen, down 5.7% from the previous fiscal year, sales of 5,423 million yen, down 2.4%, and a segment loss of 15 million yen, a decrease of 21 million yen.

Other

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

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

In China, with the continued construction plans of FPD factories, the segment has been experiencing a peak period in production of systems for those factories. Under China's national policy of promoting domestic production of semiconductors, demand for systems for semiconductor factories is also increasing. Meanwhile, in systems for the food, pharmaceutical, auto parts, e-commerce and other distribution sectors, demand for material handling systems is increasing. In the automobile-related sector, the segment is strengthening ties with its customers, centering on Japanese automakers.

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

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

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

New Zealand-based BCS Group Limited is widely bolstering its business outside of Oceania by collaborating with other Group companies.

As a result, the segment recorded orders of 47,507 million yen, up 7.1% from the previous fiscal year, sales of 42,383 million yen, up 35.3%, and segment income of 1,880 million yen, up 183.4%.

(2) Financial position

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

Assets

Total assets at the end of the first half of the fiscal year under review stood at 388,905 million yen, an increase of 15,891 million yen from the end of the previous fiscal year. Current assets increased by 23,247 million yen, principally reflecting an increase of 12,523 million yen in cash on hand and in banks and an increase of 5,685 million yen in costs incurred on uncompleted construction contracts and other. The former was mainly due to sales of shares in affiliates and short-term borrowings for foreign subsidiaries, and the collection of notes and accounts receivable for completed contracts of large projects completed at the end of the previous fiscal year. The latter reflected the increased order backlog.

Non-current assets decreased by 7,355 million yen, mainly attributable to a decrease of 5,714 million yen in investments and other assets resulting from a decrease of shares in affiliates among others.

Liabilities

Total liabilities at the end of the first half of the fiscal year under review amounted to 184,061 million yen, an increase of 2,522 million yen from the end of the previous fiscal year. Current liabilities increased by 2,901 million yen. Primary factors included an increase of 5,547 million yen received on uncompleted construction contracts and other resulting from advances by customers for non-Japan projects, an increase of 2,370 million yen in short-term borrowings mainly for borrowings of foreign subsidiaries, a decrease of 3,520 million yen in notes and accounts payable and construction contracts payable due to the payment of notes and accounts payable, and a decrease of 2,093 million yen in other current liabilities such as the reversal of bonuses unpaid.

Non-current liabilities decreased by 379 million yen, mainly attributable to a decrease of 174 million yen in liabilities for retirement benefits.

Net assets

Net assets at the end of the first half of the fiscal year under review were 204,844 million yen, a rise of 13,369 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 16,135 million yen in retained earnings due to the booking of net income attributable to shareholders of the parent company, as well as a decrease of 3,869 million yen in foreign currency translation adjustments mainly due to the appreciation of the yen.

Cash flows

Cash and cash equivalents at the end of the first half of the fiscal year under review increased 35,699 million yen year on year, to 97,673 million yen.

Individual cash flows during the first half of the fiscal year under review and contributing factors were as follows:

Cash flows from operating activities

Cash provided by operating activities totaled 6,469 million yen, an increase in cash of 2,741 million yen from a year ago. This primarily reflects 30,589 million yen in income before income taxes, a record high for the first half of a fiscal year, offsetting increases of 4,619 million yen in notes and accounts receivable and 9,792 million yen in inventories, 9,336 million yen in income taxes paid.

Cash flows from investing activities

Cash provided by investing activities was 10,889 million yen, an increase in cash of 13,719 million yen from a year ago. Major factors included proceeds of 13,223 million yen including the sales of shares in affiliates, offsetting an outlay of 2,450 million yen for the purchase of property, plant and equipment mainly for maintaining and upgrading production facilities.

Cash flows from financing activities

Cash used in financing activities was 3,284 million yen, an increase in cash by 348 million yen year on year, mainly attributable to payment of cash dividends of 5,653 million yen, offsetting a net increase of 2,753 million yen from short-term borrowings due to borrowings of foreign subsidiaries.

