DAIFUKU
Always an Edge Ahead

Value Innovation for the Next Stage

Daifuku Report 2020

Financial Section

Eleven-Year Summary

Daifuku Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2010 to 2020

(Million yen)	Jump Up for 2010	Material Handling and Beyond	
	2010	2011	2012
For the Year			
Net sales	¥154,208	¥159,263	¥198,052
Cost of sales	128,195	131,639	165,505
Gross profit	26,012	27,623	32,546
Selling, general and administrative expenses	25,932	25,897	28,328
Operating income	80	1,726	4,217
Income before income taxes	862	703	3,129
Net income attributable to shareholders of the parent company	1,018	269	1,223
Capital investment	2,280	3,221	2,393
Depreciation	3,679	3,577	3,612
R&D expenditures	6,075	6,370	6,484
Cash Flows			
Cash flows from operating activities	¥ 20,921	¥ 11,417	¥ (5,187)
Cash flows from investing activities	(7,303)	(3,616)	(4,039)
Free cash flows	13,617	7,801	(9,227)
Cash flows from financing activities	(11,321)	(6,056)	7,709
At Year-End			
Total assets	¥165,430	¥163,388	¥185,049
Working capital	66,265	65,908	61,943
Interest-bearing liabilities	45,295	40,912	51,010
Net assets	81,295	77,714	76,618
Shareholders' equity	83,852	82,454	82,013
Number of employees	5,395	5,209	5,617
Amounts per Share of Common Stock			
Net income per share (Yen)	¥ 9.20	¥ 2.43	¥ 11.05
Net assets per share (Yen)	716.07	683.39	674.72
Cash dividends per share (Yen)	20.00	15.00	15.00
Ratios			
Operating income/net sales	0.1%	1.1%	2.1%
Income before income taxes /net sales	0.6	0.4	1.6
Net income/net sales	0.7	0.2	0.6
Return on shareholders' equity (ROE)	1.3	0.3	1.6
Total assets turnover (Times)	0.9	1.0	1.1
Shareholders' equity/total assets	47.9	46.3	40.3
D/E ratio	0.57	0.54	0.68

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

	Value Innovation 2017				Value Innovation 2020		
2013	2014	2015	2016	2017	2018	2019	**2020**
¥202,337	¥241,811	¥267,284	¥336,184	¥320,825	¥404,925	¥459,486	**¥443,694**
165,340	194,974	215,641	272,832	256,417	321,836	358,230	**357,870**
36,996	46,836	51,642	63,351	64,407	83,089	101,255	**85,824**
28,986	34,279	36,759	42,472	41,308	43,164	46,574	**45,326**
8,010	12,556	14,883	20,878	23,099	39,924	54,681	**40,497**
7,316	12,137	15,211	20,650	23,942	41,059	55,329	**39,808**
4,439	7,740	9,810	13,652	16,746	29,008	39,567	**28,063**
7,687	10,446	7,532	4,210	5,905	6,348	7,920	**13,220**
3,332	3,821	4,157	4,587	4,202	4,419	4,598	**5,667**
6,855	7,490	6,945	7,009	7,489	8,123	8,615	**8,936**
¥ 15,666	¥ 20,447	¥ 6,295	¥ 7,206	¥ 26,683	¥ 11,497	¥ 8,559	**¥ 13,706**
(13,649)	(7,372)	(5,846)	(2,099)	(5,393)	(5,600)	5,937	**(14,791)**
2,016	13,074	448	5,107	21,289	5,897	14,496	**(1,084)**
88	1,045	(509)	(8,702)	(4,404)	13,444	(6,893)	**(18,354)**
¥206,875	¥249,531	¥271,011	¥296,055	¥303,540	¥373,013	¥409,982	**¥410,887**
45,832	87,070	91,187	99,293	96,401	137,298	170,277	**180,988**
53,385	58,144	60,547	40,904	39,770	37,967	40,001	**33,418**
85,685	99,690	111,521	130,116	142,340	191,474	222,885	**237,356**
84,486	90,652	98,469	123,669	136,694	181,454	214,656	**231,714**
6,678	7,349	7,746	7,835	8,689	9,193	9,857	**10,863**
¥ 40.12	¥ 69.96	¥ 88.59	¥ 118.72	¥ 137.58	¥ 235.62	¥ 314.54	**¥ 222.96**
754.98	875.14	972.75	1,044.40	1,142.14	1,493.69	1,738.20	**1,850.28**
15.00	18.00	22.00	30.00	42.00	70.00	90.00	**75.00**
4.0%	5.2%	5.6%	6.2%	7.2%	9.9%	11.9%	**9.1%**
3.6	5.0	5.7	6.1	7.5	10.1	12.0	**9.0**
2.2	3.2	3.7	4.1	5.2	7.2	8.6	**6.3**
5.6	8.6	9.6	11.6	12.6	17.7	19.5	**12.4**
1.0	1.0	1.0	1.1	1.1	1.1	1.1	**1.1**
40.4	38.8	39.8	42.9	45.8	50.4	53.3	**56.7**
0.64	0.60	0.56	0.32	0.29	0.20	0.18	**0.14**

Contents

Operating and Financial Review

Fiscal 2019 marked the end of the first three years of the four-year medium-term business plan Value Innovation 2020 (April 2017 to March 2021). Orders of the Daifuku Group were affected by decreased capital investment in the semiconductor and flat-panel display (FPD) sectors. However, systems for the manufacturers and distributors performed solidly, especially in the e-commerce, pharmaceutical wholesale and food sectors, supported by increases in the global movement of people and goods, transformations of distribution modes, changes in the industrial structure associated with technological innovations including the Internet of Things (IoT), and investment in automation spurred by labor shortages. Also, in systems for automated production lines, the Group received an order for its largest ever project in North America.

Sales remained firm, underpinned by the high level of order backlogs, but fell short of the year-ago level due to a decline in orders from the semiconductor and FPD sectors, which were translated into revenue in the fiscal year ended March 31, 2020.

Specifically, the Group received orders of 483,184 million yen, down 4.0% from a year earlier, and recorded net sales of 443,694 million yen, down 3.4%.

Profits were affected by lower margins in systems for semiconductor and FPD production lines as a result of reduction in the value of orders received for large projects as well as additional costs. Net income attributable to shareholders of the parent company reflected the absence of a gain on sales of shares in affiliates of 6,948 million yen (balance of consolidated book value) recorded in the previous fiscal year and the impact of one-time amortization of goodwill, among other factors.

Consequently, the Group posted operating income of 40,497 million yen, down 25.9% from a year earlier, and ordinary income of 40,976 million yen, down 26.6%. Net income attributable to shareholders of the parent company was 28,063 million yen, down 29.1%.

ROE fell from 19.5% in the previous fiscal year, to 12.4%. This primarily reflected a decline in return on sales, from 8.6% in the previous fiscal year to 6.3%.

Fiscal 2019 results

- Orders received 483,184 million yen
  (year-on-year 503,399 million yen, down 4.0%)
- Net sales 443,694 million yen
  (year-on-year 459,486 million yen, down 3.4%)
- Operating income 40,497 million yen
  (year-on-year 54,681 million yen, down 25.9%)
- Ordinary income 40,976 million yen
  (year-on-year 55,842 million yen, down 26.6%)
- Net income attributable to shareholders of the parent company 28,063 million yen
  (year-on-year 39,567 million yen, down 29.1%)
- Comprehensive income 25,627 million yen
  (year-on-year 40,800 million yen, down 37.2%)

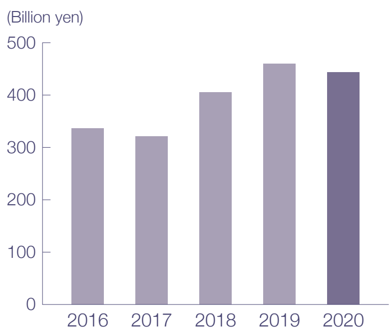
Segment information

Daifuku Co., Ltd.

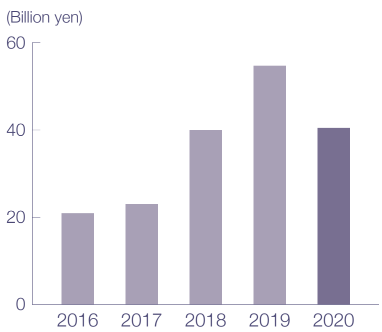
Orders remained firm, supported by large systems for manufacturers and distributors in Japan, and services and small upgrade projects for automobile production lines, which offset the impact of slow growth in export projects for semiconductor factories in East Asia and North America.

Sales were solid and mostly unchanged from the year-ago level, underpinned by a large order backlog, especially for

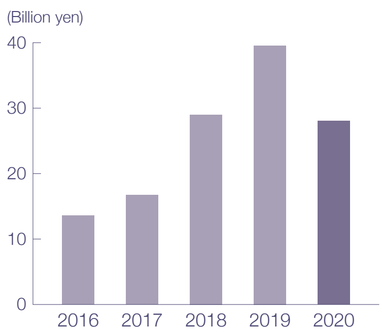
Net Sales



Operating Income



Net Income Attributable to Shareholders of the Parent Company



manufacturers and distributors.

First-half income was affected by lower margins in systems for semiconductor and FPD production lines as a result of reduction in the value of orders received for large projects as well as additional costs. However, second-half operating income was higher than the level recorded in the second half of the previous fiscal year, driven by the effect of increased sales of systems for manufacturers and distributors as well as improvement in profitability. Segment income reflected the absence of the gain on sales of shares in affiliates recorded in the previous fiscal year of 8,030 million yen (a difference between sale price and acquisition cost) and the impact of a loss on valuation of shares in affiliates, among other factors.

As a result, the Company recorded orders of 218,360 million yen, down 5.7% from the previous fiscal year, sales of 204,443 million yen, up 0.9%, and segment income of 18,699 million yen, down 44.6%.

