DAIFUKU
Always an Edge Ahead

Consolidated Financial Results

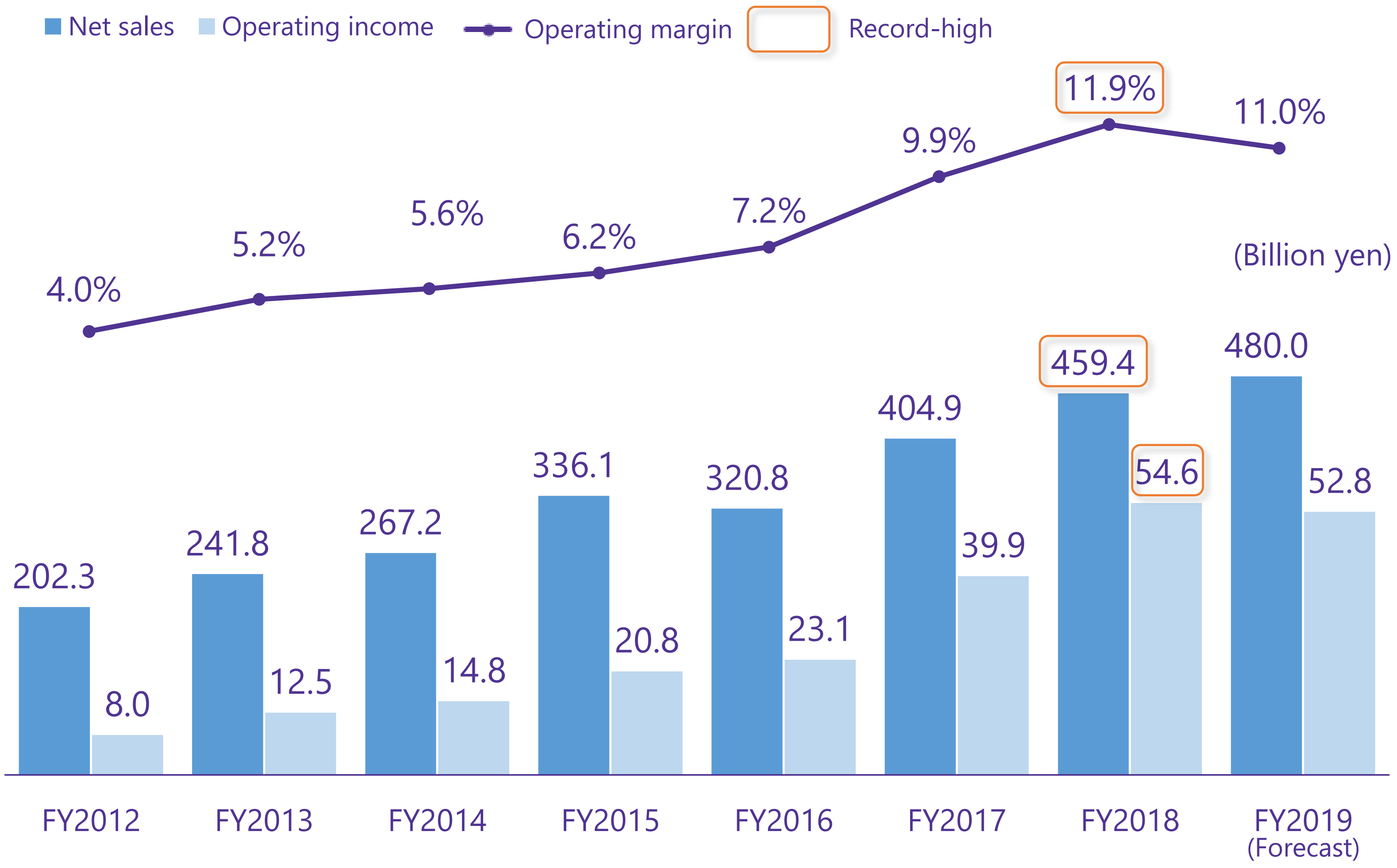
Fiscal Year Ended March 31, 2019
(April 1, 2018 - March 31, 2019)

May 10, 2019

DAIFUKU CO., LTD.

Fiscal 2018 Overview (April 1, 2018 - March 31, 2019)

DAIFUKU



- ✓ Net sales, operating income, and operating margin achieved new record highs.
- ✓ Achieved the management targets (420 billion yen in consolidated net sales, an 8.0% operating margin) of the medium-term business plan, Value Innovation 2020, which applies until FY2020 ending March 2021.

