

Consolidated Financial Results
for the First Half of the Fiscal Year Ending March 31, 2020
[Japan GAAP]

Prepared in accordance with accounting principles generally accepted in Japan
Translated from the original Japanese-language document

November 8, 2019

Daifuku Co., Ltd.

Stock code: 6383, First Section of Tokyo Stock Exchange

URL: www.daifuku.com/jp

Representative: Hiroshi Geshiro, President and CEO

Contact: Tsukasa Saito, General Manager of Finance & Accounting Division

Tel: +81-6-6472-1261

Scheduled date for filing quarterly financial report: November 8, 2019

Scheduled date of commencing dividend payment: December 4, 2019

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 2019

(April 1, 2019 - September 30, 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	%
First half of fiscal 2019	208,734	-0.9	17,286	-25.2	17,619	-25.8	13,168	-39.6
First half of fiscal 2018	210,713	14.4	23,114	38.3	23,757	36.2	21,799	78.2

Note: Comprehensive income

First half of fiscal 2019: 10,565 million yen (-44.6%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
First half of fiscal 2019	104.65	—
First half of fiscal 2018	173.31	—

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Fiscal 2019 Q2	392,458	225,975	56.5
Fiscal 2018	409,982	222,885	53.3

Reference: Shareholders' equity

Fiscal 2019 Q2: 221,774 million yen

Fiscal 2018: 218,689 million yen

2. Dividends

	Dividend per share				
	Q1-end	Q2-end	Q3-end	FY-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2018	—	30.00	—	60.00	90.00
Fiscal 2019	—	30.00			
Fiscal 2019 (forecast)			—	45.00	75.00

Note: Revisions to the latest dividend forecast: Yes

3. Consolidated Earnings Forecast for the Fiscal 2019

(April 1, 2019 - March 31, 2020)

(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	450,000	-2.1	39,000	-28.7	39,700	-28.9	28,500	-28.0	226.47

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

Fiscal 2019 Q2:	126,610,077 shares
Fiscal 2018:	126,610,077 shares
 - 2) Number of treasury stock at the end of the period

Fiscal 2019 Q2:	743,877 shares
Fiscal 2018:	795,986 shares
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

Fiscal 2019 Q2:	125,842,949 shares
First quarter of fiscal 2018:	125,787,681 shares

Note: The number of treasury stock includes shares owned by the Board Benefit Trust (BBT) and a trust on behalf of Daifuku employees' shareholding association. The number of treasury stock at the end of the second quarter of the fiscal year ending March 31, 2020 includes 71,100 shares owned by the Board Benefit Trust (BBT). The number of treasury stock at the end of the fiscal year ended March 31, 2019 included 75,300 shares owned by the BBT. In addition, the number of treasury stock at the end of the second quarter of the fiscal year ending March 31, 2020 includes 100,800 shares. The number of treasury stock at the end

of the fiscal year ended March 31, 2019 included 149,400 shares owned by a trust on behalf of Daifuku employees' shareholding association.

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, 2020."

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	5
(1) Operating results	5
(2) Financial position	9
(3) Outlook for the fiscal year ending March 31, 2020	11
2. Consolidated Financial Statements	12
(1) Consolidated balance sheets	12
(2) Consolidated statements of income and comprehensive income	14
(3) Consolidated statements of cash flows	16
(4) Notes on consolidated financial statements	18
Notes on going concern assumption	18
Notes for a material change in the amount of shareholders' equity	18
Changes in accounting policies	18
Segment information	19

1. Qualitative Information Relating to Quarterly Consolidated Financial Results

(1) Operating results

During the first half of the fiscal year under review, the global economic outlook remained uncertain, reflecting an intensifying trade conflict between the U.S. and China and a slowdown in Chinese economic growth, among other issues, despite a firm economy in the U.S.

Daifuku Group's mainstay material handling systems are expected to continue to show growth, bolstered by demand in a broad range of sectors, reflecting an increase in the global movement of people and goods, changes in the industrial structure associated with transformations of distribution systems and technological innovations including the Internet of Things (IoT), as well as investment in automatization spurred by labor shortages.