Contec Co., Ltd. and its subsidiaries

Industrial computers

In the United States, sales increased as a result of steady growth in demand for medical equipment. Sales also increased in Japan, partly due to orders received for large projects for distribution-related companies.

Measuring and control boards

Sales of products for the IoT market, including CONPROSYS, were solid. However, sales of measuring and control boards used in factories, etc. declined, reflecting a slowdown in corporate capital expenditure.

Solution products

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

While orders received by Contec and its subsidiaries as a whole increased, sales showed slow growth and income fell short of the year-ago level, despite the recording of extraordinary income due to sales of investment securities.

As a result, Contec posted orders of 16,831 million yen, up 2.6% from the previous fiscal year, sales of 16,352 million yen, down 0.2%, and segment income of 1,607 million yen, down 0.6%.

Daifuku North America Holding Company and its subsidiaries

Orders increased significantly, benefiting from an order for a large project for automobile production line systems as part of the remodeling of a facility in response to new model production. In systems for manufacturers and distributors, orders from the e-commerce sector remained firm. Orders reflected delays in the timing of receiving orders in new projects involving systems for airports, as well as systems for semiconductor production lines.

Sales increased firmly, driven by sales in systems for the semiconductor, automobile, and airport sectors, despite a decrease in systems for manufacturers and distributors due to delays in project progress.

Segment income improved significantly in the absence of extraordinary losses of 6,513 million yen attributable to a buyout of part of the defined benefit pension plan of Jervis B. Webb Company, a subsidiary, and a non-current asset impairment loss of 807 million yen at Wynright Corporation, which were recorded in the previous fiscal year.

As a result, Daifuku North America achieved orders of 136,757 million yen, up 24.9% from the same period in the previous year, sales of 102,253 million yen, up 5.2%, and segment income of 6,295 million yen, up 1,356.5%.

Clean Factomation, Inc.

Clean Factomation provides cleanroom transport systems to semiconductor manufacturers mainly in South Korea. Orders declined, mainly due to a delay in the recovery in demand for semiconductor memory. Sales fell short of the year-ago level but income held firm.

As a result, Clean Factomation posted orders of 23,804 million yen, down 43.0% from the previous fiscal year, sales of 32,685 million yen, down 4.5%, and segment income of 2,582 million yen, up 1.4%.

Other

The Group has a total of 55 consolidated subsidiaries worldwide. The Other segment includes all consolidated subsidiaries excluding the aforementioned Contec and its subsidiaries, Daifuku North America and its subsidiaries, and Clean Factomation. These companies manufacture and sell material handling systems and equipment, and car wash machines.

Japan subsidiaries

Daifuku Plusmore Co., Ltd. sells car wash machines in Japan. The company 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 consolidations and tie-ups among oil wholesalers.

Non-Japan subsidiaries

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

In China, the construction of OLED factories is expected in the future, despite a decline in capital investment in the FPD sector as a whole. Although systems for manufacturers and distributors performed less strongly than in the previous year, both in terms of orders and sales, demand for systems for the food, pharmaceutical and e-commerce sectors held firm. In the automotive sector, orders were solid and sales rose year on year, reflecting the ties built mainly with Japanese automakers. The segment implemented various initiatives in response to such market conditions, including expanding and renovating factories, opening sales and service centers, and establishing training centers.

In Taiwan, systems for semiconductor production lines remained favorable both in terms of orders and sales.

In South Korea, automobile production line system orders and sales fell, reflecting challenging economic conditions generally.

In ASEAN countries and India, capital investment in the manufacturing industry, including the food, miscellaneous daily goods and pharmaceutical sectors, is brisk especially in India and Vietnam. Non-Japan subsidiaries in these two countries tapped into this demand and the segment also strengthened local production, including building a new factory in Thailand.

BCS Group Limited in New Zealand worked in collaboration with other Group companies to bolster its airport business outside the Oceania region and although it increased sales of products such as self-service baggage check-in systems in Japan, issues in terms of project management remained.

As a result, the segment reported orders of 87,430 million yen, down 16.8% from the previous fiscal year, sales of 93,986 million yen, down 15.2%, and segment income of 2,525 million yen, down 56.1%.

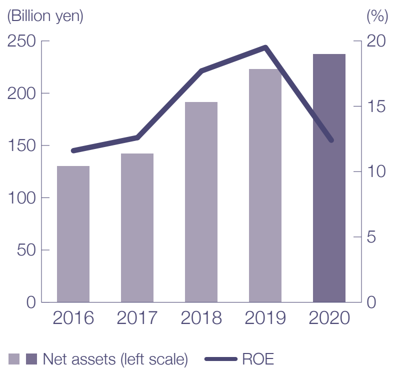
In addition, Daifuku secured a production hub for systems for manufacturers and distributors in India through M&A in April 2019. Moreover, the Company established a subsidiary in Vietnam in August 2019, given that companies from around the world are advancing into that country, which they see as an important production site and automation demand is growing. The Company also acquired companies in the Netherlands and Australia through M&A in the same month to strengthen digital technology in systems for airports.

Financial Position

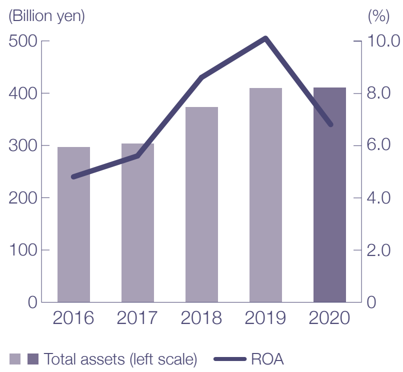
Assets

Total assets at the end of fiscal 2019 stood at 410,887 million yen, an increase of 904 million yen from the end of the previous fiscal year. Current assets decreased by 6,556 million

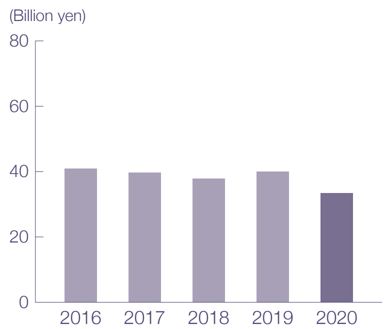
Net Assets and ROE



Total Assets and ROA



Interest-Bearing Liabilities



yen, principally reflecting increases of 10,845 million yen in notes and accounts receivable and unbilled receivables and 3,627 million yen in other current assets and a decrease of 20,008 million yen in cash on hand and in banks.

Non-current assets increased by 7,461 million yen, mainly attributable to an increase of 6,161 million yen in buildings and structures.

Liabilities

Total liabilities at the end of fiscal 2019 amounted to 173,531 million yen, a decrease of 13,566 million yen from the end of the previous fiscal year. Current liabilities decreased by 17,266 million yen. Primary factors included decreases of 7,659 million yen in short-term borrowings due to the repayment of borrowings of foreign subsidiaries among others and 10,789 million yen in income taxes payable due to income taxes paid.

Non-current liabilities increased by 3,700 million yen, principally reflecting increases of 1,075 million yen in long-term borrowings centering around borrowings in Japan and 1,976 million yen in other non-current liabilities.

Net assets

Net assets at the end of fiscal 2019 were 237,356 million yen, an increase of 14,471 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 16,569 million yen in retained earnings due to the booking of net income attributable to shareholders of the parent company.

Cash flows

Cash and cash equivalents at the end of fiscal 2019 decreased by 20,020 million yen from the end of the previous fiscal year, to 70,883 million yen, compared with 90,903 million yen in the same period of the previous fiscal year.

Individual cash flows and contributing factors were as follows:

Cash flows from operating activities

Cash provided by operating activities totaled 13,706 million yen, compared with cash provided of 8,559 million yen in the same period of the previous fiscal year. This was mainly attributable to an increase of 12,053 million yen in notes and accounts receivable and income taxes paid of 22,316 million yen, offsetting income before income taxes and non-controlling interests of 39,808 million yen and an increase of 2,825 million yen in advances received on uncompleted construction contracts.

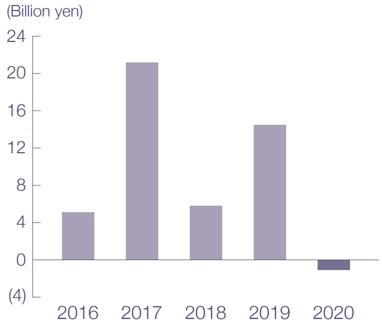
Cash flows from investing activities

Cash used in investing activities was 14,791 million yen, compared with cash provided of 5,937 million yen in the same period of the previous fiscal year. Major factors included outlays of 12,815 million yen for the purchase of property, plant and equipment and 2,901 million yen for the purchase of shares in affiliates.

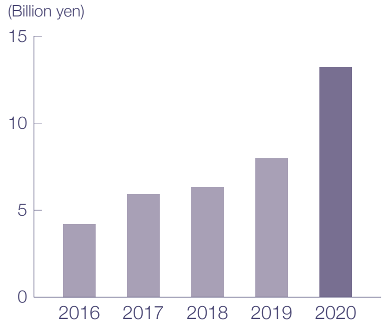
Cash flows from financing activities

Cash used in financing activities was 18,354 million yen, compared with cash used of 6,893 million yen in the same period of the previous fiscal year, mainly attributable to expenditure of 5,064 million yen for the repayment of short-term borrowings of foreign subsidiaries among others and dividend payments of 11,331 million yen.

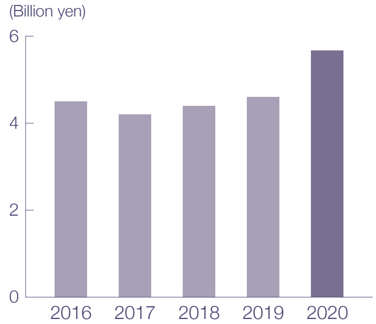
Free Cash Flows



Capital Investment



Depreciation



Capital Investment

During fiscal 2019, the Group's capital investment was 13,220 million yen, which included construction of an office building at the Osaka headquarters, maintenance and upgrades of production facilities at the Shiga Works, and construction of a new manufacturing complex at a Daifuku North America Holding Company's subsidiary.

