DAIFUKU

Consolidated Financial Results
for the Fiscal Year Ended March 31, 2021
[Japan GAAP]

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

May 11, 2021

Daifuku Co., Ltd.
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Scheduled date of general meeting of shareholders: June 25, 2021
Scheduled date of commencing dividend payment: June 28, 2021
Scheduled date for filing financial statements: June 28, 2021
Earnings supplementary materials: Yes
Earnings presentation: Yes (for institutional investors and securities analysts)

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

1. Consolidated Financial Results for Fiscal 2020

(April 1, 2020 - March 31, 2021)

(1) Operating results

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

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2020	**473,902**	**6.8**	**44,566**	**10.0**	**45,846**	**11.9**	**32,390**	**15.4**
Fiscal 2019	443,694	(3.4)	40,497	(25.9)	40,976	(26.6)	28,063	(29.1)

Note: Comprehensive income
Fiscal 2020: 33,345 million yen 30.1%
Fiscal 2019: 25,627 million yen (37.2%)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal 2020	**257.13**	**—**	**13.2**	**10.7**	**9.4**
Fiscal 2019	222.96	—	12.4	10.0	9.1

Reference: Equity in earnings of affiliates during the period
Fiscal 2020: 39 million yen
Fiscal 2019: 19 million yen

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal 2020	**445,456**	**262,012**	**57.7**	**2,040.07**
Fiscal 2019	410,887	237,356	56.7	1,850.28

Reference: Shareholders' equity
Fiscal 2020: 257,060 million yen
Fiscal 2019: 232,961 million yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of year
	Million yen	Million yen	Million yen	Million yen
Fiscal 2020	**38,229**	**(6,679)**	**(8,385)**	**94,079**
Fiscal 2019	13,706	(14,791)	(18,354)	70,883

2. Dividends

	Dividend per share					Total cash dividends (annual)	Dividends payout (consolidated)	Net assets dividend ratio (consolidated)
	Q1-end	Q2-end	Q3-end	FY-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal 2019	―	30.00	―	45.00	75.00	9,456	33.6	4.2
Fiscal 2020	**―**	**30.00**	**―**	**50.00**	**80.00**	**10,090**	**31.1**	**4.1**
Fiscal 2021 (forecast)	―	35.00	―	50.00	85.00		31.5	

3. Consolidated Earnings Forecast for Fiscal 2021

(April 1, 2021- March 31, 2022)

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

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim	240,000	4.3	20,500	4.2	21,100	3.7	15,000	1.8	119.08
Full-year	500,000	5.5	47,000	5.5	47,900	4.5	34,000	5.0	269.91

Notes:

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

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

1) Changes in accounting policies resulting from the revision of the accounting standards and other regulations: None
2) Changes in accounting policies other than 1): None
3) Changes in accounting estimates: None
4) Restatement: None

(3) Number of shares issued (Common stock)

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

   Fiscal 2020: 126,610,077 shares

   Fiscal 2019: 126,610,077 shares

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

   Fiscal 2020: 604,068 shares

   Fiscal 2019: 703,806 shares

3) Average number of shares during the period

   Fiscal 2020: 125,966,030 shares

   Fiscal 2019: 125,867,093 shares

Note: For the number of shares, which is the basis for the calculation of net income per share, please see "Per share information" on page 30. The number of treasury stock at the end of the period includes shares owned by the Board Benefit Trust (BBT) and a trust on behalf of Daifuku employees' shareholding association. The number of treasury stock at the end of the fiscal year ended March 31, 2021 includes 119,200 shares owned by the BBT. The number of treasury stock at the end of the fiscal year ended March 31, 2020 included 159,100 shares owned by the BBT. In addition, the number of treasury stock at the end of the fiscal year ended March 31, 2020 included 61,900 shares owned by the trust on behalf of Daifuku employees' shareholding association.

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

Disclaimer

The consolidated earnings forecast contained in this document is based on information available to management at the present time and certain assumptions judged to be rational. As such, actual sales and income may differ from this forecast due to uncertain factors present in the forecast or future changes in business circumstances. For the earnings forecast, please see 1-(5) "Outlook for the fiscal year ending March 31, 2022."