Highlights

1. Record-high results

- Orders, sales and profits reached new record highs.
- Achieved the targets set out in the medium-term business plan.

2. Reinforcing production framework

- Strengthening production capacity around the world.
- Expanded factories in China, South Korea and Thailand.
- Acquired India's material handling system manufacturer.

3. Capital efficiency and shareholder return increased

- ROE: 17.7% → 19.5%
- Dividend: 70 yen → 90 yen

4. Corporate governance

- Added one independent outside director to make three in total.
  (Ratio of independent outside directors: 30%)

FY2018 Consolidated Results

(Billion yen)

	FY2017	FY2018 forecast revised on February 8	FY2018 results	Year-on-year
Orders	487.97	515.0	**503.39**	3.2%
Net sales	404.92	460.0	**459.48**	13.5%
Operating income	39.92	53.0	**54.68**	37.0%
Ordinary income	41.10	54.2	**55.84**	35.9%
Net income attributable to shareholders of the parent company	29.00	37.0	**39.56**	36.4%
Comprehensive income	33.43	-	**40.80**	22.0%
Net income per share	235.62 yen	294.14 yen	**314.54 yen**	
Exchange rate (per 1 U.S. dollar)	112.04 yen	-	**110.37 yen**	

- ✓ Orders exceeded 500 billion yen for the first time.
- ✓ Each income item increased by more than 30% year on year.

FY2018 Results by Segment

(Billion yen)

	Orders (Orders from outside customers)		Net sales (Sales to outside customers)		Segment income (Net income attributable to shareholders of the parent company)	
	FY2017	FY2018	FY2017	FY2018	FY2017	FY2018
Daifuku	215.93	**231.48**	186.98	**202.52**	25.20	**33.76**
Contec	16.46	**16.39**	15.71	**16.39**	0.91	**1.61**
Daifuku North America	110.44	**109.45**	99.77	**97.18**	2.88	**0.43**
Clean Factomation	29.93	**41.78**	21.23	**34.21**	1.45	**2.54**
Daifuku Plusmore	11.07	**11.81**	10.77	**11.61**	0.09	**0.09**
Other	104.12	**93.30**	74.52	**99.28**	3.28	**5.65**
Consolidated adjustment and other	-	**-0.83**	**-4.08**	**-1.72**	**-4.82**	**-4.53**
Total	487.97	**503.39**	404.92	**459.48**	29.00	**39.56**

- ✓ Daifuku:
  Orders from semiconductor factories in East Asia and North America and distributors in Japan remained high.
- ✓ Daifuku North America:
  Income fell, reflecting the buyout of retirement benefit expenses, among other factors.
- ✓ Other:
  Clean Factomation:
  Changed to a reportable segment in the second quarter of FY2018.

Consolidated Balance Sheets

(Billion yen)

	FY2017	FY2018	Change
Current assets	286.08	**326.23**	40.15
Cash on hand and in banks	85.16	**90.91**	5.75
Notes and accounts receivable	163.10	**191.86**	28.76
Inventories	27.03	**34.20**	7.16
Other	10.78	**9.24**	-1.53
Non-current assets	86.92	**83.74**	-3.18
Property, plant and equipment	35.25	**37.02**	1.76
Intangible assets	14.03	**12.46**	-1.57
Goodwill	8.79	**7.56**	-1.23
Other	5.24	**4.89**	-0.34
Investments and other assets	37.63	**34.26**	-3.37
Total assets	373.01	**409.98**	36.96

	FY2017	FY2018	Change
Current liabilities	148.78	**155.96**	7.17
Notes and accounts payable	69.27	**71.79**	2.52
Short-term borrowings and bonds	19.96	**19.43**	-0.53
Other	59.54	**64.73**	5.18
Non-current liabilities	32.74	**31.13**	-1.61
Long-term borrowings and bonds	18.00	**20.56**	2.56
Other	14.74	**10.56**	-4.18
Total Liabilities	181.53	**187.09**	5.55
Shareholders' equity	181.45	**214.65**	33.20
Common stock	31.86	**31.86**	-
Retained earnings	129.65	**162.72**	33.06
Other	19.93	**20.06**	0.13
Accumulated other comprehensive income	6.42	**4.03**	-2.39
Non-controlling interests	3.59	**4.19**	0.60
Total net assets	191.47	**222.88**	31.41
Total liabilities and net assets	373.01	**409.98**	36.96

