

Consolidated Financial Results
for the First Three Quarters of the Fiscal Year Ending March 31, 2018
[Japan GAAP]

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

February 9, 2018

Daifuku Co., Ltd.

Stock code: 6383, First Section of Tokyo Stock Exchange

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Scheduled date for filing quarterly financial report: February 13, 2018

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 Three Quarters of Fiscal 2017

(April 1, 2017 - December 31, 2017)

(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 3 quarters of fiscal 2017	292,160	30.2	27,978	71.6	29,019	74.8	20,318	66.5
First 3 quarters of fiscal 2016	224,323	(5.1)	16,305	4.8	16,601	0.2	12,200	11.5

Note: Comprehensive income

First three quarters of fiscal 2017: 23,868 million yen (293.8%)

First three quarters of fiscal 2016: 6,060 million yen (-31.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
First 3 quarters of fiscal 2017	166.23	—
First 3 quarters of fiscal 2016	100.24	—

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
First 3 quarters of fiscal 2017	362,621	181,911	49.2
Fiscal 2016	303,540	142,340	45.8

Reference: Shareholders' equity

First three quarters of fiscal 2017: 178,451 million yen

Fiscal 2016: 139,092 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 2016	—	12.00	—	30.00	42.00
Fiscal 2017	—	25.00	—		
Fiscal 2017 (forecast)				40.00	65.00

Note: Revisions to the latest dividend forecast: Yes

3. Consolidated Earnings Forecast for the Fiscal 2017

(April 1, 2017 - March 31, 2018)

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

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	410,000	27.8	39,000	68.8	40,000	68.3	27,000	61.2	219.31

Note: Revisions to the latest consolidated financial forecast: Yes

Notes:

- (1) Changes in significant subsidiaries that affected the scope of consolidation during the period: None
- (2) Adoption of specific accounting methods for preparing the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, accounting estimates, and restatement
 - 1) Changes in accounting standards associated with the revisions of accounting standards: None
 - 2) Other changes: None
 - 3) Changes in accounting estimates: None
 - 4) Restatement: None
- (4) Number of shares issued (Common stock)
 - 1) Number of shares issued including treasury stock at the end of the period

Third quarter of fiscal 2017: 126,610,077 shares

Fiscal 2016: 123,610,077 shares
 - 2) Number of treasury stock at the end of the period

Third quarter of fiscal 2017: 828,327 shares

Fiscal 2016: 1,827,904 shares
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

First three quarters of fiscal 2017: 122,227,463 shares

First three quarters of fiscal 2016: 121,707,419 shares

Note: The number of treasury stock at the end of the first three quarters of the fiscal year ending March 31, 2018 includes 87,600 shares owned by the Board Benefit Trust (BBT). The number of treasury stock at the end of the fiscal year ended March 31, 2017 included 90,000 shares owned by the BBT.

These quarterly consolidated financial statements are not subject to quarterly review procedures.

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, 2018."

Quarterly earnings supplementary materials are available at the [TDnet](#) and our website: www.daifuku.com/ir.

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1. Qualitative Information Relating to Quarterly Consolidated Financial Results

(1) Operating results

During the first three quarters of the fiscal year under review, the global economy saw signs of recovery gathering momentum in key Western economies and China, as well as in emerging countries. The Japanese economy also benefited from favorable business confidence, led by the fact that machinery orders and exports have recovered to their levels prior to the 2008 global financial crisis.

The Daifuku Group's mainstay material handling systems have seen rising needs, mainly due to the work-style reforms and productivity revolution initiatives of the Japanese government, worldwide logistics innovation accompanying the growth of e-commerce, as well as robust demand from the semiconductor and flat-panel display (FPD) sectors with the advance of the Internet of Things (IoT) and high-definition panels.

Amid these economic and business conditions, the operating results of the Daifuku Group showed favorable progress. Orders, sales, and income reached new record highs during the first three quarters of the fiscal year.

Orders were particularly strong, driven by robust capital investment in the semiconductor and FPD sectors in East Asia, as well as active and large investments in e-commerce distribution centers across the globe, together with favorable orders for systems for automobile factories and airports. Daifuku is the unrivaled material handling system provider and integrator, which offers its best solutions to customers in a wide variety of sectors. Its extensive product lineup, ability to provide proposals that promptly respond to customer needs, deploying operations around the world and completing tasks for large projects, as well as its strength in after-sales services are all decisive factors in winning orders.