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

Contents

1. Operating Results and Financial Review

(1) Operating results

During the fiscal year under review, the global economy has continuously reflected the impact from the COVID-19 pandemic. During the second half, Japan and other countries did at one point see a resumption of economic activity and started their vaccination campaigns; however, the outlook remains uncertain given the spread of coronavirus variants and the uncertain timing of the end of the pandemic.

Amid these economic and business conditions, the Daifuku Group gives top priority to the lives, health and safety of its employees. The Group has continued its business activities in compliance with the requests and/or guidelines of authorities in each country, appropriately incorporating telework and taking other measures to prevent infections in all locations, including production, installation and servicing sites.

Orders bounced back from the third quarter as economic activities restarted; however, the figure fell short of the results of the previous fiscal year, reflecting delays in negotiations with customers, mainly due to restrictions on international/domestic movements and working at the office during the first half. In contrast, sales marked a new record high, underpinned by an extensive order backlog at the end of the previous fiscal year.

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

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

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

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

The average exchange rates used for transactions during the fiscal year under review were 106.44 yen to the U.S. dollar (109.25 yen in the year-ago period), 15.42 yen to the Chinese yuan (15.82 yen), and 0.0905 yen to the Korean won (0.0939 yen). As a result of exchange rate fluctuations, orders decreased in value by about 6.7 billion yen, sales by about 6.6 billion yen, and operating income by about 0.3 billion yen, respectively, compared with the year-ago period.

Impact of the COVID-19 pandemic

As described above, the impact of the COVID-19 pandemic on business performance was minor, excluding orders.

By region, the business environments in Japan, North America and China, which are the Group’s main markets, have generally improved compared to the beginning of the fiscal year under review. In Europe, parts of Southeast Asia, India and other regions, however, business has been slow to improve.

By industry, in orders for airport systems, the impact was minor as a whole, as new investment projects have been strategically developed over the long term by airport operating companies, despite a decrease in orders in part of the operation and maintenance business reflecting the decline in air passenger numbers.

Results by reportable segment

Results by reportable segment are described below. Orders from and sales to outside customers are presented as segment orders and sales, and net income attributable to shareholders of the parent company is recorded as segment income. For more details about reportable segments, please see the "Segment information" below.

Daifuku Co., Ltd.

Orders fell as a whole, reflecting sluggish growth in orders for cleanroom systems for the semiconductor and flat-panel display sectors and automotive systems, despite orders for intralogistics systems bouncing back from the third quarter, starting in the first half when business negotiations were limited mainly due to restrictions on international/domestic movement and working at the office.

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

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

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

Contec Co., Ltd. and its subsidiaries

- Industrial computers

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

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

- Measuring and control boards

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

- Solution products

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

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

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

Daifuku North America Holding Company and its subsidiaries

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

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

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

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

Clean Factomation, Inc.

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

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

Other

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

Japan subsidiaries

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

Non-Japan subsidiaries

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

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

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

(2) Financial position

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

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

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

(3) Cash flows

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

Cash flows from operating activities

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

Cash flows from investing activities

Cash used in investing activities was 6,679 million yen (14,791 million yen in cash used in the year-ago period).

Major factors included an outlay of 7,481 million yen for the purchase of property, plant and equipment.

Cash flows from financing activities

Cash used in financing activities was 8,385 million yen (18,354 million yen in cash used in the year-ago period), mainly attributable to dividend payments of 9,462 million yen, offsetting an increase in short-term borrowings of 1,760 million yen.

<Reference> Changes in cash flow indicators

	FY2016	FY2017	FY2018	FY2019	FY2020
Equity ratio (%)	45.8	50.4	53.3	56.7	57.7
Equity ratio based on market capitalization (%)	111.3	214.8	176.8	209.9	306.6
Ratio of interest-bearing liabilities to cash flows (Year)	1.5	3.3	4.7	2.4	0.9
Interest coverage ratio (Times)	64.8	30.9	20.2	17.7	61.2

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

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

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

Instant coverage ratio: Cash flows/Interest paid

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

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

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

(Note 4) Interest-bearing liabilities are short-term borrowings and long-term borrowings recorded in the consolidated balance sheets that pay interest.

