

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2017
[Japan GAAP]

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

August 9, 2016

Daifuku Co., Ltd.

Stock code: 6383, First Section of Tokyo Stock Exchange

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Scheduled date for filing quarterly financial report: August 9, 2016

Scheduled date of commencing dividend payment: -

Quarterly earnings supplementary materials: Yes

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

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

1. Consolidated Financial Results for the First Quarter of Fiscal 2016

(April 1, 2016 - June 30, 2016)

(1) Operating results

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

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarter of fiscal 2016	74,034	8.0	4,340	53.7	4,281	29.4	2,963	14.9
First quarter of fiscal 2015	68,536	17.1	2,823	179.5	3,309	140.6	2,579	130.7

Note: Comprehensive income

First quarter of fiscal 2016: -1,082 million yen (−%)

First quarter of fiscal 2015: 3,598 million yen (−%)

	Net income per share	Diluted net income per share
	Yen	Yen
First quarter of fiscal 2016	24.36	—
First quarter of fiscal 2015	23.27	21.17

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
First quarter of fiscal 2016	279,145	126,593	44.3
Fiscal 2015	296,055	130,116	42.9

Reference: Shareholders' equity

First quarter of fiscal 2016: 123,616 million yen

Fiscal 2015: 127,052 million yen

2. Dividends

	Dividend per share				
	End of Q1	End of Q2	End of Q3	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2015	—	10.00	—	20.00	30.00
Fiscal 2016	—				
Fiscal 2016 (forecast)		12.00	—	23.00	35.00

Note: Revisions to the latest dividend forecast: None

Fiscal 2016 dividends breakdown (forecast)

Ordinary dividend: 30 yen

Commemorative dividend: 5 yen (for celebrating our 80th anniversary)

3. Consolidated Earnings Forecast for the Fiscal 2016

(April 1, 2016 - March 31, 2017)

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

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim	150,000	(1.8)	9,500	11.1	9,400	3.0	6,700	8.3	55.07
Full-year	330,000	(1.8)	21,000	0.6	21,500	(2.3)	14,500	6.2	119.19

Note: Revisions to the latest consolidated financial forecast: Yes

Notes:

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

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

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

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

2) Other changes: None

3) Changes in accounting estimates: None

4) Restatement: None

For more details, please see 2-(1) "Changes in accounting policies, accounting estimates, and restatement."

(4) Number of shares issued (Common stock)

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

First quarter of fiscal 2016: 123,610,077 shares

Fiscal 2015: 123,610,077 shares

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

First quarter of fiscal 2016: 1,941,644 shares

Fiscal 2015: 1,958,836 shares

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

First quarter of fiscal 2016: 121,662,320 shares

First quarter of fiscal 2015: 110,829,240 shares

Note: The number of treasury stock at the end of the first quarter of the fiscal year ending March 31, 2017 includes 115,800

shares owned by a trust on behalf of Daifuku employees' shareholding association. The number of treasury stock at the end of the fiscal year ended March 31, 2016 included 133,400 shares owned by a trust on behalf of Daifuku employees' shareholding association.

Regarding the status of quarterly review procedures

These quarterly consolidated financial statements are exempted from quarterly review as provided in Japan's Financial Instruments and Exchange Act. At the time of disclosure of this report, review procedures for these financial statements pursuant to this Act have not been completed.

Disclaimer

The business forecasts contained in this document are based on information available to management at the present time and certain assumptions judged to be rational. As such, actual sales and income may differ from this forecast due to uncertain factors present in the forecast or future changes in business circumstances. For the business forecasts, please see 1-(3) "Outlook for the fiscal year ending March 31, 2017."

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

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1. Qualitative Information Relating to Quarterly Consolidated Financial Results

(1) Operating results

During the first quarter of the fiscal year under review, the global economy benefited from a moderate recovery in developed nations, while facing negative factors in the wake of a slowdown in emerging countries. The Brexit decision in Great Britain triggered turmoil in stock and foreign exchange markets until the end of June, and uncertainty about the future increased. The Japanese economy has seen some positive factors, including a recovery of employment conditions; however, the outlook remains uncertain due to the appreciation of the yen and sluggish growth in corporate capital spending.