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

Daifuku Co., Ltd. has revised its full-year earnings forecast for the fiscal year ending March 31, 2019, which was announced on August 8, 2018, as follows.

The Group's results for the first half of the fiscal year under review were favorable; in particular, sales and income surpassed the figures announced on August 8, 2018. In addition, income is projected to increase during the second half of the fiscal year under review, reflecting greater earnings strength from higher sales and cost cutting by the parent company, Daifuku Co., Ltd., benefiting from the strong performance of an East Asian subsidiary that handles systems for the semiconductor and FPD sectors, while also reflecting a robust service business.

Given the favorable results, Daifuku has revised its interim dividend for the fiscal year ending March 31, 2019 to 30 yen per share, an increase of 5 yen, based on a resolution made at the Board of Directors meeting held on November 9, 2018. Accordingly, the annual dividend per share is projected to be 80 yen, a new record high. For details, please see the news release "Notice of Increased Interim Dividend," separately announced on November 9, 2018.

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

(April 1, 2018 - March 31, 2019)

	Net sales	Operating income	Ordinary income	Net income attributable to shareholders of the parent company	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	470,000	48,000	48,700	32,500	258.38
Current forecast (B)	470,000	52,000	52,900	35,000	278.25
Change (B – A)	—	4,000	4,200	2,500	—
Rate of change (%)	—	8.3 %	8.6 %	7.7%	—
Reference: Results for fiscal year ended March 31, 2018	404,925	39,924	41,105	29,008	235.62

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

The Company has also revised its full-year orders forecast of 510,000 million yen to 530,000 million yen, up 3.9% for the fiscal year ending March 31, 2019.

2. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	FY2017 (Year ended March 31, 2018)	First half of FY2018 (Period ended September 30, 2018)
ASSETS		
Current assets:		
Cash on hand and in banks	85,160	97,684
Notes and accounts receivable and unbilled receivables	163,101	165,183
Merchandise and finished goods	5,084	6,153
Costs incurred on uncompleted construction contracts and other	10,657	16,343
Raw materials and supplies	11,296	14,015
Other current assets	10,915	10,074
Allowance for doubtful accounts	(128)	(118)
Total current assets	286,088	309,336
Non-current assets:		
Property, plant and equipment	35,252	34,540
Intangible assets		
Goodwill	8,794	8,008
Other	5,243	5,109
Total intangible assets	14,037	13,117
Investments and other assets		
Other	37,772	32,057
Allowance for doubtful accounts	(136)	(145)
Total investments and other assets	37,635	31,911
Total non-current assets	86,925	79,569
Total assets	373,013	388,905
LIABILITIES		
Current liabilities:		
Notes and accounts payable and construction contracts payable	46,450	42,930
Electronically recorded obligations - operating	22,826	24,172
Short-term borrowings and current portion of long-term borrowings	17,267	19,638
Current portion of bonds	2,700	2,700
Income taxes payable	10,360	9,680
Advances received on uncompleted construction contracts and other	28,298	33,845
Provision for losses on construction contracts	562	494
Other current liabilities	20,322	18,229
Total current liabilities	148,789	151,691
Non-current liabilities:		
Long-term borrowings	18,000	17,900
Liabilities for retirement benefits	11,656	11,482
Other non-current liabilities	3,093	2,988
Total non-current liabilities	32,749	32,370
Total liabilities	181,539	184,061

(Million yen)

	FY2017 (Year ended March 31, 2018)	First half of FY2018 (Period ended September 30, 2018)
NET ASSETS		
Shareholders' equity:		
Common stock	31,865	31,865
Capital surplus	20,717	20,714
Retained earnings	129,654	145,790
Treasury stock	(782)	(767)
Total shareholders' equity	181,454	197,603
Accumulated other comprehensive income:		
Net unrealized gain on securities	5,358	5,865
Deferred gain (loss) on hedges	34	(95)
Foreign currency translation adjustments	6,360	2,491
Accumulated adjustments on retirement benefits	(5,328)	(4,851)
Total accumulated other comprehensive income	6,424	3,409
Non-controlling interests:	3,595	3,831
Total net assets	191,474	204,844
Total liabilities and net assets	373,013	388,905

