DAIFUKU

Consolidated Financial Results
for the Fiscal Year Ended March 31, 2019
[Japan GAAP]

Prepared in accordance with accounting principles generally accepted in Japan

Translated from the original Japanese-language document

May 10, 2019

Daifuku Co., Ltd.
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Scheduled date of general meeting of shareholders: June 21, 2019
Scheduled date of commencing dividend payment: June 24, 2019
Scheduled date for filing financial statements: June 24, 2019
Earnings supplementary materials: Yes
Earnings presentation: Yes (for institutional investors and securities analysts)

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

1. Consolidated Financial Results for Fiscal 2018

(April 1, 2018 - March 31, 2019)

(1) Operating results

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

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2018	**459,486**	**13.5**	**54,681**	**37.0**	**55,842**	**35.9**	**39,567**	**36.4**
Fiscal 2017	404,925	26.2	39,924	72.8	41,105	73.0	29,008	73.2

Note: Comprehensive income

Fiscal 2018: 40,800 million yen (22.0 %)

Fiscal 2017: 33,433 million yen (108.4 %)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal 2018	**314.54**	**—**	**19.5**	**14.3**	**11.9**
Fiscal 2017	235.62	—	17.7	12.2	9.9

Reference: Equity in earnings of affiliates during the period
Fiscal 2018: 172 million yen
Fiscal 2017: 734 million yen

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal 2018	**409,982**	**222,885**	**53.3**	**1,738.20**
Fiscal 2017	373,013	191,474	50.4	1,493.69

Reference: Shareholders' equity
Fiscal 2018: 218,689 million yen
Fiscal 2017: 187,878 million yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of year
	Million yen	Million yen	Million yen	Million yen
Fiscal 2018	**8,559**	**5,937**	**(6,893)**	**90,903**
Fiscal 2017	11,497	(5,600)	13,444	85,152

2. Dividends

	Dividend per share					Total cash dividends (annual)	Dividends payout (consolidated)	Net assets dividend ratio (consolidated)
	Q1-end	Q2-end	Q3-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal 2017	–	25.00	–	45.00	70.00	8,710	29.7	5.3
Fiscal 2018	–	30.00	–	60.00	90.00	11,338	28.6	5.6
Fiscal 2019 (forecast)	–	**30.00**	–	**60.00**	**90.00**		–	

3. Consolidated Earnings Forecast for the Fiscal 2019

(April 1, 2019- March 31, 2020)

(Figures in percentage denote the year-on-year change from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim	230,000	9.2	23,000	(0.5)	23,400	(1.5)	16,300	(25.2)	129.58
Full-year	480,000	4.5	52,800	(3.4)	53,500	(4.2)	38,200	(3.5)	303.67

Notes:

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

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

1) Changes in accounting standards associated with the revisions of accounting standards: Yes

2) Other changes: None

3) Changes in accounting estimates: None

4) Restatement: None

(3) Number of shares issued (Common stock)

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

Fiscal 2018:	**126,610,077 shares**
Fiscal 2017:	126,610,077 shares

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

Fiscal 2018:	**795,986 shares**
Fiscal 2017:	828,727 shares

3) Average number of shares during the period

Fiscal 2018:	**125,794,780 shares**
Fiscal 2017:	123,115,953 shares

Note: For the number of shares, which is the basis for the calculation of net income per share, please see "Per Share Information" on page 35. The number of treasury stock at the end of the fiscal year ended March 31, 2019 included 75,300 shares owned by the Board Benefit Trust (BBT). The number of treasury stock at the end of the fiscal year ended March 31, 2018 included 87,600 shares owned by the BBT. In addition, the number of treasury stock at the end of the fiscal year ended March 31, 2019 includes 149,400 shares owned by a trust on behalf of Daifuku employees' shareholding association.

These consolidated financial statements are not subject to audit through the certified public accountant or audit 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-(5) "Outlook for the fiscal year ending March 31, 2020."

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

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1. Operating Results and Financial Review

(1) Operating results

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

The Daifuku Group's mainstay material handling systems continued to enjoy robust investment as a whole, bolstered by demand from a broad range of industries, including e-commerce and other distribution sectors, semiconductors, flat-panel displays (FPDs), automobiles, and airports. In the background are increases in the global movement of people and goods, transformations of distribution systems, and changes in the industrial structure associated with technological innovations, including the Internet of Things (IoT). Investment in automatization was spurred by labor shortages.

Amid these economic and business conditions, the operating results of the Daifuku Group remained favorable and achieved new record highs in terms of orders, sales and income during the fiscal year under review. The fiscal year under review was the second year of the four-year business plan Value Innovation 2020 (April 2017 to March 2021), and the plan's targets were already achieved. For a brief description, please refer to "Basic management policy and medium- and long-term goals" (page 14).