Amid these economic and business conditions, the Daifuku Group has continued to see sustained growth in orders; however, during the first half of the fiscal year under review, orders reflected a cautious stance on investment in the semiconductor and flat-panel display (FPD) sectors. In the meanwhile, orders from the pharmaceutical and e-commerce sectors remained firm.

Sales were almost flat year on year, underpinned by an extensive order backlog.

Consequently, the Group received orders of 214,325 million yen, down 20.6% from a year earlier, and recorded net sales of 208,734 million yen, down 0.9%.

Operating income principally reflected increased orders received amid the increasingly severe operating environment surrounding the semiconductor and FPD sectors, as well as additional costs incurred for large installations at FPD factories and other factors.

Consequently, the Group posted operating income of 17,286 million yen, down 25.2% from a year earlier, and ordinary income of 17,619 million yen, down 25.8%. Net income attributable to shareholders of the parent company was 13,168 million yen, down 39.6%. Net income attributable to shareholders of the parent company decreased from a year ago, given the absence of the gain on sales of shares in affiliates of 6,948 million yen (balance of consolidated book value) posted in the first quarter of the previous fiscal year.

The average exchange rate used for transactions during the first half of the fiscal year under review was 109.98 yen to the U.S. dollar (108.52 yen in the year-ago period), 16.23 yen to the Chinese yuan (17.01 yen), and 0.0960 yen to the Korean won (0.1004 yen). As a result, orders decreased in value by about 3.0 billion yen and sales decreased by about 1.6 billion yen, compared with the year-ago period. The impact on operating income was minor.

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

company is recorded as segment income.

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

Daifuku Co., Ltd.

In large systems for manufacturers and distributors in Japan, orders were steady. In automobile production line systems, orders for services and small upgrade projects remained firm. In exports for semiconductor factories in East Asia and North America, however, orders grew at a sluggish pace.

Sales were positive, underpinned by an extensive order backlog.

In terms of profits, in systems for manufacturers and distributors in Japan, profitability improved; however, income principally reflected increased orders received amid the increasingly severe operating environment surrounding the semiconductor and FPD sectors, as well as other factors including additional costs incurred for large installations at FPD factories.

As a result, the Company recorded orders of 104,327 million yen, down 14.2% from the previous fiscal year, sales of 93,780 million yen, up 0.9%, and segment income of 7,414 million yen, down 59.2%. Segment income decreased from a year ago, given the absence of the gain on sales of shares in affiliates of 8,030 million yen (balance of acquisition cost) posted in the first quarter of the previous fiscal year.

Contec Co., Ltd. and its subsidiaries

In Japan, sales of measurement control boards fell, given sluggish corporate capital investment. In contrast, sales of CONPROSYS for the IoT market increased.

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

In terms of profits, Contec posted extraordinary income as a result of sales of investments in securities.

As a result, Contec posted orders of 8,433 million yen, down 0.3% from the previous fiscal year, sales of 7,532 million yen, down 3.8%, and segment income of 705 million yen, up 23.4%.

Daifuku North America Holding Company and its subsidiaries

Orders reflected delays in the timing of receiving orders in new projects involving systems for airports, as well as systems for manufacturers, distributors, semiconductor factories, and automobile production lines.

Sales decreased in systems for manufacturers and distributors due to delays in project progress, while

sales in systems for the semiconductor, automobile, and airport sectors remained firm.

Income improved in step with increased revenue.

As a result, Daifuku North America achieved orders of 42,121 million yen, down 33.4% from the same period the previous year, sales of 46,338 million yen, up 13.1%, and segment income of 2,694 million yen, up 53.9%.

Clean Factomation, Inc.

Clean Factomation, Daifuku's wholly owned subsidiary in South Korea, mainly provides cleanroom transport systems to the country's semiconductor manufacturers. In collaboration with Group factories in Japan, China, and Taiwan, the company plays a role in global production of these systems, while striving to improve peripheral equipment and develop related improvements.

Orders declined, mainly due to a delay in the recovery in demand for semiconductor memory. Sales and income were favorable, underpinned by an extensive order backlog.