Sales were positive, underpinned by an extensive order backlog. With continued capital investment and M&A, as well as increased production capacity in cooperation among its production sites worldwide, the Group has been striving to meet rapidly increased demand. As a consequence, it was able to achieve growth in sales.

Specifically, the Group received orders of 387,542 million yen, up 56.9% from the previous fiscal year, and recorded sales of 292,160 million yen, up 30.2%.

Income surpassed the year-ago figure, reflecting significantly increased earnings strength from higher sales and cost cutting by the parent company, Daifuku Co., Ltd. Income at Group companies in East Asia, which handle systems for the semiconductor and FPD sectors, was also strong. Consequently, the Group posted operating income of 27,978 million yen, up 71.6% from a year earlier, and ordinary income of 29,019 million yen, up 74.8%. Net income attributable to shareholders of the parent company was 20,318 million yen, up 66.5%.

The average exchange rate used for transactions within the Group during the first three quarters of the fiscal year under review was 111.80 yen to the U.S. dollar, compared with an exchange rate of 108.85 yen for the same period of the previous fiscal year. As a result, sales increased in value by about 4,100 million yen, compared with the year-ago period, and operating income increased in value by about 300 million yen. The impact of exchange rates on orders received during the first three quarters of the fiscal year under review increased the value of orders by about 4,800 million yen, and the impact of foreign currency translation differences on the order backlog at the end of the previous fiscal year, among other factors, increased the value of orders by about 17,400 million yen.

As mentioned above, the Group's performance is progressing at a strong pace. In December 2017, with the aim of increasing its growth potential, taking advantage of a more conducive environment for winning orders, Daifuku implemented its first public offering in 45 years and bolstered its equity capital. Using this capital, Daifuku will strive to further enhance its corporate value on a medium- and long-term and sustainable basis, conducting active capital investment in Japan and the U.S. Dilution in net income per share remained in the range of 3% and ROE of the fiscal year ending March 31, 2018 is estimated to increase to more than 15%, from the 12.6% of the previous fiscal year.

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 were favorable, mainly due to the significant increase in exports in systems for semiconductor and FPD factories in East Asia and North America, the increased number of large projects for systems for distributors in Japan, and the Company's highly acclaimed proposals. In automobile production line systems, orders remained firm, mainly for production re-building and development, services and small upgrade projects in Japan.

Sales increased smoothly, with production capacity expanding in response to significant increase in orders, including short lead-time projects for semiconductor and FPD factories.

Income rose significantly, mainly attributable to the increased sales and reduced costs.

As a result, the Company recorded orders of 174,199 million yen, up 40.3% from the previous fiscal year, sales of 132,896 million yen, up 30.6%, and segment income of 15,418 million yen, up 113.1%.

Contec Co., Ltd. and its subsidiaries

In the Japanese market, sales of IoT devices, such as measuring and control boards and wireless LANs, remained favorable, backed by increased capital investment. Outside of Japan, results were almost flat

overall, despite some movement in capital investment in the U.S. medical device sector.

Income rose, backed by increased productivity.

As a result, Contec posted orders of 12,172 million yen, up 4.1% from the previous fiscal year, sales of 11,289 million yen, down 0.3%, and segment income of 657 million yen, up 86.9%.

Daifuku North America Holding Company and its subsidiaries and affiliates

Orders were favorable in systems for airports, winning orders for large and medium-size projects. Compared with airports in Europe, baggage handling systems used at airports in North America are noticeably aging. Accordingly, investment in facility upgrades is expected to continue for some time. In systems for manufacturers and distributors, results reflected capital investment concentrating on the e-commerce and transportation sectors and decreased investment from customers in other sectors. Meanwhile, the operation & maintenance service business for distribution centers is growing. Orders for systems for semiconductor manufacturers significantly surpassed the initial plan. Orders for automobile production line systems remained firm.

Sales were favorable, underpinned by strong orders.

Income fell, reflecting deteriorated profitability in certain large projects for distributors.

As a result, Daifuku North America achieved orders of 89,794 million yen, up 64.3% from the previous fiscal year, sales of 74,125 million yen, up 24.9%, and segment income of 2,159 million yen, down 34.9%.

Daifuku Plusmore Co., Ltd.