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

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

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

Under its three-year business plan Value Transformation 2023, which started in April 2021, Daifuku aims to achieve a consolidated dividend payout ratio of 30% or more on average for the three years and increase its corporate value through investment in growth.

For the fiscal year ended March 31, 2021, Daifuku paid an interim dividend of 30 yen per share, and the Board of Directors passed a resolution to pay a year-end dividend of 50 yen per share at a meeting held on May 11, 2021, for an annual dividend of 80 yen per share, an increase of 5 yen per share from the initial plan.

With respect to dividends for the fiscal year ending March 31, 2022, Daifuku plans to pay an annual dividend of

85 yen (an interim dividend of 35 yen per share and a year-end dividend of 50 yen), taking into consideration the earnings forecast for the fiscal year ending March 31, 2022 and the basic policy described above.

(5) Outlook for the fiscal year ending March 31, 2022

The earnings forecast for the fiscal year ending March 31, 2022 is as follows:

Consolidated earnings forecast for the fiscal year ending March 31, 2022

Orders received	520.0 billion yen	(up 15.3% year-on-year)
Net sales	500.0 billion yen	(up 5.5% year-on-year)
Operating income	47.0 billion yen	(up 5.5% year-on-year)
Ordinary income	47.9 billion yen	(up 4.5% year-on-year)
Net income attributable to shareholders of the parent company	34.0 billion yen	(up 5.0% year-on-year)

The economic and business environment surrounding the Group is uncertain due to the prolonged COVID-19 pandemic; however, new demand is expected, stemming from both the new normal and the global expansion and diversification of logistics needs. In the fiscal year ending March 2022, which is the first year of the three-year business plan Value Transformation 2023, Daifuku aims to increase sales and income, contribute to realizing a sustainable society, and increase its corporate value.

The actual exchange rate of 106.44 yen to the U.S. dollar, 15.42 yen to the Chinese yuan, and 0.0905 yen to the Korean won was used for the fiscal year ended March 31, 2021. The same rate is assumed in preparing the plan for the fiscal year ending March 31, 2022. No significant impact from the exchange rate is factored into forecasts.

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

2. Management Policy

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

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

Daifuku Group has strived to provide the best products and services from the standpoint of customers worldwide and has grown to become the world leading material handling equipment manufacturer* in terms of net sales.

*Source: *Modern Materials Handling* (U.S.) - May 2020

Under the four-year business plan Value Innovation 2020, which applied for the period from April 2017 to March 2021, despite the upwardly revised management targets set in May 2019, which sought sales of 500 billion yen and an operating margin of 11.5%, becoming out of reach given a temporary decline in capital investment in the cleanroom sector and the impact of the COVID-19 pandemic, the management targets set at the time the plan was first made, namely sales of 420 billion yen and an operating margin of 8.0%, were met. ROE was consistently at 10% or higher, and the consolidated dividend payout ratio has been maintained at around 30% every fiscal year.

In terms of the outcome of the core policies of the plan, the Airport business has steadily become the Group's fourth core business. In the Intralogistics business for manufacturers and distributors, which is the core business of the Group, we have significantly increased Japan and overseas production capacity and continued to make aggressive investments in growth. Further, we have been working to increase our brand power, including initiatives to achieve comprehensive improvements in ESG (environment, society, governance).

In the new three-year business plan Value Transformation 2023, which started in April 2021, the Group will promote DX^2 (DX Squared)*, in response to drastic changes in the environment surrounding the Group, including the new normal and the global expansion and diversification of automation needs.

* *DX^2 (DX Squared) = Digital Transformation* x *Daifuku Transformation*

The Group will transform the value provided to its customers and other stakeholders through the promotion of both Digital Transformation (DX) and the transformation of the Daifuku Group itself (Daifuku Transformation).

The management targets for the fiscal year ending March 31, 2024 are as follows. The numbers in parentheses are results in the fiscal year ended March 31, 2021.
- Consolidated net sales: 540 billion yen (473.9 billion yen)
- Operating margin: 10.5% (9.4%)
- ROE: 10% or higher (13.2%)

We aim to achieve a consolidated dividend payout ratio of 30% or more on a three-year average (April 2021 – March 2024).