Orders remained strong, driven by large projects from semiconductor manufacturers in East Asia and North America, as well as from pharmaceutical wholesalers and distributors including e-commerce in Japan. In systems for airports, which non-Japanese subsidiaries have been handling, large orders were posted in North America. In addition, the Group continued to build its track record in Japan, where demand for equipment upgrades is rising in preparation for the 2020 Tokyo Summer Olympics.

Sales were positive, underpinned by the high level of orders. With increased production capacity due to continued capital investment and increased supply capacity to meet rapidly rising demand, achieved in cooperation among Group companies worldwide, the Group was able to achieve growth in sales.

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

In terms of profits, operating income significantly surpassed the year-ago figure, reflecting increased earnings strength from higher revenue 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.

With the transfer of shares of Knapp AG, which was an equity-method affiliate in Austria, Daifuku posted extraordinary income from a gain on the sale of shares in affiliates of 6,948 million yen (balance of consolidated book value). A buyout* of part of the defined benefit pension plan of a consolidated subsidiary, Jervis B. Webb Company (a wholly owned subsidiary of Daifuku North America Holding Company, a company overseeing operations in North America) resulted in retirement benefit expenses of 6,897 million yen (including consolidated adjustment) in extraordinary losses. The purpose of the transfer of shares of Knapp was concentrating management resources in the growth markets of Asia and North America. The buyout of the pension plan of Jervis B. Webb was intended to remove accounting and financial uncertainties, including pension fund management risk and financial deterioration risk.

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

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

The average exchange rate used for transactions within the Group during the fiscal year under review was 110.37 yen to the U.S. dollar, compared with an exchange rate of 112.04 yen for the same period of the previous fiscal year. The change reduced net sales by about 1.8 billion yen, but its impact on operating income was minor. Orders were reduced by about 7.7 billion yen. As for the breakdown of the impact on orders, the impact on orders received during the fiscal year under review was about 2.5 billion yen, and the impact on the order backlog was about 5.2 billion yen.

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

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

Daifuku Co., Ltd.

Orders were robust for systems for semiconductor factories in East Asia and North America through exports to each region, as well as for large systems for manufacturers and distributors in Japan. Orders remained firm in automobile production line systems, mainly for production re-building and development, services and small upgrade projects in Japan. As for systems for airports, the first order in Japan was received from New Chitose Airport, Hokkaido. Other orders were received subsequently.

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

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

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

Contec Co., Ltd. and its affiliates

- Industrial computers

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

- Measuring and control boards

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

- Solution products

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

Income rose, reflecting an increase in sales, an improvement in productivity, and extraordinary income as a result of sales of investment securities.

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

Daifuku North America Holding Company and its affiliates

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

Sales fell slightly chiefly due to delays in orders and installation.

Operating income improved chiefly due to an improvement in costs and the end of unprofitable projects. However, segment income was adversely affected by extraordinary losses of 6,513 million yen attributable to a buyout of part of the defined benefit pension plan of Jervis B. Webb, a subsidiary, and a non-current asset impairment loss of 807 million yen at Wynright Corporation.

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

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 strives to improve peripheral related equipment and develop related improvements. Playing an additional role in global production of the same system in collaboration with Group factories in Japan, China, and Taiwan, the company's results remained strong.

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

Daifuku Plusmore Co., Ltd.

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

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

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

Other

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

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

China:

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

Taiwan:

Orders for systems for most advanced semiconductor factories increased. Taiwan Daifuku was recognized for its contributions as a supplier by its customers with an award. Daifuku's technology, quality, and ability to execute projects were acclaimed.

South Korea:

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

ASEAN countries and India:

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

New Zealand:

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

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

(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 fiscal year under review stood at 409,982 million yen, an increase of 36,968 million yen from the end of the previous fiscal year. Current assets increased by 40,151 million yen, principally reflecting an increase of 28,765 million yen in notes and accounts receivable and unbilled receivables and an increase of 5,755 million yen in cash on hand and in banks. The former reflected the increased sales. The latter was mainly due to sales of shares in affiliates, and principally in Japan the collection of notes and accounts receivable for completed contracts of large projects that concluded at the end of the previous fiscal year and advances received on uncompleted construction contracts.

Non-current assets decreased by 3,182 million yen, mainly attributable to a decrease of 3,372 million yen in investments and other assets resulting from a sale of shares in affiliates among others.

Liabilities

Total liabilities at the end of the fiscal year under review amounted to 187,097 million yen, an increase of 5,557 million yen from the end of the previous fiscal year. Current liabilities increased by 7,172 million yen. Primary factors included an increase of 2,164 million yen in short-term borrowings mainly due to an increase in borrowings of foreign subsidiaries and an increase of 3,028 million yen in income taxes payable due to income taxes paid, despite the repayment of current portion of long-term borrowings by Japanese companies.