Daifuku Plusmore mainly provides sales and services for car wash machines in Japan. Sales remained firm, underpinned by favorable sales of machines for car service stations on the back of subsidies from the government and steady demand from the automotive aftermarket sector, such as dealers.

Sales of the Sliding Bubble, a space-saving foam car wash system for drive-through car wash machines for car service stations, were favorable, backed by an effect that has earned high marks among drivers.

As a result, Daifuku Plusmore reported orders of 8,689 million yen, down 4.9% from the previous fiscal year, sales of 8,680 million yen, down 2.7%, and segment income of 68 million yen, up 20.5%.

Other

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

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, while also increasing its exports.

In China, inquiries have been brisk from distributors, including the e-commerce sector, and Daifuku (China) Manufacturing Co., Ltd. received an order for its largest ever project. In automobile production line systems, Daifuku (China) Automation Co., Ltd. will strengthen ties with its customers, at a time of growing sales of automobiles linked to the rise in the popularity of SUVs and the policy of shifting to eco-friendly electric vehicles. In systems for FPD factories, while demand for OLED is rising, TV panels are growing in size and Daifuku (Suzhou) Cleanroom Automation Co., Ltd. continues to receive strong orders, including large projects. Under China's national policy, promoting domestic production, orders for systems for semiconductor factories started to increase.

In Taiwan, inquiries for upgrades of existing lines at FPD factories are brisk.

In South Korea, orders for systems for semiconductor factories are strong, reflecting active demand in the semiconductor sector. Along with increased demand for tunnel-type car wash machines, Hallim Machinery Co., Ltd., which manufactures and sells car wash machines, relocated its factory.

In ASEAN countries and India, capital investment in systems for manufacturers, including the food, miscellaneous daily goods, and pharmaceutical sectors, is rising. In particular, demand from the frozen-food sector is growing rapidly. Group companies operating in each region have been striving to meet these needs. Daifuku Thailand has been proceeding with local production of automated warehouses, etc. and won a large order from a mass retailer. In India, Daifuku India Private Limited is now working with sectors other than automobiles, installing its conveyor system at a construction manufacturer's assembly shop.

New Zealand-based BCS Group Limited is enhancing its global airport technology business by collaborating with other Group companies.

During the first three quarters of the fiscal year under review, as a result of the strong capital investment in the semiconductor and FPD sectors in East Asia, the segment recorded orders of 102,687 million yen, up 116.5% from the previous fiscal year, sales of 67,717 million yen, up 48.8%, and segment income of 3,237 million yen, up 157.3%.

(2) Financial position

Assets

Total assets at the end of the first three quarters of the fiscal year under review stood at 362,621 million yen, an increase of 59,081 million yen from the end of the previous fiscal year. The result principally reflected increases of 29,752 million yen in notes and accounts receivable and unbilled receivables and 14,187 million yen in cash on hand and in banks.

Liabilities

Total liabilities at the end of the first three quarters of the fiscal year under review amounted to 180,709 million yen, an increase of 19,510 million yen from the end of the previous fiscal year. Primary factors included increases of 4,429 million yen in notes and accounts payable for contracts and 6,001 million yen in income taxes payable.

Net assets

Net assets at the end of the first three quarters of the fiscal year under review were 181,911 million yen, an increase of 39,570 million yen from the end of the previous fiscal year. This was mainly attributable to increases of 16,849 million yen in common stock and 13,615 million yen in retained earnings.

(3) Outlook for the fiscal year ending March 31, 2018

Daifuku Co., Ltd. has revised its full-year earnings forecast for the fiscal year ending March 31, 2018, which was announced on November 10, 2017, on the basis of recent performance trends, as follows.

During the fiscal year ending March 31, 2018, orders for systems for semiconductor and FPD factories in particular have been strong, and the forecast of orders received and sales recorded during the term has increased every quarter. Sales of systems for these sectors during the first three quarters of the fiscal year under review rose by more than 60% compared with the year-earlier period. In addition to increased production volume, an efficient use of physical and human assets in Japan, countries in North America, China, Taiwan, South Korea, and Singapore contributed to increased profitability. Meanwhile, sales of lucrative service business are increasing on a Group-wide basis. Accordingly, the Company decided to revise the full-year earnings forecast.