In addition, the Group positions its three-year business plan and Sustainability Action Plan as the two wheels of its business strategy. We will contribute to realizing a sustainable society through our business activities. From an environmental standpoint, Daifuku has set a goal of creating material handling systems with zero environmental impact by 2050 and has established targets for identified issue areas to be achieved by 2030, as stated in its Environmental Vision 2050, which was formulated in conjunction with the business plan.

For more information about the three-year business plan and environmental vision, please see the following on our website:
- New Three-Year Business Plan and Related Items (announced on February 5, 2021)
- Sustainability Action Plan (disclosed on April 1, 2021)

(2) Management environment

1) Business environment

Whilst the outlook for industry in general is unclear due to the COVID-19 pandemic, Daifuku is confident that its customers are facing tremendous changes in their business environment, such as the expansion of e-commerce, digital transformation, the shift to autonomous driving and electric vehicles, and demand for smart airports, as well as social challenges such as labor shortages, and expectations are continuously growing for the logistics solutions that Daifuku provides.

2) Competitive environment

As the material handling market expands, competitors from China and emerging countries have been entering the market and growing, joining the traditional competitors from the West. Competition is expected to intensify. Daifuku will succeed in this highly competitive environment by taking advantage of the Group’s strength: providing the best systems worldwide using its integrated framework that encompasses everything from consulting and manufacturing to installation and after-sales service, together with its extensive lineup of both products and services, including in-house developed software.

(3) Challenges to address

Under the three-year business plan Value Transformation 2023, Daifuku will aim to ensure ongoing corporate development, with its four core businesses (i) intralogistics systems for manufacturers and distributors, (ii) cleanroom systems for semiconductor and flat-panel display production lines, (iii) automotive systems, and (iv) airport systems.

Meanwhile, without being constrained by the existing frameworks, we will expand our business domain through strategic investment (M&A, expansion of sales offices) in the global market, the creation of next-generation business models, and investment in promising new areas. We regard this as an important business strategy.

While the Group has improved its expertise in each product and business, there are issues in the cross-sectional activities of the Group. In the fiscal year ending March 2022, we will work on inter-business collaboration to further strengthen the Group's competitiveness. Weightings vary with each business. For instance, about 70% of sales of the Intralogistics business are for customers in Japan, whereas the majority of customers of the Cleanroom business are from outside Japan. We aim to continue optimizing the operations of each of our businesses, which have individual strengths such as a long history of global operations or excellence at cost reduction or project management, by sharing strengths, expertise and know-how across business units.

As part of these efforts, we have integrated the Automotive business with the Airport business to increase the efficiency of operations. To improve the profitability of the Airport business, which is a major issue, we aim to use the experienced personnel and global sites of the Automotive business.

We have created a new role for an officer responsible for production. The task of the production officer is to promote production reform, including cost cutting across all business units, with the aim of improving productivity and reinforcing the production framework throughout the Daifuku Group.

In addition, with fiscal 2021 marking the beginning of Daifuku DX (digital transformation), we are strongly promoting efforts to begin Group-wide digitization. For this purpose, we have created the DX Division, which is headed by the Managing Officer. There is an urgent need to implement DX in back offices such as Corporate Functions and the administration departments of each business unit, as well as in various R&D areas in each business. To optimize the entire Group, we will work to develop more advanced products and services, while improving productivity and work efficiency.

During the fiscal year ended March 2021, the non-Japan sales ratio of the Group reached 65%. The Group believes that in-house production, that is, localization of production, will lead to strength. In the Intralogistics business, we are starting to get results in China and Thailand, among other markets. In North America (Wynright Corporation), production capacity doubled during the previous four-year business plan. We will focus on improving the profitability of Wynright Corporation, which is increasing its operation rate with the expansion of e-commerce. In addition, we strengthened the production capacity of South Korea (Daifuku Korea Co., Ltd.) in 2018, Thailand (Daifuku (Thailand) Ltd.) and China (Daifuku (China) Manufacturing Co., Ltd.) in 2019, while in India we have acquired the logistics system company (Vega Conveyors and Automation Private Limited) and made aggressive investments in localizing production. In the fiscal year ended March 2021, we started expanding production capacity in China (Daifuku (China) Automation Co., Ltd., Daifuku (Suzhou) Cleanroom Automation Co., Ltd.) and India. We will continue to strengthen production capacity in other regions, aiming for consolidated net sales of 540 billion yen in the final year of the three-year business plan.