Daifuku Group's mainstay material handling systems have growth potential, with logistics-related investments from the e-commerce sector expanding globally. The Group believes that material handling systems have become an indispensable part of the social infrastructure for people to obtain what they need, when they need them. The Group will continue to fulfill its social responsibility through consistently providing its best systems.

Amid these economic and business conditions, the operating results of the Group were as follows.

Orders reflected both a significant decline in capital investment in semiconductor and flat-panel display (FPD) factories in Asia compared with the previous fiscal year and the appreciation of the yen. Sales were positive, underpinned by extensive order backlogs. Specifically, the Group received orders of 60,668 million yen, down 35.0% from a year earlier, and recorded net sales of 74,034 million yen, up 8.0%.

Income surpassed the year-ago figure, reflecting the increased profitability from higher sales and cost cutting by the parent company, Daifuku Co., Ltd., increased profitability at U.S. subsidiaries, and the return to profitability of an European subsidiary, which sells systems used in airports. Consequently, the Group posted operating income of 4,340 million yen, up 53.7% from a year earlier, and ordinary income of 4,281 million yen, up 29.4%. Net income attributable to shareholders of the parent company was 2,963 million yen, up 14.9%.

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

Daifuku Co., Ltd.

Orders reflected a significant decline in demand on capital investment for FPD factories compared with the previous fiscal year. In our mainstay systems for manufacturers and distributors, orders for large projects remained firm in the distribution sectors, including e-commerce and co-op, and in the pharmaceutical and frozen-food sectors. Orders for retrofitting projects were also steady. In automobile production line systems, orders for services and small upgrade projects remained firm in Japan.

Sales were positive, underpinned by extensive order backlogs. Income rose, mainly attributable to the increased sales volume and reduced costs.

As a result, the Company recorded orders of 30,589 million yen, down 15.6% from the previous fiscal year, net sales of 34,312 million yen, up 18.3%, and segment income of 2,204 million yen, up 32.9%.

Contec Co., Ltd. and its subsidiaries

Sales of industrial computers and networking products increased due to favorable sales of these products, especially for the semiconductor production equipment related market. In the U.S. market, sales of industrial computers for the medical device sector remained firm. Income increased, bolstered by the increased sales.

As a result, Contec posted orders of 3,886 million yen, up 15.3% from the previous fiscal year, net sales of 3,668 million yen, up 15.7%, and segment income of 114 million yen, an increase of 168 million yen.

Daifuku North America Holding Company and its subsidiaries and affiliates

In systems for manufacturers and distributors, orders reflected the decline in the number of large projects from the same period of the previous fiscal year as well as a delay in receiving an order for a large project in the confectionery sector. Daifuku North America believes the market itself is primed for growth and will aim to meet demand for capital investment with its strengthened product lineup. In systems for semiconductor manufacturers, orders and sales held steady. In automobile production line systems, orders for existing line expansion or upgrades are firm, despite the decline in the number of large projects compared to the first half of the previous fiscal year. In airport technologies, orders are expected to increase from the third quarter, given increased capital investment and the rising number of air travelers.

Sales increased steadily, mainly due to sales of systems for the semiconductor sector. Income increased, returning to profitability due to the improved earnings in airport technologies.

As a result, Daifuku North America achieved orders of 14,164 million yen, down 42.0% from the previous fiscal year, net sales of 19,570 million yen, up 11.6%, and segment income of 597 million yen, an increase of 695 million yen.

Daifuku Plusmore Co., Ltd.

Daifuku Plusmore mainly sells car wash machines and bowling-related products and provides rental roll box pallets in Japan. In its mainstay car wash machines, the number of unit sales for car service stations grew at a sluggish pace in relation to subsidies from the government. However, with the introduction of subsidies, orders have been increasing recently. Accordingly, this segment believes its sales will recover during the second quarter of the fiscal year under review. In the car aftermarket sector, sales associated with automobile dealers are increasing.