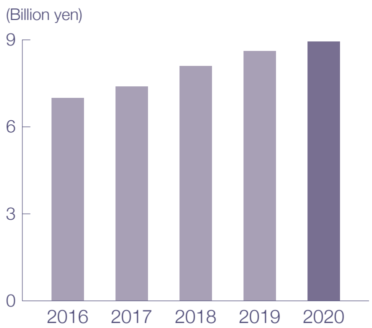
The above-mentioned capital investment was implemented on a self-financing basis.

Dividend Policy

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

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. In line with the above policy and the results of fiscal 2019, Daifuku paid an interim dividend of 30 yen per share and a year-end dividend of 45 yen per share, thus bringing the annual dividend to 75 yen per share for fiscal 2019.

R&D



Consolidated Balance Sheets

Daifuku Co., Ltd. and consolidated subsidiaries
March 31, 2020 and 2019

	(Million yen)	
	March 31	
ASSETS	**2020**	2019
Current assets:		
Cash on hand and in banks (Notes 8 and 29)	**¥70,907**	¥90,916
Notes and accounts receivable and unbilled receivables (Note 8)	**202,712**	191,867
Merchandise and finished goods	**6,453**	5,497
Costs incurred on uncompleted construction contracts and other (Note 7)	**11,169**	14,074
Raw materials and supplies	**15,720**	14,634
Other current assets	**13,103**	9,475
Less: allowance for doubtful accounts	**(383)**	(226)
Total current assets	**319,683**	326,239
Non-current assets:		
Property, plant and equipment (Notes 6 and 12):		
Buildings and structures, net	**21,203**	15,041
Machinery and vehicles, net	**5,635**	4,379
Tools and fixtures, net	**2,486**	1,915
Land	**12,250**	12,162
Other, net	**5,768**	3,522
Total property, plant and equipment	**47,343**	37,020
Intangible assets:		
Software	**4,096**	3,425
Goodwill	**4,891**	7,561
Other	**1,145**	1,473
Total intangible assets	**10,133**	12,460
Investments and other assets:		
Investments in securities (Notes 8, 9, and 10)	**15,182**	15,341
Long-term loans	**128**	145
Assets for retirement benefits (Note 13)	**5,708**	4,932
Deferred tax assets (Note 28)	**9,480**	10,529
Other	**3,397**	3,510
Less: allowance for doubtful accounts	**(169)**	(198)
Total investments and other assets	**33,727**	34,262
Total non-current assets	**91,204**	83,742
Total assets	**¥410,887**	¥409,982

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

LIABILITIES	March 31 2020	(Million yen) 2019
Current liabilities:		
Notes and accounts payable and construction contracts payable (Note 8)	**¥46,509**	¥47,883
Electronically recorded obligations-operating (Note 8)	**22,587**	23,915
Short-term borrowings and current portion of long-term borrowings (Notes 8 and 11)	**11,772**	19,431
Income taxes payable	**2,599**	13,388
Advances received on uncompleted construction contracts and other	**33,091**	29,245
Provision for losses on construction contracts (Notes 7 and 18)	**263**	317
Other current liabilities (Note 12)	**21,870**	21,779
Total current liabilities	**138,695**	155,961
Non-current liabilities:		
Long-term borrowings (Notes 8 and 11)	**21,645**	20,569
Deferred tax liabilities (Note 28)	**321**	485
Liabilities for retirement benefits (Note 13)	**8,082**	7,459
Other reserves	**330**	141
Other non-current liabilities (Note 11)	**4,455**	2,478
Total non-current liabilities	**34,836**	31,135
Total liabilities	**173,531**	187,097
NET ASSETS		
Shareholders' equity (Notes 5 and 16):		
Common stock:		
Authorized—250,000,000shares	**31,865**	31,865
Issued—126,610,077shares	**21,987**	21,518
Capital surplus	**179,292**	162,722
Retained earnings		
Less: treasury stock, at cost—March 31,2020—703,806shares	**(1,430)**	(1,449)
March 31,2019—795,986shares		
Total shareholders' equity	**231,714**	214,656
Accumulated other comprehensive income:		
Net unrealized gain (loss) on securities	**2,716**	4,554
Deferred gain (loss) on hedges	**(89)**	(20)
Foreign currency translation adjustments	**1,038**	2,003
Accumulated adjustments on retirement benefits (Note 13)	**(2,419)**	(2,505)
Total accumulated other comprehensive income	**1,246**	4,032
Non-controlling interests:	**4,394**	4,195
Total net assets	**237,356**	222,885
Total liabilities and net assets	**¥410,887**	¥409,982

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

Consolidated Statements of Income and Comprehensive Income

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2020 and 2019

		(Million yen)
		March 31
	2020	2019
Net sales	**¥443,694**	¥459,486
Cost of sales (Notes 18 and 19)	**357,870**	358,230
Gross profit	**85,824**	101,255
Selling expenses (Note 17)	**17,791**	18,878
General and administrative expenses (Notes 17 and 19)	**27,535**	27,696
Total selling, general and administrative expenses	**45,326**	46,574
Operating income	**40,497**	54,681
Other income:		
Interest income	**599**	547
Dividend income	**435**	417
Land and house rental revenue	**216**	243
Other	**486**	629
Total other income	**1,739**	1,836
Other expenses:		
Interest expenses	**758**	469
Foreign exchange losses	**308**	—
Other	**193**	206
Total other expenses	**1,260**	675
Ordinary income	**40,976**	55,842
Extraordinary income:		
Gain on sales of property, plant and equipment (Note 21)	**19**	27
Gain on sales of investments securities	**971**	374
Gain on sales of shares in affiliates (Note 23)	**—**	6,948
Other	**—**	149
Total extraordinary income	**990**	7,499
Extraordinary loss:		
Loss on sales of property, plant and equipment (Note 22)	**2**	92
Loss on disposal of property, plant and equipment (Note 20)	**270**	215
Amortization of goodwill (Note 24)	**1,693**	—
Retirement benefit expenses (Note 25)	**—**	6,897
Impairment loss (Note 26)	**—**	807
Other	**192**	—
Total extraordinary loss	**2,158**	8,012
Income before income taxes	**39,808**	55,329
Income taxes (Note 28)		
Current	**9,389**	20,218
Deferred	**1,724**	(5,077)
Total income taxes	**11,114**	15,140
Net income	**28,693**	40,188
Net income attributable to:		
Shareholders of the parent company	**28,063**	39,567
Non-controlling interests	**630**	620
Other comprehensive income (Note 27)		
Net unrealized gain (loss) on securities	**(2,070)**	(693)
Deferred gain (loss) on hedges	**(68)**	(55)
Foreign currency translation adjustments	**(971)**	(3,321)
Retirement benefits reserves adjustments	**51**	5,760
Share of other comprehensive income (loss) of affiliates for using the equity method	**(7)**	(1,078)
Total other comprehensive income (loss)	**(3,066)**	611
Comprehensive income	**¥25,627**	¥40,800
Comprehensive income attributable to:		
Shareholders of the parent company	**¥25,277**	¥40,116
Non-controlling interests	**349**	683
		(Yen)
Net income per share (Note 33)	**¥222.96**	¥314.54
Cash dividends per share	**75.00**	90.00

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

Consolidated Statements of Changes in Net Assets

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2020 and 2019

		Shareholders' equity				
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	(Thousands)					(Million yen)
Balance at March 31, 2018	126,610	¥31,865	¥20,717	¥129,654	¥(782)	¥181,454
Cumulative effects of changes in accounting policies	—	—	—	¥2,940	—	¥2,940
Restated balance	126,610	¥31,865	¥20,717	¥132,595	¥(782)	¥184,394
Cash dividends	—	—	—	(9,440)	—	(9,440)
Net income attributable to shareholders of the parent company	—	—	—	39,567	—	39,567
Purchase of treasury stock	—	—	—	—	(957)	(957)
Disposal of treasury stock	—	—	804	—	290	1,094
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	(3)	—	—	(3)
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2019	126,610	¥31,865	¥21,518	¥162,722	¥(1,449)	¥214,656
Cumulative effects of changes in accounting policies	**—**	**—**	**—**	**(150)**	**—**	**(150)**
Restated balance	**126,610**	**¥31,865**	**¥21,518**	**¥162,572**	**¥(1,449)**	**¥214,506**
Cash dividends	**—**	**—**	**—**	**(11,343)**	**—**	**(11,343)**
Net income attributable to shareholders of the parent company	**—**	**—**	**—**	**28,063**	**—**	**28,063**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**(551)**	**(551)**
Disposal of treasury stock	**—**	**—**	**466**	**—**	**570**	**1,036**
Change in treasury shares of parent arising from transactions with non-controlling shareholders	**—**	**—**	**3**	**—**	**—**	**3**
Net changes of items other than shareholders' equity	**—**	**—**	**—**	**—**	**—**	**—**
Balance at March 31, 2020	**126,610**	**¥31,865**	**¥21,987**	**¥179,292**	**¥(1,430)**	**¥231,714**