✓ Current assets:
Increased by 36.9 billion yen
[Main factors]
Increases of 28.7 billion yen in notes and accounts receivable and unbilled receivables and an increase of 5.7 billion yen in cash on hand and in banks

✓ Current liabilities:
Increased by 5.5 billion yen
[Main factors]
Increases of 2.0 billion yen in interest-bearing liabilities, 2.5 billion yen in notes and accounts payable, and 3.0 billion yen in income taxes payable due to income taxes paid, a decrease of 4.1 billion yen in liabilities for retirement benefits

✓ Net assets:
Increased by 31.4 billion yen
[Main factors]
An increase of 33.0 billion yen in retained earnings

Consolidated Statements of Cash Flows

(Billion yen)

	FY2017	FY2018	Change
Cash flows from operating activities	11.49	**8.55**	-2.93
Cash flows from investing activities	-5.60	**5.93**	11.53
Free cash flows	5.89	**14.49**	8.59
Cash flows from financing activities	13.44	**-6.89**	-20.33
Effect of exchange rate change on cash and cash equivalents	1.01	**-1.85**	-2.87
Net increase in cash and cash equivalents	20.36	**5.75**	-14.61
Cash and cash equivalents, beginning of the year	64.79	**85.15**	20.36
Cash and cash equivalents, end of the year	85.15	**90.90**	5.75

✓ Cash provided by operating activities: 8.5 billion yen
[Main factors]
Income before income taxes and minority interests: 55.3 billion yen
Increase of notes and accounts payable: 4.0 billion yen
Increase of advances received on uncompleted construction contracts: 4.2 billion yen
Increase of notes and accounts receivable: -32.1 billion yen
Increase of inventories: -7.5 billion yen
Income taxes paid: -16.2 billion yen

✓ Cash provided by operating activities: 5.9 billion yen
[Main factors]
Proceeds from the sale of shares in affiliates: 13.2 billion yen
Payments for purchase property, plant and equipment: -7.7 billion yen

✓ Cash used in financing activities: 6.8 billion yen
[Main factors]
Payments of cash dividends: -9.4 billion yen
Repayment of long-term borrowings: -12.6 billion yen
Redemption of bonds: -2.7 billion yen
Proceeds from short-term borrowings: 12.8 billion yen
Proceeds from long-term borrowings: 5.1 billion yen

Orders and Sales by Industry (Consolidated)