Non-current liabilities decreased by 1,614 million yen, mainly attributable to a decrease of 4,196 million yen in liabilities for retirement benefits and an increase of 2,569 million yen in long-term borrowings centering around borrowings in Japan.

Net assets

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

(3) Cash flows

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

Individual cash flows in the fiscal year under review and contributing factors were as follows:

Cash flows from operating activities

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

Cash flows from investing activities

Cash provided in investing activities was 5,937 million yen (compared with cash provided of 5,600 million yen in the same period of the previous fiscal year). Major factors included proceeds of 13,223 million yen including a sale of shares in affiliates, offsetting an outlay of 7,744 million yen for the purchase of property, plant and equipment.

Cash flows from financing activities

Cash used in financing activities was 6,893 million yen, compared with cash provided of 13,444 million yen in the same period of the previous fiscal year, mainly attributable to repayments of long-term borrowings and the redemption of bonds of 15,339 million yen and payments of cash dividends of 9,428 million yen chiefly at Japanese companies, offsetting an increase in short-term borrowings, net of 12,844 million yen at non-Japanese subsidiaries and proceeds from long-term borrowings of 5,188 million yen at Japanese companies.

<Reference> Changes in cash flow indicators

	FY2014	FY2015	FY2016	FY2017	FY2018
Equity ratio (%)	39.8	42.9	45.8	50.4	53.3
Equity ratio based on market capitalization (%)	64.9	77.9	111.3	214.8	176.8
Ratio of interest-bearing liabilities to cash flows (Year)	9.6	5.7	1.5	3.3	4.7
Interest coverage ratio (Times)	12.9	14.4	64.8	30.9	20.2

Equity ratio: (Net assets − Non-controlling interests − Equity warrants)/Total assets

Equity ratio based on market capitalization: Market capitalization of shares/Total assets

Ratio of interest-bearing liabilities to cash flows: Interest-bearing liabilities/Operating cash flows

Instant coverage ratio: Cash flows/Interest paid

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

(Note 2) Market capitalization is calculated based on the following formula: Closing price of shares at the end of the period × Number of shares issued at the end of the period (excluding treasury stock)

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

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

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

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

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

Under its four-year medium-term business plan, Value Innovation 2020, Daifuku aims to achieve a dividend payout ratio of 30% and increase its corporate value through investment in growth.

For the fiscal year ended March 31, 2019, Daifuku paid an interim dividend of 30 yen per share, and the Board of Directors passed a resolution to pay a year-end dividend of 60 yen per share at a meeting held on May 10, 2019, for an annual dividend of 90 yen per share. The annual dividend rose for the 6th consecutive year from the fiscal year ended March 31, 2014, when the annual dividend increased 3 yen, to 18 yen.

With respect to dividends for the fiscal year ending March 31, 2020, the Company plans to pay an annual dividend of 90 yen (an interim dividend of 30 yen per share and a year-end dividend of 60 yen), taking into consideration the earnings forecast for the fiscal year ending March 31, 2020 and the basic policy described above.

(5) Outlook for the fiscal year ending March 31, 2020

Daifuku Group has revised its management targets (consolidated net sales and operating margin) for the fiscal year ending March 2021, the final year of Value Innovation 2020, its four-year business plan, as a result of a review taking into account the recent business environment. The earnings forecast for the fiscal year ending March 31, 2020 is as follows:

Consolidated earnings forecast for the fiscal year ending March 31, 2020

Orders received	530 billion yen	(up 5.3% year-on-year)
Net sales	480 billion yen	(up 4.5% year-on-year)
Operating income	52.8 billion yen	(down 3.4% year-on-year)
Ordinary income	53.5 billion yen	(down 4.2% year-on-year)
Net income attributable to shareholders of the parent company	38.2 billion yen	(down 3.5% year-on-year)

This forecast is based on the following economic and business environments.

Impact from currency exchange

The actual exchange rate of 110.37 yen to the U.S. dollar was used for the results of the fiscal year under review. The same exchange rate is assumed in preparing the plan for the next fiscal year. No significant impact from the exchange rate is factored in.

Orders received

Daifuku Group's mainstay business of material handling systems is bolstered by demand in a broad range of sectors, including distribution, manufacturing, and airports. In the fiscal year ending March 31, 2020, orders are expected to be driven by orders for systems in the distribution industry, where e-commerce is increasing. Orders for systems for airports are likely to be strong as the number of air travelers are increasing.

Capital investment in the semiconductor sector is expected to remain at a high level, underpinned by factors including the progress of 5G mobile telecommunications. Overall, the environment for orders is expected to support sustainable growth.

Net sales

Given an extensive order backlog, net sales are likely to reach a new record high. To ensure supply capacity, the Group is expanding production capacity systematically around the world.