As a result, Clean Factomation posted orders of 14,213 million yen, down 38.3% from the same period the previous year, sales of 16,270 million yen, up 3.8%, and segment income of 1,946 million yen, up 24.4%.

Other

The Group has a total of 53 consolidated subsidiaries worldwide. The Other segment includes all Group companies excluding the aforementioned Contec and its subsidiaries, Daifuku North America and its subsidiaries, and Clean Factomation. These companies manufacture and sell material handling systems and equipment, and car wash machines.

Japan subsidiaries

Daifuku Plusmore Co., Ltd. saw firm sales in units including car wash machines for car dealerships and large vehicle wash machines for trucks and buses, backed by demand for car wash machines for service stations accompanying trends at oil wholesalers.

Non-Japan subsidiaries

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

In China, construction plans for OLED factories are progressing, although investment in the FPD sector overall is declining. Demand for material handling systems is also expanding in the food, pharmaceutical, auto parts, and e-commerce sectors. In the automobile sector, the segment is building ties with its customers, centering on Japanese automakers, and orders remained firm.

In Taiwan, orders declined in systems for semiconductor factories, while sales remained favorable based on the order backlog.

In South Korea, orders and sales decreased in automobile production line systems, reflecting the generally harsh economic climate. The segment is actively developing solutions with the aim of increasing orders for services.

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 rapidly. Non-Japanese subsidiaries in each region are striving to meet these needs and strengthening their local production frameworks. In addition to conventional production sites in Thailand, the Group secured a new production site in India through M&A. In August, a new subsidiary, Daifuku Intralogistics Vietnam Co., Ltd. was established in Vietnam, where companies from around the world have been expanding their business, creating a leading production center with rising automation needs.

New Zealand-based BCS Group Limited is actively expanding its business beyond Oceania.

During the first half of the fiscal year under review, as a result of the impact of changes in the environment surrounding the semiconductor and FPD sectors mainly in East Asia, the segment recorded orders of 45,229 million yen, down 15.4% from the previous fiscal year, sales of 45,444 million yen, down 4.9%, and segment income of 835 million yen, down 55.2%.

(2) Financial position

Assets

Total assets at the end of the second quarter of the fiscal year under review stood at 392,458 million yen, a decrease of 17,524 million yen from the end of the previous fiscal year. Current assets decreased by 22,209 million yen, principally reflecting decreases of 14,142 million yen in cash on hand and in banks and 10,803 million yen in notes and accounts receivable and unbilled receivables.

Non-current assets increased by 4,684 million yen, mainly attributable to an increase of 5,721 million yen in property, plant and equipment resulting from an increase of construction in progress, etc.

Liabilities

Total liabilities at the end of the second quarter of the fiscal year under review amounted to 166,483 million yen, a decrease of 20,614 million yen from the end of the previous fiscal year. Current liabilities decreased by 21,566 million yen. Primary factors included decreases of 3,092 million yen in notes and accounts payable and construction contracts payable due to the payment of notes and accounts payable, 4,443 million yen in short-term borrowings due to the repayment of borrowings, and 9,815 million yen in income taxes payable due to income taxes paid respectively.

Non-current liabilities increased by 951 million yen, principally reflecting an increase of 1,644 million yen in other non-current liabilities.

Net assets

Net assets at the end of the second quarter of the fiscal year under review were 225,975 million yen, an increase of 3,090 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 5,457 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 2,367 million yen in foreign currency translation adjustments.

Cash flows

Cash and cash equivalents at the end of the first half of the fiscal year under review decreased 20,912 million yen year on year, to 76,760 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 6,020 million yen, a decrease in cash of 449 million yen from a year ago. This was mainly attributable to a decrease of 8,380 million yen in notes and accounts receivable and 18,396 million yen in income before income taxes, offsetting decreases of 6,494 million yen in notes and accounts payable and 12,194 million yen in income taxes paid.

Cash flows from investing activities

Cash used in investing activities was 6,428 million yen, a decrease in cash of 17,317 million yen from a year ago. Major factors included an outlay of 4,860 million yen for the purchase of property, plant and equipment centered on maintenance and upgrades of production facilities.