The Group will continue to see Sustainability, Compliance, Corporate Governance and Safety as important issues.

Regarding corporate governance, we have appointed four outside directors out of eight directors to ensure the diversity of the Board of Directors. In addition to ensuring that we have female representation on the Board, we have also sought a diversity of experience, for instance by appointing experts in law, corporate management, overseas business operations, and finance/accounting. We will also strengthen disclosure in English to share information globally.

1) Sustainability management

   The Group positions its three-year business plan and Sustainability Action Plan as the two wheels of its business strategy.

   In the Sustainability Action Plan, Daifuku has set five themes for the promotion of sustainability management and the SDGs (Sustainable Development Goals): 1) contribute to a smart society, 2) maintain and improve the quality of products and services, 3) enhance the operational framework, 4) respect human dignity, and 5) contribute to the environment through our business. It has also identified 18 material issues related to these themes, as well as defined its three-year action plan.

   Prior to this, on February 5, 2021 we disclosed the results of an analysis of climate change risks and opportunities based on the TCFD recommendations in 2020, and the "Daifuku Environmental Vision 2050." We set a goal of creating material handling systems with zero environmental impact by 2050 and established targets for each issue area to achieve by 2030.

To invest in human capital, we will adopt a range of human resources management systems and strive to develop and promote human resources from global and diversity perspectives. We plan to report on specific ideas, measurable goal settings, policies, and progress with implementation in an integrated report and other materials.

In April 2020, Daifuku established the Sustainability Committee, chaired by the CEO, as an organization to promote sustainability management. The work of the committee is reported to the Board of Directors.

2) Comprehensive approach to compliance, strengthening of the Group's governance

Daifuku set up the Risk Management and Governance Office in April 2021. The Risk Management and Governance Office understands the risks in the Group and is responsible for promoting corporate governance to enhance corporate value, focusing on strengthening the compliance system of the entire Group.

3) Full enforcement of "Safety Always"

Based on its slogan, "Safety is at the foundation of corporate sustainability and supersedes everything, the Group will practice human-respect management, establishing a diverse and positive company culture in which every employee can demonstrate his or her creativity. It will prioritize, above all else, actions to ensure the lives, health and safety of employees and their families, customers and suppliers. "Safety is not a relative comparison such as ranking first or second. It is an absolute and is the most important thing in all situations." The Group is determined to follow that principle and will strive to eradicate accidents through training.

3. Basic Stance on Selecting Accounting Standards

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

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
ASSETS		
Current assets:		
Cash on hand and in banks	70,907	94,167
Notes and accounts receivable and unbilled receivables	202,712	211,906
Merchandise and finished goods	6,453	6,355
Costs incurred on uncompleted construction contracts and other	11,169	11,550
Raw materials and supplies	15,720	16,325
Other current assets	13,103	10,869
Allowance for doubtful accounts	(383)	(571)
Total current assets	319,683	350,604
Non-current assets:		
Property, plant and equipment		
Buildings and structures, net	21,203	21,304
Machinery and vehicles, net	5,635	5,802
Tools and fixtures, net	2,486	2,637
Land	12,250	12,228
Other, net	5,768	7,574
Total property, plant and equipment	47,343	49,547
Intangible assets		
Software	4,096	3,998
Goodwill	4,891	4,212
Other	1,145	1,804
Total intangible assets	10,133	10,015
Investments and other assets		
Investments in securities	15,182	14,965
Long-term loans	128	117
Assets for retirement benefits	5,708	7,738
Deferred tax assets	9,480	9,566
Other	3,397	3,066
Allowance for doubtful accounts	(169)	(165)
Total investments and other assets	33,727	35,289
Total non-current assets	91,204	94,852
Total assets	410,887	445,456