Operating income

The ratio of operating income to net sales increased steadily from 7.2% in the fiscal year ended March 31, 2017, to 9.9% in the fiscal year ended March 31, 2018, to 11.9% in the fiscal year ended March 31, 2019. In the fiscal year ending March 31, 2020, the business environment and the competitive environment surrounding customers in the semiconductor and FPD sectors are anticipated to be harsh. Despite that environment, the Group will strive to further improve profitability.

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

2. Management Policy

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

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

Daifuku Group has strived to develop its operations for customers worldwide and has grown to become the world leading material handling equipment manufacturer* in terms of nets sales.

*Source: *Modern Materials Handling* - May 2018

In the fiscal year ended March 31, 2019, income far exceeded the initial plan. Daifuku improved its financial position. ROE exceeded 10%, and the debt-equity ratio was under 0.2. The issue was selected as a constituent of JPX-Nikkei Index 400 for the third consecutive year.

The management targets of the four-year business plan Value Innovation 2020 were achieved in the fiscal year ended March 31, 2019, and the management targets (consolidated net sales and operating margin) for the final year of the plan (fiscal year ending March 31, 2021) were revised. For more details, please see the Company's statement "Notice of Revision of the Management Targets for the Medium-Term Business Plan" separately announced on May 10, 2019.

Revision of management targets for the medium-term business plan, Value Innovation 2020

	Initially planned	Revised
Consolidated net sales	JPY 420 billion	JPY 500 billion
Operating margin	8.0%	11.5%

(2) Management environment

1) Business environment

The customers in Daifuku's four core businesses—(i) systems for manufacturers and distributors, (ii) systems for semiconductor and FPD production lines, (iii) systems for automobile production lines, and (iv) systems for airports—are facing major changes in their business environment: e-commerce, the digital revolution, shifts to automated driving and electric vehicles, and increasing air travelers. They thus have high expectations for the logistics solutions that the Company provides.

2) Competitive environment

As the material handling market expands, competitors from emerging countries are now entering the market, joining the traditional competitors from the West. Competition is anticipated to intensify.

Daifuku will succeed in this highly competitive environment by taking advantage globally of the Group's strength: providing the optimum and best systems to meet any logistics needs using its integrated system encompassing consulting, manufacture, and after-sales service and its product lineup consisting of an abundance of devices and software.

3) Globalization, localization
The Group has focused on globalization, and now has facilities in 23 countries and regions. In addition to globalization, the Group has been promoting localization. In recent years, it has been actively investing in local production.

Looking at factories outside of Japan, in 2018, production capacity at Daifuku Korea Co., Ltd. in South Korea increased 1.5 fold. In 2019, a new factory of Wynright Corporation in North America will be completed, and its production capacity will be twice that of the previous factory. Production at Daifuku (China) Manufacturing Co., Ltd. in China will increase approximately threefold. In April 2019, the Group acquired a logistics system company in India to improve the local production framework.

(3) Challenges to address
The Group considers safety, compliance, governance, work-style reform, and the environment, as well as increasing its results and financial position, as important issues.

In the fiscal year ending March 31, 2020, as in the fiscal year ended March 31, 2019, the Group will address the following challenges:

1) Full-enforcement of "safety first" across the Group
"Safety is not a relative comparison such as ranking first or second. It is an absolute and is the most important thing in all situations." The Group is determined to follow that principle and make efforts to eradicate accidents. Considering it a precondition for the activities of a company that can be trusted in society, the Group will continue to focus on safety.

2) Strengthening compliance
As a compliance initiative, the Group reviewed its whistleblowing system and established an independent, external point of contact to receive reports from across the nation and overseas, including those from anonymous whistleblowers. The Group will strive to thoroughly prevent violations of law and manage risks.

3) Pursue best combination of localization and globalization
The non-Japan sales ratio of the Group has reached 72%. With corporate management of non-Japanese subsidiaries increasingly important, localization that promotes the locally oriented management of non-Japanese subsidiaries and globalization that increases benefits from collaboration and the brand power of the Group as a whole – in other words, Group governance that effectively balances a centrifugal force with a centripetal force – is becoming increasingly vital.

In terms of localization, non-Japanese subsidiaries will promote sales, production, installation, and service activities rooted in their respective areas, using the power delegated to them. In terms of globalization, we will strive to build the Daifuku brand and foster a sense of unity in the Group, including non-Japanese subsidiaries that have joined the Group, particularly those through M&A.

Daifuku took a unique step to strengthen corporate governance. The Company established the Audit Division and appointed an Audit Officer, who is on the same level as a Corporate Officer, as General Manager of the division. The Audit Officer attends board meetings and other important meetings. The Audit Officer also reviews the development and operation of the internal control system and promotes improvement from a position independent of executives, considering a variety of issues, including compliance with applicable laws and regulations, risk management, ensuring appropriate and efficient business management, and ensuring the reliability of financial reports.