	Accumulated other comprehensive income						
	Net unrealized gain (loss) on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Accumulated adjustments on retirement benefits	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
							(Million yen)
Balance at March 31, 2018	¥5,358	¥34	¥6,360	¥(5,328)	¥6,424	¥3,595	¥191,474
Cumulative effects of changes in accounting policies	—	—	—	¥(2,940)	¥(2,940)	—	—
Restated balance	¥5,358	¥34	¥6,360	¥(8,268)	¥3,484	¥3,595	¥191,474
Cash dividends	—	—	—	—	—	—	(9,440)
Net income attributable to shareholders of the parent company	—	—	—	—	—	—	39,567
Purchase of treasury stock	—	—	—	—	—	—	(957)
Disposal of treasury stock	—	—	—	—	—	—	1,094
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	(3)
Net changes of items other than shareholders' equity	(803)	(54)	(4,356)	5,763	548	600	1,148
Balance at March 31, 2019	¥4,554	¥(20)	¥2,003	¥(2,505)	¥4,032	¥4,195	¥222,885
Cumulative effects of changes in accounting policies	**—**	**—**	**—**	**—**	**—**	**—**	**(150)**
Restated balance	**¥4,554**	**¥(20)**	**¥2,003**	**¥(2,505)**	**¥4,032**	**¥4,195**	**¥222,734**
Cash dividends	**—**	**—**	**—**	**—**	**—**	**—**	**(11,343)**
Net income attributable to shareholders of the parent company	**—**	**—**	**—**	**—**	**—**	**—**	**28,063**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(551)**
Disposal of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**1,036**
Change in treasury shares of parent arising from transactions with non-controlling shareholders	**—**	**—**	**—**	**—**	**—**	**—**	**3**
Net changes of items other than shareholders' equity	**(1,838)**	**(68)**	**(965)**	**85**	**(2,786)**	**199**	**(2,587)**
Balance at March 31, 2020	**¥2,716**	**¥(89)**	**¥1,038**	**¥(2,419)**	**¥1,246**	**¥4,394**	**¥237,356**

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

Consolidated Statements of Cash Flows

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2020 and 2019

	(Million yen)	
	March 31	
	2020	2019
Cash flows from operating activities:		
Income before income taxes and non-controlling interests	**¥39,808**	¥55,329
Adjustments for:		
Depreciation	**5,667**	4,598
Amortization of goodwill	**2,520**	927
Interest and dividend income	**(1,035)**	(964)
Interest expenses	**758**	469
Impairment loss	**—**	807
Retirement benefit expenses	**—**	6,897
Loss (gain) on sales of investments in securities	**(971)**	(374)
Loss (gain) on sales of shares in affiliates	**—**	(6,948)
Loss (gain) on disposal or sales of property, plant and equipment	**252**	281
Decrease (increase) in notes and accounts receivable	**(12,053)**	(32,172)
Decrease (increase) in inventories	**486**	(7,509)
Increase (decrease) in notes and accounts payable	**(2,208)**	4,052
Increase (decrease) in advances received on uncompleted construction contracts	**2,825**	4,279
Other, net	**(730)**	(5,997)
Subtotal	**35,320**	23,674
Interest and dividend received	**1,036**	964
Interest paid	**(776)**	(423)
Income taxes refund (paid)	**(22,316)**	(16,278)
Other, net	**441**	622
Net cash provided by (used in) operating activities	**13,706**	8,559
Cash flows from investing activities:		
Investments in time deposits	**(13)**	(4)
Proceeds from refund of time deposits	**3**	—
Payments for purchase of property, plant and equipment	**(12,815)**	(7,744)
Proceeds from sales of property, plant and equipment	**55**	102
Payments for purchase of investments in securities	**(331)**	(33)
Proceeds from sales of investments in securities	**1,336**	410
Payments for purchase of shares in affiliates	**(2,901)**	—
Proceeds from sales of shares in affiliates	**—**	13,223
Collection of loans receivable	**8**	6
Other, net	**(132)**	(22)
Net cash provided by (used in) investing activities	**(14,791)**	5,937
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings, net	**(5,064)**	12,844
Proceeds from long-term borrowings	**1,000**	5,188
Repayment of long-term borrowings	**(2,246)**	(12,639)
Redemption of bonds	**—**	(2,700)
Proceeds from disposal of treasury stock	**1,036**	1,088
Payments for purchase of treasury stock	**(552)**	(957)
Payments of cash dividends	**(11,331)**	(9,428)
Other, net	**(1,195)**	(290)
Net cash provided by (used in) financing activities	**(18,354)**	(6,893)
Effect of exchange rate change on cash and cash equivalents	**(581)**	(1,851)
Net increase (decrease) in cash and cash equivalents	**(20,020)**	5,751
Cash and cash equivalents at beginning of year	**90,903**	85,152
Cash and cash equivalents at end of year (Note 29)	**¥70,883**	¥90,903

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

Notes to the Consolidated Financial Statements

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2020 and 2019

1. Basis of presenting consolidated financial statements

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

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

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

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

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

2. Summary of significant accounting policies

(1) Principles of consolidation

The consolidated financial statements consist of the accounts of the parent company and 55 subsidiaries as of March 31, 2020.

Forty-nine (49) overseas consolidated subsidiaries adopt the fiscal year ending December 31. For the consolidation of these overseas subsidiaries, the Company makes appropriate adjustments for any material transactions subsequent to December 31.

The Company has three subsidiaries, Vega Conveyors and Automation Private Limited, Scarabee Aviation Group B.V. and Airport Digital Holdings (AUS) Pty Ltd, as of March 31, 2020, that have been excluded from the scope of consolidation since their total assets, net sales, net income or loss and retained earnings are not deemed to have a significant impact on the Company's consolidated financial statements as a whole.

The Company has one affiliate, Kunming Logan-KSEC Airport Logistics System Company Ltd., as of March 31, 2020, which is accounted for using the equity method. For equity-method affiliate that have a different fiscal year from the Company's, the financial statement for the fiscal year of the affiliate is used.

The Company has three subsidiaries, Vega Conveyors and Automation Private Limited, Scarabee Aviation Group B.V. and Airport Digital Holdings (AUS) Pty Ltd and one affiliate, IKS Co., Ltd., which are not accounted for using the equity method but using the cost method since total assets, net sales, net income or loss (the amount corresponding to equity interests), and retained earnings (the amount corresponding to equity interests), etc. of the affiliates are not deemed to have a significant impact on the Company's consolidated financial statements as a whole. The number of unconsolidated subsidiaries and affiliates that are not accounted for using the equity method has increased due to the three unconsolidated subsidiaries.

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

(2) Translation of foreign currencies

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

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

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

(3) Cash and cash equivalents

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

(4) Inventories

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

(5) Financial instruments

(a) Derivatives

All derivatives are stated at fair value.

(b) Securities

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

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

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

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

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

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

(c) Hedge accounting

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

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

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

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

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

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

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

(6) Depreciation and amortization

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

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

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

(b) Intangible assets (excluding leased assets)

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

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

(c) Leased assets

Finance lease transactions that transfer ownership:

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

Finance lease transactions that do not transfer ownership:

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

(7) Amortization of goodwill

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

(8) Allowance for doubtful accounts

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

(9) Liabilities for retirement benefits

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

In calculating the retirement benefit obligations, the benefit formula method is used to allocate projected retirement benefits for the year ended March 31, 2020.

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

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

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

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

(11) Accounting policy for significant revenues and expenses
Accounting policy for recognition of revenues and costs of construction work is as follows:
(a) Construction work, for which the outcome of the percentage completed at the balance sheet date is deemed certain:
Percentage-of-completion method (in which the percentage of completion is estimated based on the percentage of cost incurred relative to the estimated total cost)
(b) Other construction work:
Completed-contract method

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

3. Changes in significant accounting policies

(1) Adoption of IFRS 16 Leases
From the beginning of the year ended March 31, 2020, the subsidiaries reporting in IFRS have adopted IFRS 16 Leases.

With the adoption of this accounting standard, the lessee recognizes assets and liabilities for all leases, in principle. In applying IFRS 16, the right-of-use assets and lease liabilities are recognized at the beginning of the fiscal year, in accordance with the transitional provisions.

The impact of the above change on the consolidated financial statements for the year ended March 31, 2020 is insignificant.

(2) Adoption of ASC 606 Revenue from Contracts with Customers
From the beginning of the fiscal year ended March 31, 2020, the subsidiaries in North America reporting in U.S. GAAP have adopted ASC 606 Revenue from Contracts with Customers.

With the adoption of this accounting standard, the subsidiaries recognize revenue to depict the transfer of promised good or services to customers in an amount that reflects the consideration to which they expect to be entitled in exchange for those goods or services.

The subsidiaries have elected to apply a method to recognize the cumulative effect of initially applying the revenue standard as an adjustment to the opening balance of retained earnings as of the beginning of the fiscal year in accordance with the transitional provisions.

The impact of the above change on the consolidated financial statements for the year ended March 31, 2020 is insignificant.

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

(1) An accounting standard and related guidance issued before March 31, 2020 but have not yet been applied among the Company and its domestic consolidated subsidiaries are as follows:
- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30; March 31, 2020)

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

In developing the Accounting Standard for Revenue Recognition, the ASBJ’s policy was to incorporate and build on all the core principles of IFRS 15 from the viewpoint of increasing financial statements comparability which is one of the benefits of alignment with IFRS 15, but to consider additional alternative treatments where they would make application in Japan easier, to the extent that this would not impair international comparability.
(b) Planned date of application
The standard and related guidance will be applied from the beginning of the year ending March 31, 2022.

(c) Impact of applying the accounting standard and related guidance
The financial impact of applying the accounting standard and related guidance is under review.

(2) Accounting standards revised before March 31, 2020 but have not yet been applied among overseas consolidated subsidiaries are as follows:
- Leases (FASB, ASU 2016-02)

(a) Overview
The revised accounting standard provides an accounting standard for lease transaction.

(b) Outline
The lessee recognizes assets and liabilities for all leases, in principle.

(c) Planned date of application
The revised accounting standard will be applied from the fiscal year beginning on or after April 1, 2021.

(d) Impact of applying the revised accounting standard
The financial impact of applying the revised accounting standard is under review.

5. Additional information

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

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

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

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

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

The book value and the number of the treasury stock
¥151 million and 75 thousand shares for the fiscal year ended March 31, 2019
¥680 million and 159 thousand shares for the fiscal year ended March 31, 2020

(2) Transactions of delivering the Company's own stock to employees, etc. through a trust
Under the resolution adopted at the Board of Directors' meeting on November 22, 2018, the Company introduced an employee shareholding incentive plan through a trust (E-Ship; 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.