(Million yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
LIABILITIES		
Current liabilities:		
Notes and accounts payable and construction contracts payable	46,509	42,743
Electronically recorded obligations – operating	22,587	20,169
Short-term borrowings and current portion of long-term borrowings	11,772	15,543
Income taxes payable	2,599	9,907
Advances received on uncompleted construction contracts and other	33,091	34,263
Provision for losses on construction contracts	263	343
Other current liabilities	21,870	26,207
Total current liabilities	138,695	149,178
Non-current liabilities:		
Long-term borrowings	21,645	19,600
Deferred tax liabilities	321	516
Liabilities for retirement benefits	8,082	7,674
Other reserves	330	351
Other non-current liabilities	4,455	6,123
Total non-current liabilities	34,836	34,265
Total liabilities	173,531	183,443
NET ASSETS		
Shareholders' equity:		
Common stock	31,865	31,865
Capital surplus	21,987	21,980
Retained earnings	179,292	202,377
Treasury stock	(1,430)	(941)
Total shareholders' equity	231,714	255,282
Accumulated other comprehensive income:		
Net unrealized gain (loss) on securities	2,716	4,376
Deferred gain (loss) on hedges	(89)	(260)
Foreign currency translation adjustments	1,038	(1,425)
Accumulated adjustments on retirement benefits	(2,419)	(912)
Total accumulated other comprehensive income	1,246	1,778
Non-controlling interests:	4,394	4,952
Total net assets	237,356	262,012
Total liabilities and net assets	410,887	445,456

(2) Consolidated statements of income and comprehensive income

(Million yen)

	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Net sales	443,694	473,902
Cost of sales	357,870	385,744
Gross profit	85,824	88,157
Selling, general and administrative expenses:		
Selling expenses	17,791	16,185
General and administrative expenses	27,535	27,405
Total selling, general and administrative expenses	45,326	43,591
Operating income	40,497	44,566
Other income:		
Interest income	599	347
Dividend income	435	415
Foreign exchange gains	—	296
Land and house rental revenue	216	218
Miscellaneous income	486	808
Total other income	1,739	2,086
Other expenses:		
Interest expenses	758	644
Foreign exchange losses	308	—
Other	193	162
Total other expenses	1,260	806
Ordinary income	40,976	45,846
Extraordinary income:		
Gain on sales of property, plant and equipment	19	14
Gain on sales of investments in securities	971	920
Total extraordinary income	990	935
Extraordinary loss:		
Loss on sales of property, plant and equipment	2	3
Loss on disposal of property, plant and equipment	270	235
Amortization of goodwill	1,693	—
Loss on valuation of shares in affiliates	—	1,027
Settlement package	—	234
Other	192	170
Total extraordinary loss	2,158	1,671
Income before income taxes and non-controlling interests	39,808	45,109
Income taxes - current	9,389	13,826
Income taxes - deferred	1,724	(1,500)
Total income taxes	11,114	12,326
Net income	28,693	32,783
Net income attributable to:		
Shareholders of the parent company	28,063	32,390
Non-controlling interests	630	393

(Million yen)

	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Other comprehensive income		
Net unrealized gain (loss) on securities	(2,070)	1,666
Deferred gain (loss) on hedges	(68)	(171)
Foreign currency translation adjustments	(971)	(2,539)
Adjustments on retirement benefits	51	1,589
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	(7)	16
Total other comprehensive income (loss)	(3,066)	562
Comprehensive income:	25,627	33,345
Comprehensive income (loss) attributable to:		
Shareholders of the parent company	25,277	32,921
Non-controlling interests	349	423

(3) Consolidated statements of changes in net assets

FY2019 (April 1, 2019 - March 31, 2020)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	31,865	21,518	162,722	(1,449)	214,656
Cumulative effects of changes in accounting policies			(150)		(150)
Restated balance	31,865	21,518	162,572	(1,449)	214,506
Changes of items during the period					
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 scope of consolidation					—
Change in the parent's ownership interest arising from transactions with non-controlling interests		3			3
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	469	16,720	18	17,208
Balance at the end of the period	31,865	21,987	179,292	(1,430)	231,714