4) Promotion of work-style reform

In the work-style reform led by the Work-Style Reform Committee, management for the leveling and streamlining of tasks is promoted to avoid the concentration of tasks on certain people. This initiative is producing results.

5) Environmentally-friendly management

The Group has been enhancing environmentally-friendly management. It established the Environment Enhancement Management Committee and formed Daifuku Group Environmental Vision 2020. In the fiscal year ended March 31, 2019, Daifuku received the minister of the environment's award for activities to mitigate global warming. In the fiscal year ending March 31, 2020, the Company aims to formulate and promote an Environmental Management Strategy for contributing to achieving decarbonized society and the Sustainable Development Goals (SDGs) and for the sustainable growth of the Group.

The Group will deepen its efforts for environment, society, and corporate governance to enhance its corporate value and social value.

3. Basic Stance on Selecting Accounting Standards

Daifuku has adopted Japan GAAP.

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

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)
ASSETS		
Current assets:		
Cash on hand and in banks	85,160	90,916
Notes and accounts receivable and unbilled receivables	163,101	191,867
Merchandise and finished goods	5,084	5,497
Costs incurred on uncompleted construction contracts and other	10,657	14,074
Raw materials and supplies	11,296	14,634
Other current assets	10,915	9,475
Allowance for doubtful accounts	(128)	(226)
Total current assets	286,088	326,239
Non-current assets:		
Property, plant and equipment		
Buildings and structures, net	15,091	15,041
Machinery and vehicles, net	4,411	4,379
Tools and fixtures, net	1,768	1,915
Land	11,800	12,162
Other, net	2,179	3,522
Total property, plant and equipment	35,252	37,020
Intangible assets		
Software	3,208	3,425
Goodwill	8,794	7,561
Other	2,035	1,473
Total intangible assets	14,037	12,460
Investments and other assets		
Investments in securities	23,976	15,341
Long-term loans	140	145
Assets for retirement benefits	3,967	4,932
Deferred tax assets	6,367	10,529
Other	3,319	3,510
Allowance for doubtful accounts	(136)	(198)
Total investments and other assets	37,635	34,262
Total non-current assets	86,925	83,742
Total assets	373,013	409,982

(Million yen)

	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)
LIABILITIES		
Current liabilities:		
Notes and accounts payable and construction contracts payable	46,450	47,883
Electronically recorded obligations – operating	22,826	23,915
Short-term borrowings and current portion of long-term borrowings	17,267	19,431
Current portion of bonds	2,700	—
Income taxes payable	10,360	13,388
Advances received on uncompleted construction contracts and other	28,298	29,245
Provision for losses on construction contracts	562	317
Other current liabilities	20,322	21,779
Total current liabilities	148,789	155,961
Non-current liabilities:		
Long-term borrowings	18,000	20,569
Deferred tax liabilities	531	485
Liabilities for retirement benefits	11,656	7,459
Other non-current liabilities	2,562	2,620
Total non-current liabilities	32,749	31,135
Total liabilities	181,539	187,097
NET ASSETS		
Shareholders' equity:		
Common stock	31,865	31,865
Capital surplus	20,717	21,518
Retained earnings	129,654	162,722
Treasury stock	(782)	(1,449)
Total shareholders' equity	181,454	214,656
Accumulated other comprehensive income:		
Net unrealized gain (loss) on securities	5,358	4,554
Deferred gain (loss) on hedges	34	(20)
Foreign currency translation adjustments	6,360	2,003
Accumulated adjustments on retirement benefits	(5,328)	(2,505)
Total accumulated other comprehensive income	6,424	4,032
Non-controlling interests:	3,595	4,195
Total net assets	191,474	222,885
Total liabilities and net assets	373,013	409,982

(2) Consolidated statements of income and comprehensive income

(Million yen)

	FY2017 (April 1, 2017 - March 31, 2018)	FY2018 (April 1, 2018 - March 31, 2019)
Net sales	404,925	459,486
Cost of sales	321,836	358,230
Gross profit	83,089	101,255
Selling, general and administrative expenses:		
Selling expenses	18,336	18,878
General and administrative expenses	24,828	27,696
Total selling, general and administrative expenses	43,164	46,574
Operating income	39,924	54,681
Other income:		
Interest income	223	547
Dividend income	388	417
Equity in earnings of affiliates	734	172
Land and house rental revenue	241	243
Miscellaneous income	303	456
Total other income	1,891	1,836
Other expenses:		
Interest expenses	373	469
Other	337	206
Total other expenses	711	675
Ordinary income	41,105	55,842
Extraordinary income:		
Gain on sales of property, plant and equipment	96	27
Gain on sales of shares in affiliates	―	6,948
Other	45	523
Total extraordinary income	141	7,499
Extraordinary loss:		
Retirement benefit expenses	―	6,897
Loss on sales of property, plant and equipment	46	92
Loss on disposal of property, plant and equipment	135	215
Impairment loss	―	807
Other	5	―
Total extraordinary loss	187	8,012
Income before income taxes and minority interests	41,059	55,329
Income taxes - current	11,675	20,218
Income taxes - deferred	28	(5,077)
Total income taxes	11,704	15,140
Net income	29,355	40,188
Net income attributable to:		
Shareholders of the parent company	29,008	39,567
Non-controlling interests	346	620