As a result, Daifuku Plusmore reported orders of 3,089 million yen, down 23.3% from the previous fiscal year, sales of 2,287 million yen, down 17.9%, and a segment loss of 83 million yen, a decrease of 85 million yen.

Other

The Other segment includes all other Daifuku Group companies, excluding the aforementioned Contec and Daifuku North America group companies and Daifuku Plusmore. As of March 31, 2016, the Group had 57 consolidated subsidiaries and affiliates in total located worldwide.

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

In China, since the economic structure has been shifting from exporting to domestic demand, with a concurrent move from manufacturing to service-oriented sectors, demand for material handling systems is rising rapidly in the food, pharmaceutical, and distribution sectors. To respond to these needs, Daifuku (China) Manufacturing Co., Ltd., an affiliate responsible for systems for manufacturers and distributors, relocated to expand its production space in May 2016. In systems for FPD factories, inquiries are increasing, principally for OLED, bolstered by robust investments under China's national policy. In automobile production line systems, orders for large projects are expected to continue from the third quarter.

In Taiwan and South Korea, orders for systems for FPD and semiconductor factories declined significantly compared with the same period of the previous fiscal year. Sales and income reflected these declines. In systems for automobile factories in South Korea, orders were influenced by the peaking of automobile production, but the increased installation work related the distribution sector has contributed to sales and income.

In ASEAN countries, business performance has been strongly affected by the sluggish growth in the automobile industry in Thailand. In Indonesia, demand for frozen foods and other items is increasing and a rally is being seen along with developments in local sales frameworks. In India, inquiries for systems for manufacturers and distributors are robust.

BCS Group Limited, which handles systems and technologies for airports in Oceania and Asia, is expanding sales in North America, in cooperation with other Daifuku Group companies.

During the first quarter of the fiscal year under review, as a result of the strong impact from shifts in capital investment in the semiconductor and FPD sectors in Asia, the segment recorded orders of 8,938

million yen, down 64.5% from the previous fiscal year, net sales of 15,968 million yen, up 5.2%, and segment income of 244 million yen, down 78.4%.

(2) Financial position

Assets

Total assets at the end of the first quarter of the fiscal year under review stood at 279,145 million yen, a decrease of 16,910 million yen from the end of the previous fiscal year. Primary factors included decreases of 6,770 million yen in other current assets such as insufficient charges on uncompleted contracts and 5,690 million yen in notes and accounts receivable and unbilled receivables.

Liabilities

Total liabilities amounted to 152,551 million yen, a decrease of 13,387 million yen from the end of the previous fiscal year. Primary factors included decreases of 4,849 million yen in notes and accounts payable for contracts, 3,830 million yen in income taxes payable, and 2,804 million yen in other current liabilities such as excess charges for uncompleted construction and advances received.

Net assets

Net assets were 126,593 million yen, a fall of 3,522 million yen from the end of the previous fiscal year. This was mainly attributable to a decrease of 3,985 million yen in total other comprehensive income due to securities owned and foreign currency translation adjustments.

(3) Outlook for the fiscal year ending March 31, 2017

The Group has revised its interim earnings forecast for the fiscal year ending March 31, 2017, which was announced on May 12, 2016, as follows, because orders are reflecting delays in contract procedures in general. The Group has not revised its full-year earnings forecast for the fiscal year ending March 31, 2017, which was announced on May 12, 2016, considering the domestic and international economic environment and uncertainty such as exchange rate behavior. Looking ahead, the Group will closely review these forecasts by the time it announces its financial results for the first half of the fiscal year under review.

Revisions to the interim earnings forecast for the fiscal year ending March 31, 2017

(April 1, 2016 - September 30, 2016)

(Million yen)

	Net sales	Operating income	Ordinary income	Net income attributable to shareholders of the parent company	Net income per share (yen)
Previous forecast (A)	154,000	9,700	9,800	7,000	57.54
Current forecast (B)	150,000	9,500	9,400	6,700	55.07
Change (B – A)	-4,000	-200	-400	-300	–
Rate of change (%)	-2.6	-2.1	-4.1	-4.3	–
Reference: Interim results for fiscal year ended March 31, 2016	152,791	8,547	9,130	6,184	55.78

*Disclaimer

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

The Group revised its orders forecast of 165,000 million yen, which was announced on May 12, 2016, to 146,000 million yen for the interim period of the fiscal year ending March 31, 2017.