(a) Overview
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 sale of shares is accumulated in the E-Ship Trust upon termination of the trust, the equivalent of gains will be distributed to qualified beneficiaries as residual assets. Since the Company provides loan guarantees for the E-Ship's borrowings to purchase shares of the Company, 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.

(b) The Company's shares still held by the Trust
The Company records the shares of the Company, which are held by the Trust and yet to be sold to the Shareholding Association, as treasury stock in net assets, using the book value (excluding incidental expenses) in the Trust.
The book value and the number of the treasury stock
¥823 million and 149 thousand shares for the fiscal year ended March 31, 2019.
¥341 million and 61 thousand shares for the fiscal year ended March 31, 2020.

(c) The book value of borrowings posted using the gross price method
¥828 million for the fiscal year ended March 31, 2019
¥282 million for the fiscal year ended March 31, 2020

6. Accumulated depreciation of property, plant and equipment

Accumulated depreciation of property, plant and equipment was ¥55,919 million and ¥54,160 million as of March 31, 2020 and 2019, respectively.

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

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

The amount of inventories related to construction contracts with probable loss, for which provision for losses on construction contracts is provided, totaled ¥45 million and ¥55 million as of March 31, 2020 and 2019, respectively.

8. Financial instruments

(1) Status of financial instruments

(a) Policy for financial instruments

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

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

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

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

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

(c) Supplementary explanation concerning fair values of financial instruments

The fair values of financial instruments include values based on the market price, and rationally calculated values in cases where market price is not readily available. In the calculation of such values, variable factors are also taken into consideration, and, therefore, the values calculated may vary if different factors or assumptions are employed. The contract amounts and other information provided in Note 15 "Derivatives and hedging activities" are not necessarily indicative of the amounts of the actual market risk involved in derivative transactions.

(2) Fair values of financial instruments

The balance sheet carrying amounts, fair values, and unrealized gains/losses of the financial instruments as of March 31, 2020 and 2019 are as presented below. However, the financial instruments whose fair values are not readily determinable are excluded from these tables (see [Note 2] below):

For the year ended March 31, 2020:

(Million yen)

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

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

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

Assets

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

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

(3) Investments in securities

The fair values of equity securities are determined using the quoted prices at the stock exchange. For information concerning securities classified by holding purposes, see Note 9 "Investments in securities."

Liabilities

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

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

(4) Long-term borrowings

The fair values of long-term borrowings are determined by discounting the aggregate amounts of the principal and interests using estimated interest rates assuming that the similar borrowings are newly made. Long-term borrowings bearing variable interest rates (floating-rate borrowings) are subject to the exceptional treatment applicable to interest rate swap transactions or currency swap transactions (see Note 15 "Derivatives and hedging activities") and, therefore, their fair values are determined by discounting the aggregate amounts of the principal and interests (that are accounted for together with the relevant interest rate swap transactions or currency swap transactions) in the same manner.

Derivative transactions

Please refer to Note 15 "Derivatives and hedging activities."

For the year ended March 31, 2019:

(Million yen)

	Carrying amount on consolidated balance sheets	Fair value	Variance
(1) Cash on hand and in banks	¥90,916	¥90,916	¥ —
(2) Notes and accounts receivable and unbilled receivables	191,867	191,867	—
(3) Investments in securities "Other securities"	13,862	13,862	—
Total assets	¥296,647	¥296,647	¥ —
(1) Notes and accounts payable and construction contracts payable	¥47,883	¥47,883	¥ —
(2) Electronically recorded obligations - operating	23,915	23.915	—
(3) Short-term borrowings and current portion of long-term borrowings	19,431	19,431	—
(4) Long-term borrowings	20,569	20,595	25
Total liabilities	¥111,800	¥111,825	¥25
Derivative transactions (*)	¥(43)	¥(43)	¥ —

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

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

Assets

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

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

(3) Investments in securities

The fair values of equity securities are determined using the quoted prices at the stock exchange. For information concerning securities classified by holding purposes, see Note 9 "Investments in securities."

Liabilities

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

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

(4) Long-term borrowings

The fair values of long-term borrowings are determined by discounting the aggregate amounts of the principal and interests using estimated interest rates assuming that the similar borrowings are newly made. Long-term borrowings bearing variable interest rates (floating-rate borrowings) are subject to the exceptional treatment applicable to interest rate swap transactions or currency swap transactions (see Note 15 "Derivatives and hedging activities") and, therefore, their fair values are determined by discounting the aggregate amounts of the principal and interests (that are accounted for together with the relevant interest rate swap transactions or currency swap transactions) in the same manner.

Derivative transactions
Please refer to Note 15 "Derivatives and hedging activities."

[Note 2] Financial instruments, of which fair values are not readily determinable as of March 31, 2020 and 2019:
For the year ended March 31, 2020:

(Million yen)

Category	Carrying amount on consolidated balance sheets
Unlisted securities	**¥3,753**

For the year ended March 31, 2019:

(Million yen)

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

These securities have no quoted market prices, and the future cash flows thereof are not estimable. As their fair values are not readily determinable, they are excluded from "Assets (3) Investments in securities." The unlisted securities include the investments in non-consolidated subsidiaries and affiliates, amounting to ¥3,190 million and ¥276 million as of March 31, 2020 and 2019, respectively.

[Note 3] The expected settlement subsequent to the balance sheet date for monetary assets and investments in securities with maturity dates:
For the year ended March 31, 2020:

(Million yen)

	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Cash on hand and in banks	**¥70,907**	**¥ —**	**¥ —**	**¥ —**
Notes and accounts receivable and unbilled receivables	**202,712**	**—**	**—**	**—**
Total	**¥273,620**	**¥ —**	**¥ —**	**¥ —**

For the year ended March 31, 2019:

(Million yen)

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

[Note 4] The expected redemption subsequent to the balance sheet date for bonds, long-term borrowings, and other interest-bearing liabilities:
For the year ended March 31, 2020:

(Million yen)

	Due within one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Short-term borrowings and current portion of long-term borrowings	**¥11,572**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Bonds	**—**	**—**	**—**	**—**	**—**	**—**
Long-term borrowings	**200**	**2,045**	**15,900**	**2,700**	**1,000**	**—**
Total	**¥11,772**	**¥2,045**	**¥15,900**	**¥2,700**	**¥1,000**	**¥ —**

For the year ended March 31, 2019:

(Million yen)

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

9. Investments in securities

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

(Million yen)

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

(Million yen)

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

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

(Million yen)

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

(Million yen)

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

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

The Company recorded impairment loss of ¥143 million for the fiscal year ended March 31, 2020.

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

"Held-to-maturity debt securities" as of March 31, 2020 and 2019: Omitted due to no material securities being held

"Held-to-maturity debt securities" sold during the years ended March 31, 2020 and 2019:

Not applicable

"Other securities" sold during the years ended March 31, 2020 and 2019 were as follows:
For the year ended March 31, 2020:

(Million yen)

	Sale value	Gain on sales
Investments in securities:		
Equity securities	**¥1,336**	**¥971**

For the year ended March 31, 2019:

(Million yen)

	Sale value	Gain on sales
Investments in securities:		
Equity securities	¥422	¥374

10. Investments in non-consolidated subsidiaries and affiliates

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

		(Million yen)
March 31	**2020**	2019
Investments in securities:		
Equity securities	**¥3,190**	¥276

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

Short-term borrowings are principally bank borrowings.

The weighted average interest rate applicable to the short-term borrowings outstanding as of March 31, 2020 was 3.2%.

Short-term borrowings outstanding as of March 31, 2020 and 2019 were as follows:

		(Million yen)
March 31	**2020**	2019
Borrowings from banks:		
Unsecured	**¥11,572**	¥16,931

Long-term borrowings are principally bank borrowings.

The weighted average interest rate applicable to the portion due within one year of long-term borrowings outstanding as of March 31, 2020 was 0.8%. The weighted average interest rate applicable to the long-term borrowings outstanding as of March 31, 2020 was 0.4%.

Long-term borrowings outstanding as of March 31, 2020 and 2019 were as follows:

		(Million yen)
March 31	**2020**	2019
Borrowings, principally from banks:		
Secured and unsecured	**¥21,845**	¥23,069
Less: portion due within one year	**200**	2,500
Total	**¥21,645**	¥20,569

Bonds

Not applicable

Borrowings details

The analysis of long-term borrowings with maturity within five years after March 31, 2020, other than the portion due within one year was as follows:

	(Million yen)
Due after one year and within two years	¥2,045
Due after two years and within three years	15,900
Due after three years and within four years	2,700
Due after four years and within five years	1,000
Total	¥21,645

Lease obligations details

Lease obligations outstanding as of March 31, 2020 and 2019 were as follows:

		(Million yen)
March 31	**2020**	2019
Lease obligations	**¥3,841**	¥1,247
Less: portion due within one year	**997**	238
Total	**¥2,844**	¥1,009

[Note 1] Starting from the beginning of the fiscal year ended March 31, 2020, subsidiaries reporting in IFRS have adopted IFRS 16 Leases. The weighted average interest rate applicable to the portion due within one year of lease obligations as of March 31, 2020 was 2.9%. The weighted average interest rate applicable to lease obligations other than the portion due within one year as of March 31, 2020 was 2.5%.

[Note 2] The analysis of lease obligations with maturity within five years after March 31, 2020, other than the portion due within one year was as follows:

	(Million yen)
Due after one year and within two years	¥787
Due after two years and within three years	534
Due after three years and within four years	441
Due after four years and within five years	373
Total	¥2,135

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

12. Asset retirement obligations details

Since the amounts of asset retirement obligations as of March 31, 2020 and 2019 were less than 1% of the total liabilities and net assets as of March 31, 2020 and 2019, asset retirement obligations details have been omitted.