Cash flows from financing activities

Cash used in financing activities was 12,345 million yen, a decrease in cash of 9,061 million yen from a year ago, mainly attributable to expenditure of 4,111 million yen for the repayment of short-term borrowings of foreign subsidiaries and dividend payments of 7,551 million yen.

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

Daifuku Co., Ltd. has revised its full-year earnings forecast for the fiscal year ending March 31, 2020, which was announced on August 8, 2019, based on recent performance trends.

In systems for the electronics sector including semiconductors and flat-panel displays, sales of which account for about 40% of the net sales of the Group, Daifuku anticipates some impact from a delay in the timing of receiving orders for new factories and belated progress in ongoing projects, which reflect a cautious stance on investment in these sectors.

Given the above condition, Daifuku has revised its year-end dividend for the fiscal year ending March 31, 2020 to 45 yen per share, a decrease of 15 yen. For details, please see the news release, "Notice of Interim Dividend Determined and Annual Dividend Forecast" separately announced on November 8, 2019.

Revisions to the full-year earnings forecast for the fiscal year ending March 31, 2020

(April 1, 2019 - March 31, 2020)

	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)	460,000	46,000	46,500	33,500	266.24
Current forecast (B)	450,000	39,000	39,700	28,500	226.47
Change (B – A)	-10,000	-7,000	-6,800	-5,000	—
Rate of change (%)	-2.2%	-15.2%	-14.6%	-14.9%	—
Reference: Results for fiscal year ended March 31, 2019	459,486	54,681	55,842	39,567	314.54

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.

Daifuku has also revised its full-year orders forecast of 510,000 million yen, which was announced on August 8, 2019, to 500,000 million yen, down 2.0%, for the fiscal year ending March 31, 2020.

2. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	FY2018 (ended March 31, 2019)	FY2019 Q2 (ended September 30, 2019)
ASSETS		
Current assets:		
Cash on hand and in banks	90,916	76,773
Notes and accounts receivable and unbilled receivables	191,867	181,064
Merchandise and finished goods	5,497	6,038
Costs incurred on uncompleted construction contracts and other	14,074	14,739
Raw materials and supplies	14,634	16,087
Other current assets	9,475	9,558
Allowance for doubtful accounts	(226)	(231)
Total current assets	326,239	304,030
Non-current assets:		
Property, plant and equipment	37,020	42,741
Intangible assets		
Goodwill	7,561	6,922
Other	4,898	4,805
Total intangible assets	12,460	11,728
Investments and other assets		
Other	34,460	34,149
Allowance for doubtful accounts	(198)	(191)
Total investments and other assets	34,262	33,957
Total non-current assets	83,742	88,427
Total assets	409,982	392,458
LIABILITIES		
Current liabilities:		
Notes and accounts payable and construction contracts payable	47,883	44,790
Electronically recorded obligations - operating	23,915	19,316
Short-term borrowings and current portion of long-term borrowings	19,431	14,988
Income taxes payable	13,388	3,573
Advances received on uncompleted construction contracts and other	29,245	31,313
Provision for losses on construction contracts	317	589
Other current liabilities	21,779	19,822
Total current liabilities	155,961	134,395
Non-current liabilities:		
Long-term borrowings	20,569	20,189
Liabilities for retirement benefits	7,459	7,147
Other non-current liabilities	3,105	4,750
Total non-current liabilities	31,135	32,087
Total liabilities	187,097	166,483

(Million yen)

	FY2018 (ended March 31, 2019)	FY2019 Q2 (ended September 30, 2019)
NET ASSETS		
Shareholders' equity:		
Common stock	31,865	31,865
Capital surplus	21,518	21,518
Retained earnings	162,722	168,179
Treasury stock	(1,449)	(1,177)
Total shareholders' equity	214,656	220,386
Accumulated other comprehensive income:		
Net unrealized gain on securities	4,554	3,956
Deferred gain (loss) on hedges	(20)	43
Foreign currency translation adjustments	2,003	(363)
Accumulated adjustments on retirement benefits	(2,505)	(2,248)
Total accumulated other comprehensive income	4,032	1,388
Non-controlling interests:		
	4,195	4,200
Total net assets	222,885	225,975
Total liabilities and net assets	409,982	392,458