2. Matters Relating to Summary Information (Notes)

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

Changes in accounting policies

Following the revision of the Corporation Tax Act, the Group applies the Practical Solution on a change in depreciation method due to Tax Reform 2016 (ASBJ PITF No. 32; June 17, 2016) in the first quarter of the fiscal year under review and has changed the depreciation method for the facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method. The impact of this change is immaterial.

(2) Additional information

Starting the first quarter of the fiscal year under review, the Group is applying the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26; March 28, 2016).

3. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	FY2015 (Year ended March 31, 2016)	First quarter of FY2016 (Quarter ended June 30, 2016)
ASSETS		
Current assets:		
Cash on hand and in banks	49,187	47,255
Notes and accounts receivable and unbilled receivables	103,264	97,573
Merchandise and finished goods	3,629	4,047
Costs incurred on uncompleted construction contracts and other	7,092	8,153
Raw materials and supplies	11,370	11,486
Other current assets	39,926	33,155
Allowance for doubtful accounts	(146)	(144)
Total current assets	214,324	201,528
Non-current assets:		
Property, plant and equipment	32,881	32,109
Intangible assets		
Goodwill	11,181	10,307
Other	5,891	5,564
Total intangible assets	17,072	15,871
Investments and other assets		
Other	31,901	29,761
Allowance for doubtful accounts	(125)	(125)
Total investments and other assets	31,776	29,635
Total non-current assets	81,731	77,616
Total assets	296,055	279,145
LIABILITIES		
Current liabilities:		
Notes and accounts payable and construction contracts payable	40,696	35,847
Electronically recorded obligations – operating	17,270	17,000
Short-term borrowings	8,702	9,208
Income taxes payable	5,919	2,088
Provision for losses on construction contracts	971	819
Other current liabilities	41,471	38,667
Total current liabilities	115,031	103,630
Non-current liabilities:		
Bonds	2,700	2,700
Long-term borrowings	29,501	28,982
Liabilities for retirement benefits	14,500	13,770
Other non-current liabilities	4,205	3,466
Total non-current liabilities	50,907	48,920
Total liabilities	165,938	152,551

(Million yen)

	FY2015 (Year ended March 31, 2016)	First quarter of FY2016 (Quarter ended June 30, 2016)
NET ASSETS		
Shareholders' equity:		
Common stock	15,016	15,016
Capital surplus	15,794	15,794
Retained earnings	94,501	95,028
Treasury stock	(1,642)	(1,620)
Total shareholders' equity	123,669	124,218
Accumulated other comprehensive income:		
Net unrealized gain on securities	3,206	2,423
Deferred gain (loss) on hedges	22	14
Foreign currency translation adjustments	7,730	3,916
Accumulated adjustments on retirement benefits	(7,576)	(6,956)
Total accumulated other comprehensive income	3,383	(602)
Non-controlling interests:	3,063	2,977
Total net assets	130,116	126,593
Total liabilities and net assets	296,055	279,145

(2) Consolidated statements of income and comprehensive income

(Million yen)

	FY2015 Q1 (April 1, 2015 - June 30, 2015)	FY2016 Q1 (April 1, 2016 - June 30, 2016)
Net sales	68,536	74,034
Cost of sales	56,086	59,650
Gross profit	12,450	14,383
Selling, general and administrative expenses:		
Selling expenses	4,508	3,964
General and administrative expenses	5,118	6,078
Total selling, general and administrative expenses	9,626	10,042
Operating income	2,823	4,340
Other income:		
Interest income	51	45
Dividend income	194	190
Equity in earnings of affiliates	100	116
Foreign exchange gain	145	—
Land and house rental revenue	56	58
Miscellaneous income	96	60
Total other income	645	471
Other expenses:		
Interest expenses	126	111
Foreign exchange loss	—	388
Miscellaneous expenses	33	31
Total other expenses	159	530
Ordinary income	3,309	4,281
Extraordinary income:		
Gain on liquidation of affiliates	—	27
Other	0	2
Total extraordinary income	0	30
Extraordinary loss:		
Loss on disposal or sales of property, plant and equipment	134	19
Loss on valuation of membership	—	9
Other	10	0
Total extraordinary loss	145	29
Income before income taxes	3,164	4,282
Income taxes – current	1,690	1,832
Income taxes – deferred	(1,086)	(562)
Total income taxes	604	1,269
Net income	2,560	3,012
Net income (loss) attributable to:		
Shareholders of the parent company	2,579	2,963
Non-controlling interests	(19)	49