(Million yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gain (loss) on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Accumulated adjustments on retirement benefits	Total accumulated other comprehensive income		
Balance at the beginning of the period	4,554	(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
Changes of items during the period							
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 scope of consolidation							—
Change in the parent's ownership interest arising from transactions with non-controlling interests							3
Net changes of items other than shareholders' equity	(1,838)	(68)	(965)	85	(2,786)	199	(2,587)
Total changes of items during the period	(1,838)	(68)	(965)	85	(2,786)	199	14,621
Balance at the end of the period	2,716	(89)	1,038	(2,419)	1,246	4,394	237,356

FY2020 (April 1, 2020 - March 31, 2021)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	31,865	21,987	179,292	(1,430)	231,714
Cumulative effects of changes in accounting policies					
Restated balance	31,865	21,987	179,292	(1,430)	231,714
Changes of items during the period					
Cash dividends			(9,459)		(9,459)
Net income attributable to shareholders of the parent company			32,390		32,390
Purchase of treasury stock				(22)	(22)
Disposal of treasury stock		0		511	512
Change in scope of consolidation			155		155
Change in the parent's ownership interest arising from transactions with non-controlling interests		(7)			(7)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(7)	23,085	489	23,567
Balance at the end of the period	31,865	21,980	202,377	(941)	255,282

(Million yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gain (loss) on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Accumulated adjustments on retirement benefits	Total accumulated other comprehensive income		
Balance at the beginning of the period	2,716	(89)	1,038	(2,419)	1,246	4,394	237,356
Cumulative effects of changes in accounting policies							—
Restated balance	2,716	(89)	1,038	(2,419)	1,246	4,394	237,356
Changes of items during the period							
Cash dividends							(9,459)
Net income attributable to shareholders of the parent company							32,390
Purchase of treasury stock							(22)
Disposal of treasury stock							512
Change in scope of consolidation							155
Change in the parent's ownership interest arising from transactions with non-controlling interests							(7)
Net changes of items other than shareholders' equity	1,659	(171)	(2,463)	1,507	531	557	1,089
Total changes of items during the period	1,659	(171)	(2,463)	1,507	531	557	24,656
Balance at the end of the period	4,376	(260)	(1,425)	(912)	1,778	4,952	262,012

(4) Consolidated statements of cash flows

(Million yen)

	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Cash flows from operating activities:		
Income before income taxes and non-controlling interests	39,808	45,109
Depreciation	5,667	6,401
Amortization of goodwill	2,520	695
Interest and dividend income	(1,035)	(763)
Interest expenses	758	644
Loss (gain) on sales of investments in securities	(971)	(920)
Loss (gain) on disposal or sales of property, plant and equipment	252	224
Loss on valuation of shares in affiliates	—	1,027
Decrease (increase) in notes and accounts receivable	(12,053)	(10,669)
Decrease (increase) in inventories	486	(1,259)
Increase (decrease) in notes and accounts payable	(2,208)	(5,663)
Increase (decrease) in advances received on uncompleted construction contracts	2,825	647
Other, net	(730)	6,303
Subtotal	35,320	41,778
Interest and dividend income received	1,036	763
Interest paid	(776)	(624)
Income taxes refund (paid)	(22,316)	(4,173)
Other, net	441	485
Net cash provided by (used in) operating activities	13,706	38,229
Cash flows from investing activities:		
Investments in time deposits	(13)	(62)
Proceeds from refund of time deposits	3	0
Payments for purchase of property, plant and equipment	(12,815)	(7,481)
Proceeds from sales of property, plant and equipment	55	23
Payments for purchase of investments in securities	(331)	(27)
Proceeds from sales of investments in securities	1,336	1,049
Payments for purchase of shares in affiliates	(2,901)	—
Collection of loans receivable	8	6
Other, net	(132)	(186)
Net cash provided by (used in) investing activities	(14,791)	(6,679)

(Million yen)