(Million yen)

	FY2017 (April 1, 2017 - March 31, 2018)	FY2018 (April 1, 2018 - March 31, 2019)
Other comprehensive income		
Net unrealized gain (loss) on securities	1,097	(693)
Deferred gain (loss) on hedges	26	(55)
Foreign currency translation adjustments	1,154	(3,321)
Adjustments on retirement benefits	1,701	5,760
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	97	(1,078)
Total other comprehensive income (loss)	4,078	611
Comprehensive income:	33,433	40,800
Comprehensive income attributable to:		
Shareholders of the parent company	33,034	40,116
Non-controlling interests	399	683

(3) Consolidated statements of changes in net assets

FY2017 (April 1, 2017 - March 31, 2018)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	15,016	15,915	107,349	(1,586)	136,694
Cumulative effects of changes in accounting policies					
Restated balance	15,016	15,915	107,349	(1,586)	136,694
Changes of items during the period					
Cash dividends			(6,702)		(6,702)
Issuance of new shares	16,849				16,849
Net income attributable to shareholders of the parent company			29,008		29,008
Purchase of treasury stock				(15)	(15)
Disposal of treasury stock		4,802		819	5,621
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(0)			(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	16,849	4,802	22,305	803	44,760
Balance at the end of the period	31,865	20,717	129,654	(782)	181,454

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gain (loss) on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Accumulated adjustments on retirement benefits	Total accumulated other comprehensive income		
Balance at the beginning of the period	4,290	(5)	5,102	(6,989)	2,398	3,247	142,340
Cumulative effects of changes in accounting policies							
Restated balance	4,290	(5)	5,102	(6,989)	2,398	3,247	142,340
Changes of items during the period							
Cash dividends							(6,702)
Issuance of new shares							16,849
Net income attributable to shareholders of the parent company							29,008
Purchase of treasury stock							(15)
Disposal of treasury stock							5,621
Change in treasury shares of parent arising from transactions with non-controlling shareholders							(0)
Net changes of items other than shareholders' equity	1,067	39	1,258	1,660	4,025	347	4,373
Total changes of items during the period	1,067	39	1,258	1,660	4,025	347	49,133
Balance at the end of the period	5,358	34	6,360	(5,328)	6,424	3,595	191,474

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

(Million yen)

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

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

(4) Consolidated statements of cash flows

(Million yen)

	FY2017 (April 1, 2017 - March 31, 2018)	FY2018 (April 1, 2018 - March 31, 2019)
Cash flows from operating activities:		
Income before income taxes	41,059	55,329
Depreciation	4,419	4,598
Impairment loss	－	807
Retirement benefit expenses	－	6,897
Loss (gain) on sales of shares in affiliates	－	(6,948)
Amortization of goodwill	943	927
Amortization of negative goodwill	(59)	－
Interest and dividend income	(612)	(964)
Interest expenses	373	469
(Loss) gain on disposal or sales of property, plant and equipment	82	281
Decrease (increase) in notes and accounts receivable	(37,923)	(32,172)
Decrease (increase) in inventories	(4,155)	(7,509)
Increase (decrease) in notes and accounts payable	9,464	4,052
Increase (decrease) in advances received on uncompleted construction contracts	(4,462)	4,279
Other, net	5,275	(6,371)
Subtotal	14,403	23,674
Interest and dividend income received	610	964
Interest paid	(372)	(423)
Income taxes refund (paid)	(3,493)	(16,278)
Other, net	350	622
Net cash provided by (used in) operating activities	11,497	8,559
Cash flows from investing activities:		
Investments in time deposits	(0)	(4)
Proceeds from refund of time deposits	3	－
Payments for purchase of property, plant and equipment	(6,417)	(7,744)
Proceeds from sales of property, plant and equipment	740	102
Payments for purchase of investments in securities	(24)	(33)
Collection of loans receivable	10	6
Proceeds from sales of shares in affiliates	－	13,223
Other, net	88	387
Net cash provided by (used in) investing activities	(5,600)	5,937

(Million yen)