(Million yen)

	FY2015 Q1 (April 1, 2015 - June 30, 2015)	FY2016 Q1 (April 1, 2016 - June 30, 2016)
Other comprehensive income		
Net unrealized gain (loss) on securities	1,283	(782)
Deferred gain (loss) on hedges	(13)	(10)
Foreign currency translation adjustments	(721)	(3,242)
Adjustments on retirement benefits	121	627
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	368	(686)
Total other comprehensive income (loss)	1,038	(4,094)
Comprehensive income (loss):	3,598	(1,082)
Comprehensive income (loss) attributable to:		
Shareholders of the parent company	3,580	(1,022)
Non-controlling interests	18	(59)

Note on Going Concern Assumption

Not applicable

Notes When There Is a Material Change in the Amount of Shareholders Equity

Not applicable

Segment Information

I. The first quarter of the previous fiscal year ended March 31, 2016 (from April 1, 2015 to June 30, 2015)

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

(Million yen)

	Reportable segment					Other*	Total
	Daifuku	Contec	Daifuku North America	Daifuku Plusmore	Total		
Net sales							
Sales to outside customers	29,010	3,171	17,541	2,786	52,510	15,177	67,687
Intersegment sales or transfers	4,911	2,349	134	6	7,402	3,751	11,153
Total	33,922	5,521	17,675	2,792	59,912	18,928	78,840
Segment income (loss)	1,658	(53)	(98)	2	1,508	1,131	2,640

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

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

Net sales	(Million yen)
Reportable segment total	59,912
Net sales classified in "Other"	18,928
Elimination of intersegment transactions	(11,153)
Consolidation adjustments to net sales under the percentage-of-completion method	198
Other adjustments for consolidation	650
Net sales in quarterly consolidated financial statements	68,536

Segment income	(Million yen)
Reportable segment total	1,508
Segment income classified in "Other"	1,131
Elimination of cash dividends from affiliates	(83)
Consolidation adjustments to net sales under the percentage-of-completion method	(123)
Other adjustments for consolidation	145
Net income attributable to shareholders of the parent company in quarterly consolidated financial statements	2,579

II. The first quarter of the fiscal year ending March 31, 2017 (from April 1, 2016 to June 30, 2016)

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

(Million yen)

	Reportable segment					Other*	Total
	Daifuku	Contec	Daifuku North America	Daifuku Plusmore	Total		
Net sales							
Sales to outside customers	34,312	3,668	19,570	2,287	59,838	15,968	75,807
Intersegment sales or transfers	6,300	1,995	81	5	8,382	3,348	11,730
Total	40,612	5,664	19,652	2,292	68,221	19,316	87,538
Segment income (loss)	2,204	114	597	(83)	2,832	244	3,077

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

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

Net sales	(Million yen)
Reportable segment total	68,221
Net sales classified in "Other"	19,316
Elimination of intersegment transactions	(11,730)
Consolidation adjustments to net sales under the percentage-of-completion method	(1,647)
Other adjustments for consolidation	(126)
Net sales in quarterly consolidated financial statements	74,034

Segment income	(Million yen)
Reportable segment total	2,832
Segment income classified in "Other"	244
Elimination of cash dividends from affiliates	(72)
Consolidation adjustments to net sales under the percentage-of-completion method	(144)
Other adjustments for consolidation	102
Net income attributable to shareholders of the parent company in quarterly consolidated financial statements	2,963