(2) Consolidated statements of income and comprehensive income

(Million yen)

	FY2018 H1 (April 1, 2018 - September 30, 2018)	FY2019 H1 (April 1, 2019 - September 30, 2019)
Net sales	210,713	208,734
Cost of sales	164,557	169,926
Gross profit	46,156	38,808
Selling, general and administrative expenses:		
Selling expenses	9,333	8,559
General and administrative expenses	13,708	12,961
Total selling, general and administrative expenses	23,041	21,521
Operating income	23,114	17,286
Other income:		
Interest income	244	302
Dividend income	231	247
Rent income	121	108
Miscellaneous income	314	252
Total other income	911	910
Other expenses:		
Interest expenses	149	401
Foreign exchange loss	76	69
Miscellaneous expenses	42	107
Total other expenses	268	577
Ordinary income	23,757	17,619
Extraordinary income:		
Gain on sales of investments in securities	31	777
Gain on sales of shares in affiliates	6,948	—
Other	13	9
Total extraordinary income	6,994	786
Extraordinary loss:		
Loss on disposal or sales of property, plant and equipment	160	9
Other	2	—
Total extraordinary loss	162	9
Income before income taxes	30,589	18,396
Income taxes - current	9,410	3,177
Income taxes - deferred	(842)	1,769
Total income taxes	8,568	4,946
Net income	22,021	13,450
Net income attributable to:		
Shareholders of the parent company	21,799	13,168
Non-controlling interests	221	281

(Million yen)

	FY2018 H1 (April 1, 2018 - September 30, 2018)	FY2019 H1 (April 1, 2019 - September 30, 2019)
Other comprehensive income		
Net unrealized gain on securities	614	(781)
Deferred gain (loss) on hedges	(130)	64
Foreign currency translation adjustments	(2,843)	(2,408)
Retirement benefits reserves adjustments	472	248
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	(1,069)	(7)
Total other comprehensive income (loss)	(2,955)	(2,884)
Comprehensive income:	19,066	10,565
Comprehensive income attributable to:		
Shareholders of the parent company	18,785	10,524
Non-controlling interests	280	40

(3) Consolidated statements of cash flows

(Million yen)

	FY2018 H1 (April 1, 2018 - September 30, 2018)	FY2019 H1 (April 1, 2019 - September 30, 2019)
Cash flows from operating activities:		
Income before income taxes	30,589	18,396
Depreciation	2,219	2,678
Interest and dividend income	(476)	(549)
Interest expenses	149	401
Loss (gain) on sales of investments in securities	(31)	(777)
Loss (gain) on sales of shares in affiliates	(6,948)	—
Decrease (increase) in notes and accounts receivable	(4,619)	8,380
Decrease (increase) in inventories	(9,792)	(3,265)
Increase (decrease) in notes and accounts payable	(960)	(6,494)
Increase (decrease) in advances received on uncompleted contracts	2,964	774
Other, net	2,143	(1,728)
Subtotal	15,238	17,813
Interest and dividend income received	477	547
Interest expenses paid	(146)	(394)
Income taxes refund (paid)	(9,336)	(12,194)
Other, net	235	248
Net cash provided by (used in) operating activities	6,469	6,020
Cash flows from investing activities:		
Investments in time deposits	(3)	(0)
Payments for purchase of property, plant and equipment	(2,450)	(4,860)
Proceeds from sales of property, plant and equipment	56	23
Proceeds from sales of investments in securities	59	1,154
Payments for purchase of investments in securities	(14)	(339)
Proceeds from sales of shares in affiliates	13,223	—
Payments for purchase of shares in affiliates	—	(2,411)
Other, net	18	5
Net cash provided by (used in) investing activities	10,889	(6,428)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings, net	2,753	(4,111)
Repayment of long-term borrowings	(252)	(390)
Payments for purchase of treasury stock	(5)	(3)
Payments of cash dividends	(5,653)	(7,551)
Other, net	(127)	(288)
Net cash provided by (used in) financing activities	(3,284)	(12,345)
Effect of exchange rate change on cash and cash equivalents	(1,551)	(1,389)
Net increase (decrease) in cash and cash equivalents	12,522	(14,142)