With this, the Company has also revised its year-end dividend forecast for the fiscal year ending March 31, 2018, announced on the same day, an increase of 3 yen per share, to 40 yen. Accordingly, the annual dividend per share is projected to be 65 yen, a new record high. For details, please see the news release "Notice of Revision to Year-End Dividend Forecast for the Fiscal Year Ending March 31, 2018" separately announced on February 9, 2018.

Revisions to the full-year earnings forecast for the fiscal year ending March 31, 2018
(April 1, 2017 - March 31, 2018)

	Net sales	Operating income	Ordinary income	Net income attributable to shareholders of the parent company	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	410,000	37,000	38,000	26,000	213.49
Current forecast (B)	410,000	39,000	40,000	27,000	219.31
Change (B - A)	—	2,000	2,000	1,000	—
Rate of change (%)	—	5.4%	5.3%	3.8%	—
Reference: Results for fiscal year ended March 31, 2017	320,825	23,099	23,760	16,746	137.58

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

The full-year orders forecast for the fiscal year of 490,000 million yen, which was announced on November 10, 2017, remains unchanged.

2. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	FY2016 (Year ended March 31, 2017)	First three quarters of FY2017 (Period ended December 31, 2017)
ASSETS		
Current assets:		
Cash on hand and in banks	64,802	78,989
Notes and accounts receivable and unbilled receivables	124,005	153,758
Merchandise and finished goods	4,910	4,867
Costs incurred on uncompleted construction contracts and other	8,860	14,636
Raw materials and supplies	9,086	10,948
Other current assets	10,919	14,417
Allowance for doubtful accounts	(116)	(109)
Total current assets	222,468	277,509
Non-current assets:		
Property, plant and equipment		
	33,586	34,884
Intangible assets		
Goodwill	9,882	8,993
Other	5,548	5,144
Total intangible assets	15,430	14,137
Investments and other assets		
Other	32,187	36,211
Allowance for doubtful accounts	(132)	(121)
Total investments and other assets	32,054	36,089
Total non-current assets	81,071	85,111
Total assets	303,540	362,621
LIABILITIES		
Current liabilities:		
Notes and accounts payable and construction contracts payable	40,311	44,740
Electronically recorded obligations - operating	18,806	22,890
Short-term borrowings	21,647	13,816
Income taxes payable	1,239	7,240
Advances received on uncompleted construction contracts and other	26,313	29,191
Provision for losses on construction contracts	863	630
Other current liabilities	16,885	18,608
Total current liabilities	126,067	137,119
Non-current liabilities:		
Bonds	2,700	2,700
Long-term borrowings	15,422	24,135
Liabilities for retirement benefits	13,486	12,687
Other non-current liabilities	3,522	4,067
Total non-current liabilities	35,132	43,589
Total liabilities	161,199	180,709

(Million yen)

	FY2016 (Year ended March 31, 2017)	First three quarters of FY2017 (Period ended December 31, 2017)
NET ASSETS		
Shareholders' equity:		
Common stock	15,016	31,865
Capital surplus	15,915	20,717
Retained earnings	107,349	120,964
Treasury stock	(1,586)	(779)
Total shareholders' equity	136,694	172,767
Accumulated other comprehensive income:		
Net unrealized gain on securities	4,290	6,180
Deferred gain (loss) on hedges	(5)	(162)
Foreign currency translation adjustments	5,102	5,899
Accumulated adjustments on retirement benefits	(6,989)	(6,232)
Total accumulated other comprehensive income	2,398	5,683
Non-controlling interests:	3,247	3,460
Total net assets	142,340	181,911
Total liabilities and net assets	303,540	362,621

(2) Consolidated statements of income and comprehensive income

(Million yen)