	FY2017 (April 1, 2017 - March 31, 2018)	FY2018 (April 1, 2018 - March 31, 2019)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings, net	(1,400)	12,844
Proceeds from long-term borrowings	15,100	5,188
Repayments of long-term borrowings	(15,605)	(12,639)
Redemption of bonds	—	(2,700)
Proceeds from issuance of shares	16,697	—
Proceeds from disposal of treasury stock	5,621	1,088
Payments for purchase of treasury stock	(15)	(957)
Payments of cash dividends	(6,695)	(9,428)
Other, net	(256)	(290)
Net cash provided by (used in) financing activities	13,444	(6,893)
Effect of exchange rate change on cash and cash equivalents	1,018	(1,851)
Net increase (decrease) in cash and cash equivalents	20,361	5,751
Cash and cash equivalents at beginning of year	64,790	85,152
Cash and cash equivalents at end of year	85,152	90,903

(5) Notes on consolidated financial statements

Note on going concern assumption

Not applicable

Changes in significant accounting policies

(Adoption of IFRS 15 Revenue from Contracts with Customers)

From the beginning 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 fiscal year under review is insignificant.

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

The subsidiaries in North America that have adopted the U.S. standards adopted ASU 2018-02 "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" (February 14, 2018) in the fiscal year under review.

The adoption resulted in a 2,940 million yen increase in retained earnings and a 2,940 million yen decrease in accumulated adjustments on retirement benefits at the beginning of the fiscal year under review. It does not have any impact on consolidated earnings or per share information in the fiscal year under review.

Reclassification

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

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

In the consolidated financial statements for the previous fiscal year, of deferred tax assets of 4,988 million yen in current assets, 4,289 million yen is included in deferred tax assets of 6,367 million yen in investments and other assets, and deferred tax liabilities of 19 million yen in current liabilities are included in deferred tax liabilities of 531 million yen in non-current liabilities.

Deferred tax assets are offset by deferred tax liabilities at the same taxable entities, which results in a 698 million yen decrease in total assets for the previous fiscal year.

Additional information

(Board Benefit Trust)

The Company has introduced the Board Benefit Trust (BBT) system for its directors and corporate officers (hereinafter "Directors, etc.")

By introducing the plan, we aim to further clarify the link between remuneration for our directors, etc., and our business performance and stock value. We also seek to provide a greater incentive for directors, etc. to contribute to the improvement of our business performance over the medium and long term and to boosting corporate value by sharing with our shareholders not only the benefits of a rising stock value but also the risks of a decline in stock prices.

(1) Outline of the transaction

The plan is a stock compensation plan linked directly to its business performance by acquiring its stock through the trust using the funds that the Company contributes (hereinafter referred to as "the Trust") and providing remuneration for directors, etc. through the Trust, in accordance with the stock compensation regulations for its officers. The remuneration is the Company's shares commensurate with points granted based on business performance and the monies equivalent to the amount obtained by converting the Company's shares at a market price as of the retirement date. The Company's shares to be acquired by the trust this time are treasury shares held by the Company that are allotted through private placement. As a general rule, our stocks are provided to our directors, etc., upon retirement.

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

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

The Company records the shares of the Company, which are held by the Trust and are yet to be sold to the Shareholding Association, as treasury stock in net assets, using the book value (excluding incidental expenses) in the Trust. The book value and the number of the treasury stock were 151 million yen and 75,000 shares, respectively, at the end of the fiscal year ended March 31, 2019.

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

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

(1) Outline of the transaction

The Plan is an incentive plan for all employees who are members of the Daifuku Employee Shareholding

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

(2) The Company’s shares still held by the Trust
The Company records the shares of the Company, which are held by the Trust and are yet to be sold to the Shareholding Association, as treasury stock in net assets, using the book value (excluding incidental expenses) in the Trust. The book value and the number of the treasury stock were 823 million yen and 149,000 shares, respectively, at the end of the fiscal year ended March 31, 2019.

(3) The book value of borrowings posted using the gross price method
828 million yen for the fiscal year ended March 31, 2019

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 five reportable segments: Daifuku Co., Ltd., the core company dealing in material handling systems and equipment, and car wash machines; Contec Co., Ltd. and its affiliates, the core company group engaging in the manufacture and sale of industrial personal computers, interface boards, and other equipment in Japan and overseas; Daifuku North America Holding Company and its affiliates; Clean Factomation, Inc., and Daifuku Plusmore Co., Ltd.

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

Clean Factomation, Inc., which was previously included in Other, had been changed to a reportable segment due to its increased quantitative significance since the second quarter of the fiscal year under review. Clean Factomation provides cleanroom transport systems semiconductor manufacturers mainly in South Korea. Accordingly, the change in the segment classification is as follows.

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

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

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

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

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

Fiscal year under review (April 1, 2018 - March 31, 2019)

(Million yen)

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

Note: "Other" represents an operating segment comprising Japanese and overseas subsidiaries that are not in reportable segments.