(2) Consolidated statements of income and comprehensive income

(Million yen)

	FY2017 H1 (April 1, 2017 - September 30, 2017)	FY2018 H1 (April 1, 2018 - September 30, 2018)
Net sales	184,154	210,713
Cost of sales	147,254	164,557
Gross profit	36,900	46,156
Selling, general and administrative expenses:		
Selling expenses	8,859	9,333
General and administrative expenses	11,329	13,708
Total selling, general and administrative expenses	20,188	23,041
Operating income	16,711	23,114
Other income:		
Interest income	89	244
Dividend income	214	231
Equity in earnings of affiliates	272	162
Foreign exchange gain	146	—
Rental income	117	121
Miscellaneous income	110	152
Total other income	950	911
Other expenses:		
Interest expenses	172	149
Foreign exchange loss	—	76
Miscellaneous expenses	51	42
Total other expenses	224	268
Ordinary income	17,437	23,757
Extraordinary income:		
Gain on transfer of business	43	—
Gain on sales of shares in affiliates	—	6,948
Other	16	45
Total extraordinary income	60	6,994
Extraordinary loss:		
Loss on disposal or sales of property, plant and equipment	43	160
Other	1	2
Total extraordinary loss	44	162
Income before income taxes	17,453	30,589
Income taxes - current	5,269	9,410
Income taxes - deferred	(197)	(842)
Total income taxes	5,071	8,568
Net income	12,381	22,021
Net income attributable to:		
Shareholders of the parent company	12,233	21,799
Non-controlling interests	148	221

(Million yen)

	FY2017 H1 (April 1, 2017 - September 30, 2017)	FY2018 H1 (April 1, 2018 - September 30, 2018)
Other comprehensive income		
Net unrealized gain on securities	1,076	614
Deferred gain (loss) on hedges	(68)	(130)
Foreign currency translation adjustments	(800)	(2,843)
Retirement benefits reserves adjustments	626	472
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	693	(1,069)
Total other comprehensive income (loss)	1,527	(2,955)
Comprehensive income:	13,909	19,066
Comprehensive income attributable to:		
Shareholders of the parent company	13,770	18,785
Non-controlling interests	138	280

(3) Consolidated statements of cash flows

(Million yen)

	FY2017 H1 (April 1, 2017 - September 30, 2017)	FY2018 H1 (April 1, 2018 - September 30, 2018)
Cash flows from operating activities:		
Income before income taxes	17,453	30,589
Depreciation	2,105	2,219
Interest and dividend income	(303)	(476)
Interest expenses	172	149
Loss (gain) on sales of shares in affiliates	－	(6,948)
Decrease (increase) in notes and accounts receivable	(15,636)	(4,619)
Decrease (increase) in inventories	(5,346)	(9,792)
Increase (decrease) in notes and accounts payable	5,650	(960)
Increase (decrease) in advances received on uncompleted contracts	139	2,964
Other, net	301	2,111
Subtotal	4,535	15,238
Interest and dividend received	303	477
Interest expenses paid	(174)	(146)
Income taxes refund (paid)	(1,111)	(9,336)
Other, net	174	235
Net cash provided by (used in) operating activities	3,727	6,469
Cash flows from investing activities:		
Investments in time deposits	(0)	(3)
Proceeds from refund of time deposits	3	－
Payments for purchase of property, plant and equipment	(2,910)	(2,450)
Proceeds from sales of property, plant and equipment	71	56
Payments for purchase of investments in securities	(12)	(14)
Proceeds from sales of shares in affiliates	－	13,223
Other, net	19	78
Net cash provided by (used in) investing activities	(2,829)	10,889
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings, net	404	2,753
Proceeds from long-term borrowings	9,300	－
Repayment of long-term borrowings	(9,552)	(252)
Payments for purchase of treasury stock	(8)	(5)
Payments of cash dividends	(3,651)	(5,653)
Other, net	(125)	(127)
Net cash provided by (used in) financing activities	(3,633)	(3,284)
Effect of exchange rate change on cash and cash equivalents	(81)	(1,551)
Net increase (decrease) in cash and cash equivalents	(2,817)	12,522
Cash and cash equivalents at beginning of period	64,790	85,150
Cash and cash equivalents at end of period	61,973	97,673