	FY2016 First 3Qs (April 1, 2016 - December 31, 2016)	FY2017 First 3Qs (April 1, 2017 - December 31, 2017)
Net sales	224,323	292,160
Cost of sales	177,980	232,621
Gross profit	46,342	59,538
Selling, general and administrative expenses:		
Selling expenses	12,074	13,680
General and administrative expenses	17,962	17,879
Total selling, general and administrative expenses	30,036	31,560
Operating income	16,305	27,978
Other income:		
Interest income	120	140
Dividend income	367	379
Equity in earnings of affiliates	385	445
Foreign exchange gain	—	183
Rent income	176	179
Miscellaneous income	205	195
Total other income	1,255	1,523
Other expenses:		
Interest expenses	321	265
Foreign exchange loss	528	—
Share issuance cost	—	151
Miscellaneous expenses	108	65
Total other expenses	959	482
Ordinary income	16,601	29,019
Extraordinary income:		
Gain on liquidation of affiliates	27	—
Gain on sales of property, plant and equipment	36	29
Gain on transfer of business	—	43
Other	—	1
Total extraordinary income	64	74
Extraordinary loss:		
Loss on disposal or sales of property, plant and equipment	85	114
Other	14	1
Total extraordinary loss	99	115
Income before income taxes	16,566	28,978
Income taxes - current	4,121	9,595
Income taxes - deferred	105	(1,181)
Total income taxes	4,226	8,413
Net income	12,340	20,565
Net income (loss) attributable to:		
Shareholders of the parent company	12,200	20,318
Non-controlling interests	139	247

(Million yen)

	FY2016 First 3Qs (April 1, 2016 - December 31, 2016)	FY2017 First 3Qs (April 1, 2017 - December 31, 2017)
Other comprehensive income		
Net unrealized gain (loss) on securities	1,495	1,917
Deferred gain (loss) on hedges	(120)	(168)
Foreign currency translation adjustments	(8,977)	(39)
Adjustments on retirement benefits	1,587	775
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	(263)	818
Total other comprehensive income (loss)	(6,279)	3,302
Comprehensive income (loss):	6,060	23,868
Comprehensive income (loss) attributable to:		
Shareholders of the parent company	6,152	23,603
Non-controlling interests	(91)	264

(3) Notes on consolidated financial statements

Notes on going concern assumption

Not applicable

Notes when there is a material change in the amount of shareholders' equity

The Company issued new shares and disposed of treasury stock via public offering with a payment date of December 12, 2017, and issued new shares via private placement related to a secondary offering of its shares by way of over-allotment with a payment date of December 27, 2017. With the issuing of new shares during the first three quarters under review, the Company's common stock increased by 16,849 million yen, and with the disposal of treasury stock, capital surplus increased by 4,802 million yen and treasury stock decreased by 814 million yen.

As a result, common stock was 31,865 million yen, capital surplus was 20,717 million yen, and treasury stock was 779 million yen at the end of the first three quarters of the fiscal year under review.

Segment information

I. The first three quarters of the previous fiscal year ended March 31, 2017 (from April 1, 2016 to December 31, 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	101,751	11,321	59,366	8,919	181,358	45,500	226,859
Intersegment sales or transfers	20,341	5,328	256	13	25,940	10,752	36,693
Total	122,092	16,649	59,623	8,933	207,299	56,253	263,553
Segment income	7,236	352	3,315	56	10,960	1,258	12,218

* "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	207,299
Net sales classified in "Other"	56,253
Elimination of intersegment transactions	(36,693)
Consolidation adjustments to net sales under the percentage-of-completion method	(2,659)
Other adjustments for consolidation	123
Net sales in quarterly consolidated financial statements	224,323

Segment income	(Million yen)
Reportable segment total	10,960
Segment income classified in "Other"	1,258
Elimination of cash dividends from affiliates	(210)
Consolidation adjustments to net sales under the percentage-of-completion method	(115)
Other adjustments for consolidation	307
Net income attributable to shareholders of the parent company in quarterly consolidated financial statements	12,200

II. The first three quarters of the fiscal year ending March 31, 2018 (from April 1, 2017 to December 31, 2017)

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	132,896	11,289	74,125	8,680	226,992	67,717	294,710
Intersegment sales or transfers	28,108	7,372	238	0	35,720	10,483	46,203
Total	161,005	18,661	74,363	8,681	262,712	78,201	340,913
Segment income	15,418	657	2,159	68	18,303	3,237	21,540

* "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	262,712
Net sales classified in "Other"	78,201
Elimination of intersegment transactions	(46,203)
Consolidation adjustments to net sales under the percentage-of-completion method	(1,637)
Other adjustments for consolidation	(911)
Net sales in quarterly consolidated financial statements	292,160

Segment income	(Million yen)
Reportable segment total	18,303
Segment income classified in "Other"	3,237
Elimination of cash dividends from affiliates	(304)
Consolidation adjustments to net sales under the percentage-of-completion method	(434)
Other adjustments for consolidation	(484)
Net income attributable to shareholders of the parent company in quarterly consolidated financial statements	20,318