13. Retirement benefit plan

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

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

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

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

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

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

		(Million yen)
March 31	**2020**	2019
Balance at beginning of year	**¥35,351**	¥59,037
Service cost	**1,373**	1,302
Interest cost	**377**	946
Accrued actuarial gains and losses	**574**	(2,545)
Payments for retirement benefits	**(1,582)**	(2,252)
Prior service cost	**—**	—
Foreign currency translation adjustments	**122**	(1,137)
Other	**31**	(19,999)
Balance at end of year	**¥36,248**	¥35,351

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

		(Million yen)
March 31	**2020**	2019
Balance at beginning of year	**¥33,346**	¥51,852
Expected return on plan assets	**1,271**	2,454
Accrued actuarial gains and losses	**(440)**	(3,407)
Employer contributions	**525**	5,144
Payments for retirement benefits	**(990)**	(1,713)
Foreign currency translation adjustments	**122**	(983)
Other	**392**	(20,000)
Balance at end of year	**¥34,227**	¥33,346

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

(Million yen)

March 31	2020	2019
Balance at beginning of year	**¥513**	¥488
Retirement benefit expenses	**521**	478
Payments for retirement benefits	**(39)**	3
Employer contributions	**(601)**	(429)
Effect of changes in the plans	**—**	—
Foreign currency translation adjustments	**4**	6
Other	**(46)**	(34)
Balance at end of year	**¥351**	¥513

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

(Million yen)

March 31	2020	2019
Retirement benefit obligations in funded plans	**¥38,239**	¥37,171
Plan assets	**(36,984)**	(35,639)
	1,255	1,531
Retirement benefit obligations in unfunded plans	**1,124**	1,000
Other	**(5)**	(5)
Net liabilities and assets on consolidated balance sheets	**2,374**	2,527
Liabilities for retirement benefits	**8,082**	7,459
Assets for retirement benefits	**(5,708)**	(4,932)
Net liabilities and assets on consolidated balance sheets	**¥2,374**	¥2,527

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

(Million yen)

March 31	2020	2019
Service cost	**¥1,304**	¥1,302
Interest cost	**377**	946
Expected return on plan assets	**(1,271)**	(2,454)
Amortization of actuarial gains and losses	**635**	995
Retirement benefit expenses using the simplified method	**521**	478
Other	**—**	6,897
Retirement benefit expenses on defined benefit plans	**¥1,566**	¥8,165

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

(Million yen)

March 31	2020	2019
Actuarial gains and losses	**¥128**	¥(6,735)
Total	**¥128**	¥(6,735)

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

(Million yen)

March 31	2020	2019
Unrecognized actuarial gains and losses	**¥3,237**	¥3,108
Total	**¥3,237**	¥3,108

(8) Matters regarding plan assets
Percentages of each category of the plan assets were as follows:

		(%)
March 31	**2020**	2019
Equity securities	**32%**	34%
Debt securities	**40**	37
General accounts at life insurance	**14**	15
Cash on hand and in banks	**9**	9
Other	**5**	5
Total	**100%**	100%

[Note] The retirement benefit trust set up for the corporate pension plans consists of 17% and 18% of the total plan assets as of March 31, 2020 and 2019, respectively.

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

(9) Assumptions for actuarial calculations as of March 31, 2020 and 2019 were as follows:

		(Million yen)
March 31	**2020**	2019
Discount rate	**0.075 – 8.25%**	0.075 - 7.66%
Expected long-term rate of return on plan assets	**1.0 – 7.2%**	1.0 – 7.3%

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

Defined contribution plans
The amount of contributions required under the defined contribution plans of the Company and its consolidated subsidiaries as of March 31, 2020 and 2019 was ¥1,166 million and ¥1,115 million, respectively.

14. Lease commitments

The finance lease transactions, which do not transfer the ownership of the leased assets and commenced prior to the fiscal year when “Accounting Standard for Lease Transactions” was initially applied, were summarized as follows:
Operating leases
The future minimum lease payments for non-cancellable leases as of March 31, 2020 and 2019 were as follows:

		(Million yen)
March 31	**2020**	2019
Due within one year	**¥311**	¥579
Due after one year	**1,214**	1,289
Total	**¥1,526**	¥1,868

Impairment loss on leased assets
For the years ended March 31, 2020 and 2019, there was no impairment loss on leased assets.

15. Derivatives and hedging activities

(1) Derivative transactions to which the Group did not apply hedge accounting
For the year ended March 31, 2020:

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

For the year ended March 31, 2019:
Not applicable

(2) Derivative transactions subject to hedge accounting

(a) Currency-related

For the year ended March 31, 2020:

						(Million yen)
Method of hedge accounting	Category of derivative transaction	Principal hedged item	Contract amount	Of which due after one year	Fair value	Method of calculating the fair value
Principal method	Forward exchange contracts					Determined at the quoted prices at the forward exchange rates market
	Sell					
	U.S. dollar	Accounts receivable (future transactions)	¥1,985	¥ —	¥(26)	
	Canadian dollar		266	—	1	
	Korean won		893	—	10	
	Thai baht		77	—	(0)	
	Chinese yuan		1,261	—	(2)	
	New Taiwan dollar		231	—	(6)	
	Singapore dollar		126	—	6	
	Australian dollar		2,344	—	(117)	
	Euro		72	—	6	
	Indian rupee		49	—	(0)	
	Indonesian rupiah		22	—	2	
	British pound		10	—	0	
	Buy					
	Thai baht	Accounts payable (future transactions)	(409)	—	(4)	
	Korean won		(212)	—	(2)	
	New Taiwan dollar		(270)	—	(2)	
	British pound		(56)	—	(0)	
	U.S. dollar		(258)	—	1	
Exceptional treatment of forward exchange contracts	Forward exchange contracts					
	Sell					
	U.S. dollar	Accounts receivable	2,478	—		
	Korean won		673	—		
	New Taiwan dollar		756	—		
	Chinese yuan		2,327	—		
	Thai baht		80	—	(*1)	
	Australian dollar		228	—		
	Indian rupee		10	—		
	Indonesian rupiah		48	—		
	Singapore dollar		78	—		
	Currency swaps					
	U.S. dollar	Long-term borrowings	3,000	3,000	(*2)	
Total			¥15,816	¥3,000	¥(133)	

For the year ended March 31, 2019:

(Million yen)

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

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

(b) Interest-related

For the year ended March 31, 2020:

(Million yen)

Method of hedge accounting	Category of derivative transaction	Principal hedged item	Contract amount	Of which due after one year	Fair value	Method of calculating the fair value
Exceptional treatment of interest rate swaps	Interest rate swaps Fixed payment/ Variable receipt	Long-term borrowings	**¥9,362**	**¥8,700**	**(*)**	
Total			**¥9,362**	**¥8,700**	**¥ —**	

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

For the year ended March 31, 2019:

(Million yen)

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

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

16. Consolidated statements of changes in net assets

(1) Matters regarding issued shares

For the year ended March 31, 2020:

(Thousand shares)

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

For the year ended March 31, 2019:

(Thousand shares)

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

(2) Matters regarding treasury stock

For the year ended March 31, 2020:

(Shares)

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

[Note 1] Details of increases in the number of treasury stock were as follows:
• Increased by 1,520 shares due to the repurchase of less-than-a-unit shares
• Increased by 90,000 shares due to the purchase of the Company's shares from the E-Ship Trust in The Nomura Trust and Banking Co., Ltd. under the E-Ship program.
Details of decreases in the number of treasury stock were as follows:
• Decreased by 6,200 shares due to the disposal to Trust & Custody Services Bank, Ltd. (trust account E) for the Board Benefit Trust (BBT)
• Decreased by 90,000 shares due to the disposal from Trust & Custody Services Bank, Ltd. (trust account E) under the Board Benefit Trust (BBT)
• Decreased by 87,500 shares due to the sale to the Daifuku Employee Shareholding Association from the E-Ship Trust in The Nomura Trust and Banking Co., Ltd. under the E-Ship program

[Note 2] Under a resolution adopted at the general meeting of shareholders held on June 24, 2016 and a decision at the Board of Directors based on that resolution, the Company has resolved to introduce the BBT and to conduct a private placement of 90,000 shares of treasury stock to Trust & Custody Services Bank, Ltd. (trust account E). On August 26, 2016, the treasury stock was allocated to the trust account.
A meeting of the Company's Board of Directors held on November 8, 2019, resolved to make an additional contribution for the continuation of the plan and, on November 25, 2019, an additional contribution of 90,000 shares totaling ¥541 million was made to the Trust.
The number of treasury stock includes Trust & Custody Services Bank, Ltd. (trust account E); the details were as follows:
The Company's common stock held by Trust & Custody Services Bank, Ltd. (trust account E)
• 75,300 shares as of April 1, 2019 and 159,100 shares as of March 31, 2020

[Note 3] Under the resolution adopted at the Board of Directors' meeting on November 22, 2018, the Company introduced an employee shareholding incentive plan through a trust (E-Ship). At the same time, the Company resolved to dispose 171,800 shares of treasury stock to the Trust in The Nomura Trust and Banking Co., Ltd. as a private placement, which was implemented on December 19, 2018.
The number of treasury stock includes the number of the Company's common stock held by The Nomura Trust and Banking Co., Ltd (E-Ship Trust); the details were as follows:
The Company's common stock held by The Nomura Trust and Banking Co., Ltd. (E-Ship Trust)
• 149,400 shares as of April 1, 2019 and 61,900 shares as of March 31, 2020

For the year ended March 31, 2019:

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

[Note 1] Details of increases in the number of treasury stock were as follows:
• Increased by 1,959 shares due to the repurchase of less-than-a-unit shares
• Increased by 171,800 shares due to the purchase of the Company's shares from the E-Ship Trust in The Nomura Trust and Banking Co., Ltd. under the E-Ship program
Details of decreases in the number of treasury stock were as follows:
• Decreased by 12,300 shares due to the disposal to Trust & Custody Services Bank, Ltd. (trust account E) for the Board Benefit Trust (BBT)
• Decreased by 171,800 shares due to the disposal from the E-Ship Trust in The Nomura Trust and Banking Co., Ltd. under the E-Ship program
• Decreased by 22,400 shares due to the sale to the Daifuku Employee Shareholding Association from the E-Ship Trust in The Nomura Trust and Banking Co., Ltd. under the E-Ship program

[Note 2] Under a resolution adopted at the general meeting of shareholders held on June 24, 2016 and a decision at the Board of Directors based on that resolution, the Company has decided to introduce the BBT and to conduct a private placement of 90,000 shares of treasury stock to Trust & Custody Services Bank, Ltd. (trust account E). On August 26, 2016, the treasury stock was allocated to the trust account.
The number of treasury stock includes Trust & Custody Services Bank, Ltd. (trust account E); the details were as follows:
The Company's common stock held by Trust & Custody Services Bank, Ltd. (trust account E)
• 87,600 shares as of April 1, 2018 and 75,300 shares as of March 31, 2019

[Note 3] Under the resolution adopted at the Board of Directors' meeting on November 22, 2018, the Company introduced an employee shareholding incentive plan through a trust (E-Ship). At the same time, the Company resolved to dispose 171,800 shares of treasury stock to the Trust in The Nomura Trust and Banking Co., Ltd. as a private placement, which was implemented on December 19, 2018.
The number of treasury stock includes the number of the Company's common stock held by The Nomura Trust and Banking Co., Ltd (E-Ship Trust); the details were as follows:
The Company's common stock held by The Nomura Trust and Banking Co., Ltd. (E-Ship Trust)
• 0 shares as of April 1, 2018 and 149,400 shares as of March 31, 2019

(3) Matters regarding stock acquisition rights

For the years ended March 31, 2020 and 2019:

Not applicable

(4) Matters regarding dividends

(a) Dividends paid during the years ended March 31, 2020 and 2019 were as follows:

For the year ended March 31, 2020:

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

[Note 1] Aggregate dividends resolved at the Board of Directors' meeting on May 10, 2019, includes dividends of ¥4 million on the Company's shares (treasury stock) held by the BBT in Trust & Custody Services Bank, Ltd. (trust account E) under the BBT program. It also includes ¥8 million on the Company's shares (treasury stock) held by The Nomura Trust and Banking Co., Ltd. under the E-Ship program.

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

For the year ended March 31, 2019:

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

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

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

(b) Dividends with a record date during the years ended March 31, 2020 and 2019, payable in the following year, were as follows:
For the year ended March 31, 2020:

Resolution adopted	Class of shares	Source of dividends	Aggregate dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 12, 2020	Common stock	Retained earnings	**¥5,675**	**¥45**	March 31, 2020	June 29, 2020

[Note] Aggregate dividends include dividends of ¥7 million on the Company's shares (treasury stock) held by the BBT in Trust & Custody Services Bank, Ltd. (trust account E) under the BBT program and aggregate dividends includes dividends of ¥2 million on the Company's shares (treasury stock) held by the E-Ship Trust in The Nomura Trust and Banking Co., Ltd. under the E-Ship program.

For the year ended March 31, 2019:

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

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

17. Major items of selling, general and administrative expenses

Major items of selling, general and administrative expenses for the years ended March 31, 2020 and 2019, were as follows:
Selling expenses

(Million yen)

March 31	2020	2019
Sales commissions	**¥1,091**	¥1,963
Advertising	**349**	285
Outsourcing	**697**	585
Salaries and bonuses	**8,626**	8,798
Retirement benefit expenses	**380**	301
Welfare	**1,499**	1,527
Travel and transportation	**1,496**	1,630
Rent	**468**	507
Depreciation	**224**	185

General and administrative expenses

(Million yen)

March 31	2020	2019
Outsourcing	**¥3,449**	¥3,136
Directors' remuneration	**1,278**	1,202
Salaries and bonuses	**10,668**	10,880
Retirement benefit expenses	**514**	623
Welfare	**1,675**	1,678
Depreciation	**2,116**	1,844
Research and development	**3,002**	2,774

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

For the years ended March 31, 2020 and 2019 were as follows:

(Million yen)

March 31	2020	2019
Provision for losses on construction contracts included in cost of sales	**¥(50)**	¥(233)

19. Research and development

Research and development expenditures included in general and administrative expenses and manufacturing costs were ¥8,936 million and ¥8,615 million for the years ended March 31, 2020 and 2019, respectively.

20. Loss on disposal of property, plant and equipment

Details of loss on disposal of property, plant and equipment for the years ended March 31, 2020 and 2019 were as follows:

		(Million yen)
March 31	**2020**	2019
Buildings	**¥146**	¥102
Structures	**6**	21
Machinery	**91**	82
Tools and fixtures	**21**	3

21. Gain on sales of property, plant and equipment

Major items of gain on sales of property, plant and equipment for the years ended March 31, 2020 and 2019 were as follows:

		(Million yen)
March 31	**2020**	2019
Buildings	**¥ —**	¥6
Machinery	**2**	2
Vehicles	**10**	5
Tools and fixtures	**4**	3
Land	—	9

22. Loss on sales of property, plant and equipment

Major items of loss on sales of property, plant and equipment for the years ended March 31, 2020 and 2019 were as follows:

		(Million yen)
March 31	**2020**	2019
Buildings	**¥ —**	¥25
Machinery	**1**	1
Tools and fixtures	**0**	1
Land	—	64

23. Gain on sales of shares in affiliates

Gain on sales of shares in affiliates for the years ended March 31, 2020 and 2019 were as follows:
For the year ended March 31, 2020:
Not applicable

For the year ended March 31, 2019:
Gain on sales of shares in affiliates were recorded due to the sales of all shares in Knapp AG, an equity-method affiliate in Austria.

24. Amortization of goodwill

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

25. Retirement benefit expenses

Retirement benefit expenses for the years ended March 31, 2020 and 2019 were as follows:
For the year ended March 31, 2020:
Not applicable

For the year ended March 31, 2019:
Retirement benefit expenses were recorded due to a buyout* of part of the defined benefit pension plan of a consolidated subsidiary, Jervis B. Webb Company in December 2018.

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

26. Impairment loss

Impairment losses for the years ended March 31, 2020 and 2019 were as follows:

For the year ended March 31, 2020:
Not applicable

For the year ended March 31, 2019:
Daifuku North America Holding Company implemented an impairment test on intangible assets recorded in connection with the acquisition of all outstanding shares of Wynright Corporation, based on the Generally Accepted Accounting Principles in the United States ("U.S. GAAP"). The test showed that the fair value of Intangible Assets of Wynright Corporation was lower than its book value. Accordingly, the Group reduced the difference between the consolidated book value of the company's Intangible Assets and its fair value and posted the reduction of ¥807 million as an impairment loss. The recoverable amount was measured using value in use. Since no future cash flow was expected, the recoverable amount was stated as zero.

27. Consolidated statements of comprehensive income

Reclassification adjustment and deferred tax related to other comprehensive income for the years ended March 31, 2020 and 2019 were as follows:

(Million yen)

March 31	2020	2019
Net unrealized gain (loss) on securities:		
Amount arising during the period	**¥(2061)**	¥(596)
Reclassification adjustment	**(831)**	(375)
Pretax amount	**(2,892)**	(971)
Tax effect	**822**	278
Net unrealized gain (loss) on securities	**¥(2,070)**	¥(693)
Deferred gain (loss) on hedges:		
Amount arising during the period	**¥(126)**	¥(90)
Reclassification adjustment	**26**	8
Pretax amount	**(100)**	(81)
Tax effect	**32**	26
Deferred gain (loss) on hedges	**¥(68)**	¥(55)
Foreign currency translation adjustments:		
Amount arising during the period	**¥(971)**	¥(3,195)
Reclassification adjustment	—	(126)
Foreign currency translation adjustments	**¥(971)**	¥(3,321)
Adjustments to retirement benefits:		
Amount arising during the period	**¥(796)**	¥(1,272)
Reclassification adjustment	**667**	8,007
Pretax amount	**(128)**	6,735
Tax effect	**179**	(974)
Adjustments to retirement benefits	**¥51**	¥5,760
Share of other comprehensive income of affiliates accounted for using the equity method:		
Amount arising during the period	**¥(7)**	¥(136)
Reclassification adjustment	—	(942)
Share of other comprehensive income of affiliates accounted for using the equity method	**¥(7)**	¥(1,078)
Total other comprehensive income	**¥(3,066)**	¥611

28. Income taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2020 and 2019 were as follows:

(Million yen)

March 31	2020	2019
Deferred tax assets:		
Research and development	**¥2,687**	¥2,359
Accrued expenses	**2,779**	3,098
Provision for losses on construction contracts	**38**	27
Unrealized profit on inventories	**95**	82
Liabilities for retirement benefits	**2,633**	2,573
Loss carried forward	**1,022**	920
Unrealized gain on sales of property, plant and equipment	**597**	597
Loss on valuation of investments in securities	**396**	352
Excess depreciation	**47**	257
Accrued business tax	**91**	569
Foreign tax deduction carried forward	—	1,578
Other	**3,084**	2,281
Subtotal	**¥13,475**	¥14,700
Less: Valuation allowance	**(1,342)**	(1,076)
Offset against deferred tax liabilities	**(2,652)**	(3,094)
Net deferred tax assets	**¥9,480**	¥10,529
Deferred tax liabilities:		
Net unrealized gain on assets of consolidated subsidiaries	**¥526**	¥560
Reserve for deferred gains on sales of property, plant and equipment	**131**	134
Net unrealized gain on securities	**1,157**	1,978
Retained profit	**852**	743
Other	**305**	162
Subtotal	**¥2,974**	¥3,580
Offset against deferred tax assets	**(2,652)**	(3,094)
Net deferred tax liabilities	**¥321**	¥485