(4) Notes on consolidated financial statements

Notes on going concern assumption

Not applicable

Notes for a material change in the amount of shareholders' equity

Not applicable

Changes in significant accounting policies

(Adoption of IFRS 15 Revenue from Contracts with Customers)

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

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

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

Additional information

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

Segment Information

I. The first half of the previous fiscal year ended March 31, 2018 (from April 1, 2017 to September 30, 2017)

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

(Million yen)

	Reportable segment						Other*	Total
	Daifuku	Contec	Daifuku North America	Clean Factomation	Daifuku Plusmore	Total		
Net sales								
Sales to outside customers	82,356	7,635	48,036	9,887	5,554	153,471	31,332	184,804
Intersegment sales or transfers	18,109	5,007	157	1,828	0	25,104	4,607	29,711
Total	100,466	12,643	48,194	11,716	5,555	178,575	35,940	214,516
Segment income (loss)	9,084	418	1,501	719	6	11,729	663	12,392

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

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

Net sales	(Million yen)
Reportable segment total	178,575
Net sales classified in "Other"	35,940
Elimination of intersegment transactions	(29,711)
Consolidation adjustments to net sales under the percentage-of-completion method	43
Other adjustments for consolidation	(693)
Net sales in quarterly consolidated financial statements	184,154

Segment income	(Million yen)
Reportable segment total	11,729
Segment income classified in "Other"	663
Elimination of cash dividends from affiliates	(264)
Consolidation adjustments to net sales under the percentage-of-completion method	143
Other adjustments for consolidation	(38)
Net income attributable to shareholders of the parent company in quarterly consolidated financial statements	12,233

II. The first half of the fiscal year ending March 31, 2019 (from April 1, 2018 to September 30, 2018)

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

(Million yen)

	Reportable segment						Other*	Total
	Daifuku	Contec	Daifuku North America	Clean Factomation	Daifuku Plusmore	Total		
Net sales								
Sales to outside customers	92,970	7,828	40,968	15,677	5,423	162,868	42,383	205,252
Intersegment sales or transfers	22,906	5,518	484	2,253	0	31,164	8,050	39,214
Total	115,876	13,347	41,453	17,930	5,424	194,032	50,434	244,467
Segment income (loss)	18,186	571	1,750	1,564	(15)	22,057	1,880	23,938

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

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

Net sales	(Million yen)
Reportable segment total	194,032
Net sales classified in "Other"	50,434
Elimination of intersegment transactions	(39,214)
Consolidation adjustments to net sales under the percentage-of-completion method	4,719
Other adjustments for consolidation	742
Net sales in quarterly consolidated financial statements	210,713

Segment income	(Million yen)
Reportable segment total	22,057
Segment income classified in "Other"	1,880
Elimination of cash dividends from affiliates	(231)
Consolidation adjustments to net sales under the percentage-of-completion method	(634)
Adjustments to gain on sales of shares in affiliates	(797)
Other adjustments for consolidation	(474)
Net income attributable to shareholders of the parent company in quarterly consolidated financial statements	21,799

3. Changes to reportable segments

Clean Factomation, Inc., which was previously included in Other, was changed to a reportable segment due to its increased quantitative significance from the first half of the fiscal year under review. Accordingly, Daifuku changed its segment classification as follows.

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

From the first half of the fiscal year under review:
Daifuku Co., Ltd.
Contec Co., Ltd. and its affiliates
Daifuku North America Holding Company and affiliates
Clean Factomation, Inc.
Daifuku Plusmore Co., Ltd.

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