(Million yen)

	FY2018 H1 (April 1, 2018 - September 30, 2018)	FY2019 H1 (April 1, 2019 - September 30, 2019)
Cash and cash equivalents at beginning of period	85,150	90,903
Cash and cash equivalents at end of period	97,673	76,760

(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 accounting policies

(Adoption of IFRS 16 Leases)

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

Due to the adoption of this accounting standard, the lessee is required to recognize assets and liabilities for all leases, in principle.

The subsidiaries take a transitional measure for the adoption of this accounting standard and have adopted a method with which the accumulated impact of the change in accounting policy is recognized on the date of initial adoption of this accounting standard.

As a result, the impact of adopting this accounting standard on the consolidated financial statements for the second quarter and the first half of the fiscal year under review is insignificant.

(Adoption of ASC 606 Revenue from Contracts with Customers)

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

With the adoption of this accounting standard, they recognize revenue in an amount that reflects consideration for the right expected to be acquired in exchange for goods or services they have promised at the time when the relevant goods or services are transferred to a customer.

The subsidiaries take a transitional measure for the adoption of this accounting standard and have adopted a method with which the accumulated impact of the change in accounting policy is recognized on the date of initial adoption of this accounting standard and make an adjustment to retained earnings at the beginning of the first quarter of the fiscal year under review.

As a result, the impact of adopting this accounting standard on the consolidated financial statements for the second quarter and the first half of the fiscal year under review is insignificant.

Segment information

I. The first half of the previous fiscal year ended March 31, 2019 (April 1, 2018 - 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	Total		
Net sales							
Sales to outside customers	92,970	7,828	40,968	15,677	157,444	47,807	205,252
Intersegment sales or transfers	22,906	5,518	484	2,253	31,163	8,051	39,214
Total	115,876	13,347	41,453	17,930	188,608	55,858	244,467
Segment income	18,186	571	1,750	1,564	22,072	1,865	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	188,608
Net sales classified in "Other"	55,858
Elimination of intersegment transactions	(39,214)
Other adjustments for consolidation	5,461
Net sales in quarterly consolidated financial statements	210,713

Segment income	(Million yen)
Reportable segment total	22,072
Segment income classified in "Other"	1,865
Elimination of cash dividends from affiliates	(231)
Adjustments to gain on sales of shares in affiliates	(797)
Other adjustments for consolidation	(1,109)
Net income attributable to shareholders of the parent company in quarterly consolidated financial statements	21,799

II. The first half of the fiscal year ending March 31, 2020 (April 1, 2019 - September 30, 2019)

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	Total		
Net sales							
Sales to outside customers	93,780	7,532	46,338	16,270	163,921	45,444	209,366
Intersegment sales or transfers	18,555	4,535	382	2,458	25,932	6,664	32,596
Total	112,335	12,067	46,720	18,729	189,853	52,109	241,963
Segment income	7,414	705	2,694	1,946	12,760	835	13,596

* "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	189,853
Net sales classified in "Other"	52,109
Elimination of intersegment transactions	(32,596)
Other adjustments for consolidation	(631)
Net sales in quarterly consolidated financial statements	208,734

Segment income	(Million yen)
Reportable segment total	12,760
Segment income classified in "Other"	835
Elimination of cash dividends from affiliates	(117)
Other adjustments for consolidation	(310)
Net income attributable to shareholders of the parent company in quarterly consolidated financial statements	13,168

3. Changes to reportable segments

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

Formerly: Daifuku Co., Ltd.

Contec Co., Ltd. and its subsidiaries

Daifuku North America Holding Company and its subsidiaries

Clean Factomation, Inc.

Daifuku Plusmore Co., Ltd.

From the first quarter of the fiscal year under review:

Daifuku Co., Ltd.

Contec Co., Ltd. and its subsidiaries

Daifuku North America Holding Company and its subsidiaries

Clean Factomation, Inc.

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