(2) Reconciliation of the difference between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2020 and 2019 were as follows:

(%)

March 31	2020	2019
Statutory tax rate	**30.6%**	30.6%
Permanent difference arising from non-deductible expenses	**0.8**	0.4
Taxation on per capita basis	**0.3**	0.2
Increase in valuation allowance	**1.1**	0.0
Tax rate difference applied to overseas subsidiaries	**(2.6)**	(1.0)
Amortization of goodwill and negative goodwill	**1.5**	0.2
Tax effects on retained earnings of overseas subsidiaries	**0.3**	0.3
Tax deduction	**(5.3)**	(3.4)
Other	**1.3**	0.1
Effective tax rate	**27.9%**	27.4%

29. Consolidated statements of cash flows

[Note 1] The components of cash and cash equivalents as of March 31, 2020 and 2019 were as follows:

(Million yen)

March 31	2020	2019
Cash on hand and in banks	**¥70,907**	¥90,916
Time deposits with original maturities exceeding three months	**(24)**	(12)
Total	**¥70,883**	¥90,903

30. Stock options

For the years ended March 31, 2020 and 2019:
Not applicable

31. Related party transactions

For the years ended March 31, 2020 and 2019:
Not applicable

32. Segment information

(1) Overview of reportable segments

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

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

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

From the beginning of the fiscal year ended March 31, 2020, 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 beginning of the fiscal year ended March 31, 2020:
Daifuku Co., Ltd.
Contec Co., Ltd. and its subsidiaries
Daifuku North America Holding Company and its subsidiaries
Clean Factomation, Inc.

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

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

(3) Information on the amount of net sales, income or loss, assets, liabilities and other items by reportable segments for the years ended March 31, 2020 and 2019 was as follows:

For the year ended March 31, 2020:

(Million yen)

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

For the year ended March 31, 2019:

	Reportable segments						(Million yen)
	Daifuku	Contec	Daifuku North America	Clean Factomation	Subtotal	Other (*)	total
Net sales:							
Net sales to external customers	¥202,528	¥16,391	¥97,186	¥34,211	¥350,318	¥110,891	¥461,209
Intersegment sales or transfers	44,261	11,495	1,039	4,862	61,659	15,487	77,147
Total	246,790	27,887	98,226	39,073	411,977	126,379	538,357
Segment income	33,760	1,617	432	2,545	38,355	5,749	44,105
Segment assets	278,695	21,874	65,631	16,087	382,288	90,259	472,547
Segment liabilities	98,975	11,078	28,060	8,835	146,949	58,040	204,990
Other							
Depreciation	2,747	315	733	83	3,879	718	4,598
Amortization of goodwill	109	133	586	—	829	106	936
Interest income	25	3	277	118	424	167	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	13,498	1,779	15,278
Increase in property, plant and equipment and intangible assets	3,944	407	1,985	101	6,438	1,484	7,922

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

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

(a) Net sales

March 31	2020	2019 (Million yen)
Reportable segments total	**¥409,172**	¥411,977
Net sales classified in "Other"	**109,263**	126,379
Elimination of intersegment transactions	**(68,714)**	(77,147)
Other adjustment for consolidation	**(6,028)**	(1,723)
Net sales in consolidated financial statements	**¥443,694**	¥459,486

(b) Income

March 31	2020	2019 (Million yen)
Reportable segments total	**¥29,184**	¥38,355
Segment income classified in "Other"	**2,525**	5,749
Elimination of dividends from affiliates	**(5,377)**	(2,545)
Other adjustments for consolidation	**1,731**	(1,992)
Net income in consolidated financial statements	**¥28,063**	¥39,567

(c) Assets

(Million yen)

March 31	2020	2019
Reportable segments total	**¥395,712**	¥382,288
Segment assets classified in “Other”	**91,716**	90,259
Elimination of investment securities in affiliates in consolidation process	**(43,019)**	(43,559)
Elimination of intercompany receivables	**(28,607)**	(26,136)
Other adjustments for consolidation	**(4,914)**	7,130
Total assets in consolidated financial statements	**¥410,887**	¥409,982

(d) Liabilities

(Million yen)

March 31	2020	2019
Reportable segments total	**¥145,960**	¥146,949
Segment liabilities classified in “Other”	**54,673**	58,040
Elimination of intercompany payables	**(28,607)**	(26,136)
Other adjustments for consolidation	**1,504**	8,243
Total liabilities in consolidated financial statements	**¥173,531**	¥187,097

For the year ended March 31, 2020:

(Million yen)

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2019:

(Million yen)

Other items	Reportable segments total	Other	Adjustment	Consolidated total
Depreciation	¥3,879	¥718	¥ —	¥4,598
Amortization of goodwill	829	106	(9)	927
Interest income	424	167	(44)	547
Interest expenses	236	277	(44)	469
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 tax expenses	13,498	1,779	(137)	15,140
Increase in property, plant and equipment and intangible assets	6,438	1,484	(2)	7,920

[Note] Main items in adjustment above are as follows:
Loss on valuation of shares in affiliates of minus ¥4,519 million is due to elimination of a loss on the valuation of shares in affiliates upon consolidation.
Goodwill amortization of ¥1,693 million under extraordinary losses is the amortization of goodwill in accordance with the provision in Paragraph 32 in Practical Guidelines on Capital Consolidation Procedures in Consolidated Financial Statements in the Accounting Practice Committee Statement No.7, issued by the Japanese Institute of Certified Public Accountants, on February 16, 2018.

【Related information】

1. Information by product and service

For the year ended March 31, 2020:

(Million yen)

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

For the year ended March 31, 2019:

(Million yen)

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

2. Information by geographic area

(1) Net sales

For the year ended March 31, 2020:

(Million yen)

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

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

For the year ended March 31, 2019:

(Million yen)

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

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

(2) Property, plant and equipment

For the year ended March 31, 2020:

(Million yen)

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

For the year ended March 31, 2019:

(Million yen)

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

3. Information by customer

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

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

For the year ended March 31, 2020:

Not applicable

For the year ended March 31, 2019:

(Million yen)

	Reportable segments							
	Daifuku	Contec	Daifuku North America	Clean Factomation	Total	Other	Elimination or corporate	Consolidated total
Impairment loss	—	—	¥807	—	¥807	—	—	¥807

【Information about the amount of amortization and unamortized balance of goodwill and negative goodwill by reportable segment】

For the year ended March 31, 2020:

(Million yen)

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

For the year ended March 31, 2019:

(Million yen)

	Reportable segments							
	Daifuku	Contec	Daifuku North America	Clean Factomation	Total	Other	Elimination or corporate	Consolidated total
Ending balance of goodwill	¥100	¥1,209	¥3,534	—	¥4,845	¥661	¥2,055	¥7,561

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

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

Not applicable

33. Per share information

The information on the amounts of net income per share and net assets per share for the year ended March 31, 2020 and 2019 was as follows:

		(Yen)
March 31	**2020**	2019
Net assets per share	**¥1,850.28**	¥1,738.20
Net income per share	**222.96**	314.54

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

[Note 2] The shares of the Company remaining in the employee shareholding incentive plan through a trust ("E-Ship") and the Board Benefit Trust (BBT), which are recorded as treasury stock under equity capital, are included in the treasury stock to be deducted in the calculation of the average number of shares during the year for the purpose of calculation of net income per share, and are also included in the number of treasury stock to be deducted from the aggregate number of issued shares as of the end of the year for the purpose of calculation of net assets per share. The average number of shares of treasury stock deducted during the year for the purpose of calculation of net income per share is 100 thousand shares for the year ended March 31, 2020 and 52 thousand shares for the year ended March 31, 2019 for the E-Ship; and 107 thousand shares for the year ended March 31, 2020 and 78 thousand shares for the year ended March 31, 2019 for the BBT. The number of shares of treasury stock deducted at the end of the year for the purpose of calculating net assets per share is 61 thousand shares for the year ended March 31, 2020 and 149 thousand shares for the year ended March 31, 2019 for the E-Ship; and 159 thousand shares for the year ended March 31, 2020 and 75 thousand shares for the year ended March 31, 2019 for the BBT.

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

Net income per share

		(Million yen)
March 31	**2020**	2019
Net income attributable to shareholders of the parent company	**¥28,063**	¥39,567
Amount not attributable to shareholders of common stock	**—**	—
Net income attributable to shareholders of the parent company related to common stock	**28,063**	39,567

		(Thousand shares)
	2020	2019
Weighted average number of common stock issued and outstanding during the year	**125,867**	125,794

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

		(Million yen)
March 31	**2020**	2019
Total net assets	**¥237,356**	¥222,885
Amount deducted from total net assets	**4,394**	4,195
Of which: non-controlling interests	***4,394***	*4,195*
Total net assets attributable to common stock at fiscal year-end	**¥232,961**	¥218,689

		(Thousand shares)
	2020	2019
Number of common stock issued and outstanding at fiscal year-end for the purpose of calculation of net assets per share	**125,906**	125,814

34. Major subsequent events

Not applicable

Independent Auditor's Report

Independent Auditor's Report

To the Board of Directors of Daifuku Co., Ltd

Opinion

We have audited the consolidated financial statements of Daifuku Co., Ltd and its subsidiaries (the Group), which comprise the consolidated balance sheets as at March 31, 2020, and the consolidated statements of income and comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

PricewaterhouseCoopers Aarata LLC
Otemachi Park Building, 1-1-1 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
T: +81 (3) 6212 6800, F: +81 (3) 6212 6801, www.pwc.com/jp/assurance

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

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

高濱 滋

Shigeru Takahama

Designated Engagement Partner
Certified Public Accountant

北野和行

Kazuyuki Kitano

Designated Engagement Partner
Certified Public Accountant

September 29, 2020

DAIFUKU CO.,LTD.

www.daifuku.com

2010-17DR