	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings, net	(5,064)	1,760
Proceeds from long-term borrowings	1,000	—
Repayment of long-term borrowings	(2,246)	(482)
Proceeds from disposal of treasury stock	1,036	1,058
Payments for purchase of treasury stock	(552)	(22)
Payments of cash dividends	(11,331)	(9,462)
Other, net	(1,195)	(1,236)
Net cash provided by (used in) financing activities	(18,354)	(8,385)
Effect of exchange rate change on cash and cash equivalents	(581)	(741)
Net increase (decrease) in cash and cash equivalents	(20,020)	22,422
Cash and cash equivalents at beginning of year	90,903	70,883
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	772
Cash and cash equivalents at end of year	70,883	94,079

(5) Notes on consolidated financial statements

Notes on going concern assumption

Not applicable

Additional information

(Board Benefit Trust)

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

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

(1) Outline of the transaction

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

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

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

The Company records the shares of the Company, which are held by the Trust and are yet to be sold to the Shareholding Association, as treasury stock in net assets, using the book value (excluding incidental expenses) in the Trust.

The book value and the number of the treasury stock

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

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

Segment information

1. Overview of reportable segments

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

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

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

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

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

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

Fiscal year under review (April 1, 2020 - March 31, 2021)

(Million yen)

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

Note: "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 difference reconciliation)

(Million yen)

Net sales	Fiscal year ended March 31, 2021
Reportable segments total	437,870
Segment net sales classified in "Other"	99,796
Elimination of intersegment transactions	(64,738)
Other adjustment for consolidation	974
Net sales in consolidated financial statements	473,902

(Million yen)

Segment income	Fiscal year ended March 31, 2021
Reportable segments total	36,052
Segment income classified in "Other"	2,308
Elimination of dividends from affiliates	(7,466)
Other adjustment for consolidation	1,494
Net income in consolidated financial statements	32,390

(Million yen)

Segment assets	Fiscal year ended March 31, 2021
Reportable segments total	435,239
Segment assets classified in "Other"	96,027
Elimination of investment securities in affiliates in consolidation process	(47,147)
Elimination of intercompany receivables	(35,074)
Other adjustment for consolidation	(3,589)
Total assets in consolidated financial statements	445,456

(Million yen)

Segment liabilities	Fiscal year ended March 31, 2021
Reportable segments total	160,039
Segment liabilities classified in "Other"	58,038
Elimination of intercompany payables	(35,074)
Other adjustments for consolidation	439
Total liabilities in consolidated financial statements	183,443

(Million yen)

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

Note: Main items in the adjustment above are as follows.

Loss on valuation of shares in affiliates of minus ¥1,751 million yen is due to elimination of a loss on the valuation of shares in affiliates upon consolidation.

Related information

Fiscal year under review (April 1, 2020 - March 31, 2021)

1. Information by product and service

(Million yen)

	Logistics systems	Electronics	Other	Total
Net sales to external customers	442,140	16,246	15,514	473,902

2. Information by geographic area

   Net sales

(Million yen)

Japan	U. S. A.	China	South Korea	Other	Total
163,997	135,360	59,566	43,380	71,597	473,902

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

Per share information

(Yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net assets per share	1,850.28	2,040.07
Net income per share	222.96	257.13

Notes:

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

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

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

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net income per share		
Net income attributable to shareholders of the parent company (million yen)	28,063	32,390
Amount not attributable to holders of common stock (million yen)	—	—
Net income attributable to shareholders of the parent company related to common stock (million yen)	28,063	32,390
Weighted average number of common stock issued and outstanding during the year (thousand shares)	125,867	125,966

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

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Total net assets (million yen)	237,356	262,012
Amount deducted from total net assets (million yen)	4,394	4,952
Of which, non-controlling interests (million yen)	4,394	4,952
Total net assets attributable to common stock at fiscal year-end (million yen)	232,961	257,060
Number of common stock issued and outstanding at fiscal year-end for the purpose of calculation of net assets per share (thousand shares)	125,906	126,006

Major subsequent events

Not applicable

5. Other

Changes in officers

(Effective June 25, 2021)

1. Changes in representatives
   Not applicable

2. Candidates for a new director
   Hiroshi Nobuta
   New: Director and Managing Officer
   Intralogistics
   Current: Managing Officer
   Intralogistics