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

(Million yen)

Net sales	Fiscal year ended March 31, 2019
Reportable segments total	423,590
Segment net sales classified in "Other"	114,766
Elimination of intersegment transactions	(77,147)
Other adjustment for consolidation	(1,723)
Net sales in consolidated financial statements	459,486

(Million yen)

Segment income	Fiscal year ended March 31, 2019
Reportable segments total	38,447
Segment income classified in "Other"	5,658
Elimination of dividends from affiliates	(2,545)
Other adjustment for consolidation	(1,992)
Net income in consolidated financial statements	39,567

(Million yen)

Segment assets	Fiscal year ended March 31, 2019
Reportable segments total	386,271
Segment assets classified in "Other"	86,276
Elimination of investment securities in affiliates in consolidation process	(43,559)
Elimination of intercompany receivables	(26,136)
Other adjustment for consolidation	7,130
Total assets in consolidated financial statements	409,982

(Million yen)

Segment liabilities	Fiscal year ended March 31, 2019
Reportable segments total	149,502
Segment liabilities classified in "Other"	55,488
Elimination of intercompany payables	(26,136)
Other adjustments for consolidation	8,243
Total liabilities in consolidated financial statements	187,097

(Million yen)

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

Note: The main items in the adjustment above are as follows:

A gain on sales of shares in affiliates of minus 1,081 million yen is for an adjustment of the difference between the book value of a gain on sales of shares in Knapp AG, which was an equity-method affiliate of the Company, in the non-consolidated results and the book value of it in the consolidated results.

Related Information

Fiscal year under review (April 1, 2018 - March 31, 2019)

1. Information by product and service

(Million yen)

	Logistics systems	Electronics	Other	Total
Net sales to outside customers	424,857	16,392	18,236	459,486

2. Information by geographic area

Net sales

(Million yen)

Japan	U. S. A.	China	South Korea	Other	Total
127,602	91,554	111,330	56,745	72,252	459,486

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

Per Share Information

(Yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net assets per share	1,493.69	1,738.20
Net income per share	235.62	314.54

Notes:

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

2. The shares of Daifuku remaining in the employee shareholding incentive plan through a trust ("E-Ship") and the Board Benefit Trust (BBT), which are recorded as treasury stock under equity capital, are included in the treasury stock to be deducted in the calculation of the average number of shares during the year for the purpose of calculation of net income per share, and are also included in the number of treasury stock to be deducted from the aggregate number of issued shares as of the end of the year for the purpose of calculation of net assets per share. The average number of shares of treasury stock deducted during the year for the purpose of calculation of net income per share is 52,000 shares for the year ended March 31, 2019 and 78,000 shares for the year ended March 31, 2019 and 87,000 shares for the year ended March 31, 2018. The number of shares of treasury stock at the end of the fiscal year for the purpose of calculating net assets per share is 149,000 shares for the employee shareholding incentive plan through a trust (E-Ship) in the year ended March 31, 2019, 75,000 shares for the BBT in the year ended March 31, 2019, and 87,000 shares for the BBT in the year ended March 31, 2018.

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net income per share		
Net income attributable to shareholders of the parent company (million yen)	29,008	39,567
Amount not attributable to holders of common stock (million yen)	—	—
Net income attributable to shareholders of the parent company (million yen)	29,008	39,567
Weighted average number of common stock issued and outstanding during the year (thousand shares)	123,115	125,794

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Total net assets (million yen)	191,474	222,885
Amount deducted from total net assets (million yen)	3,595	4,195
(Of which, non-controlling interests) (million yen)	(3,595)	(4,195)
Total net assets attributable to common stock at fiscal year-end (million yen)	187,878	218,689
Number of common stock issued and outstanding at fiscal year-end for the purpose of calculation of net assets per share (thousand shares)	125,781	125,814

Major subsequent events

Not applicable

5. Other
Changes in Officers
(Effective June 21, 2019)

1. Changes in representatives
   Not applicable

2. Candidates for new directors
   Kaku Kato, Director (outside)
   Current: Advisor of Mitsui Oil Exploration Co., Ltd.

   Keiko Kaneko, Director (outside)
   Current: Partner of Anderson Mori & Tomotsune
   External Statutory Auditor of Fast Retailing Co., Ltd.
   External Statutory Auditor of UNIQLO Co., Ltd.
   External Statutory Auditor of The Asahi Shimbun Company

   Mr. Kaku Kato and Ms. Keiko Kaneko are candidates for outside directors as stipulated in Article 2, Item 15 of the Companies Act.

3. Directors to retire
   Noboru Kashiwagi, Director (outside)

4. Candidates for new audit & supervisory board members
   Nobuo Wada, Audit & Supervisory Board Member (outside)
   Current: Professor emeritus at Nagoya University

   Mr. Nobuo Wada is a candidate for an outside auditor as stipulated in Article 2, Item 16 of the Companies Act.

5. Audit & supervisory board members to retire
   Isao Kitamoto, Audit & Supervisory Board Member (outside)