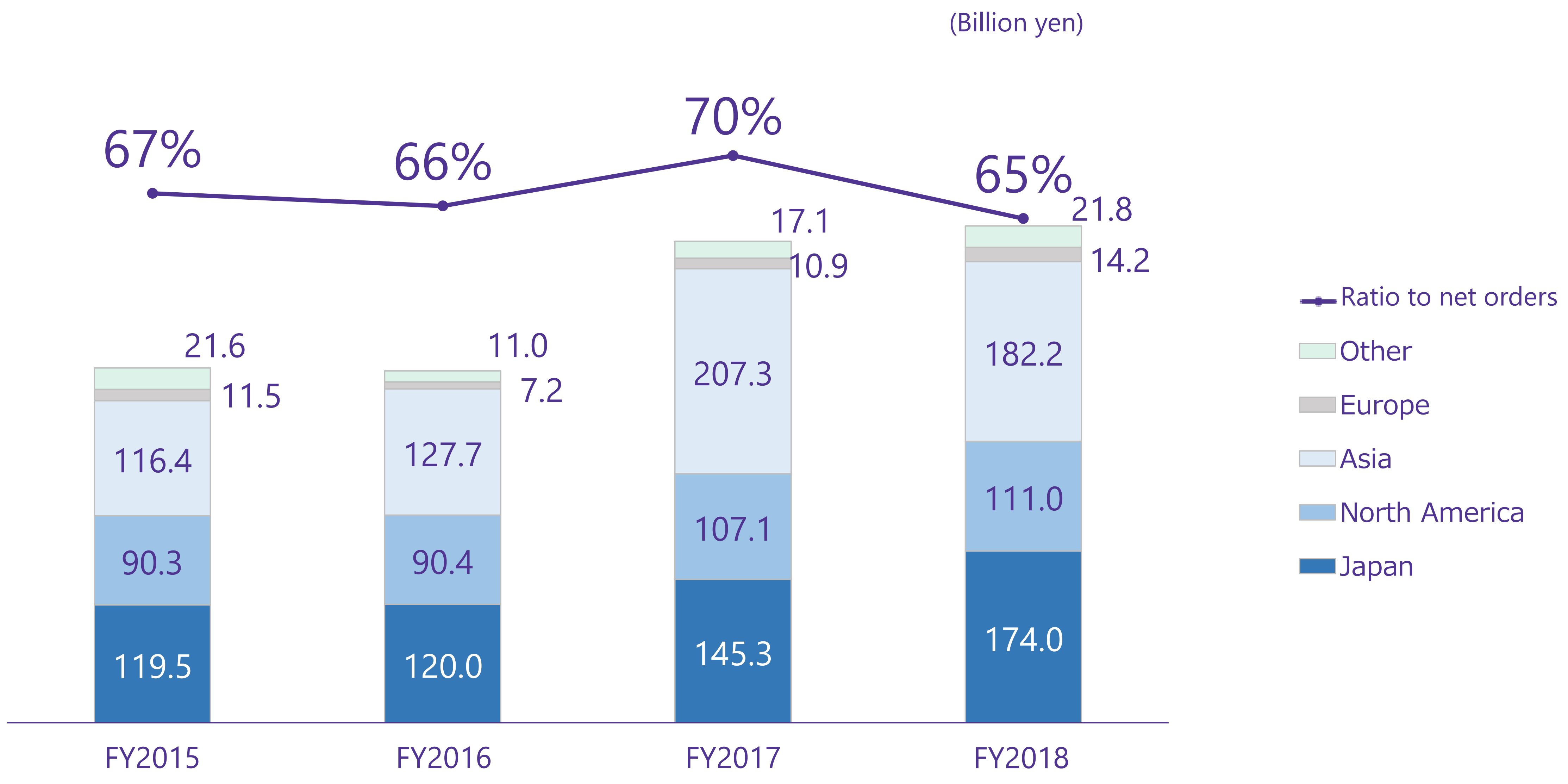
(Billion yen)

Industry	Orders FY2017 Orders	Orders FY2017 Composition	Orders FY2018 Orders	Orders FY2018 Composition	Sales FY2017 Sales	Sales FY2017 Composition	Sales FY2018 Sales	Sales FY2018 Composition
Automobile, auto parts	70.18	14.4%	**68.75**	**13.7%**	73.55	18.2%	**68.67**	**14.9%**
Electronics	186.15	38.1%	**171.33**	**34.0%**	145.53	35.9%	**189.98**	**41.3%**
Commerce, retail	93.88	19.2%	**95.11**	**18.9%**	72.17	17.8%	**71.74**	**15.6%**
Transportation, warehousing	16.96	3.5%	**43.58**	**8.7%**	20.43	5.0%	**29.04**	**6.3%**
Machinery	8.66	1.8%	**13.90**	**2.8%**	6.47	1.6%	**9.31**	**2.0%**
Chemicals, pharmaceuticals	13.60	2.8%	**15.20**	**3.0%**	14.47	3.6%	**14.15**	**3.1%**
Food	9.35	1.9%	**12.60**	**2.5%**	12.05	3.0%	**11.87**	**2.6%**
Iron, steel, nonferrous metals	4.25	0.9%	**5.85**	**1.2%**	3.78	0.9%	**4.59**	**1.0%**
Precision machinery, printing, office equipment	9.91	2.0%	**11.96**	**2.4%**	5.33	1.3%	**6.47**	**1.4%**
Airport	47.38	9.7%	**47.91**	**9.5%**	30.13	7.4%	**35.54**	**7.7%**
Other	27.61	5.7%	**17.17**	**3.3%**	20.95	5.3%	**18.06**	**4.1%**
Total	487.97	100.0%	**503.39**	**100.0%**	404.92	100.0%	**459.48**	**100.0%**

- ✓ Orders from the transportation and warehousing sectors more than doubled year on year. Orders from the machinery sector were also favorable.

- ✓ Sales were driven by the electronics sector. The transportation, warehousing, and airport sectors were also favorable.

Orders by Region (Consolidated)



	FY2015	FY2016	FY2017	FY2018
Non-Japan Total	239.9	236.4	342.5	329.3

Orders by Region (Consolidated)

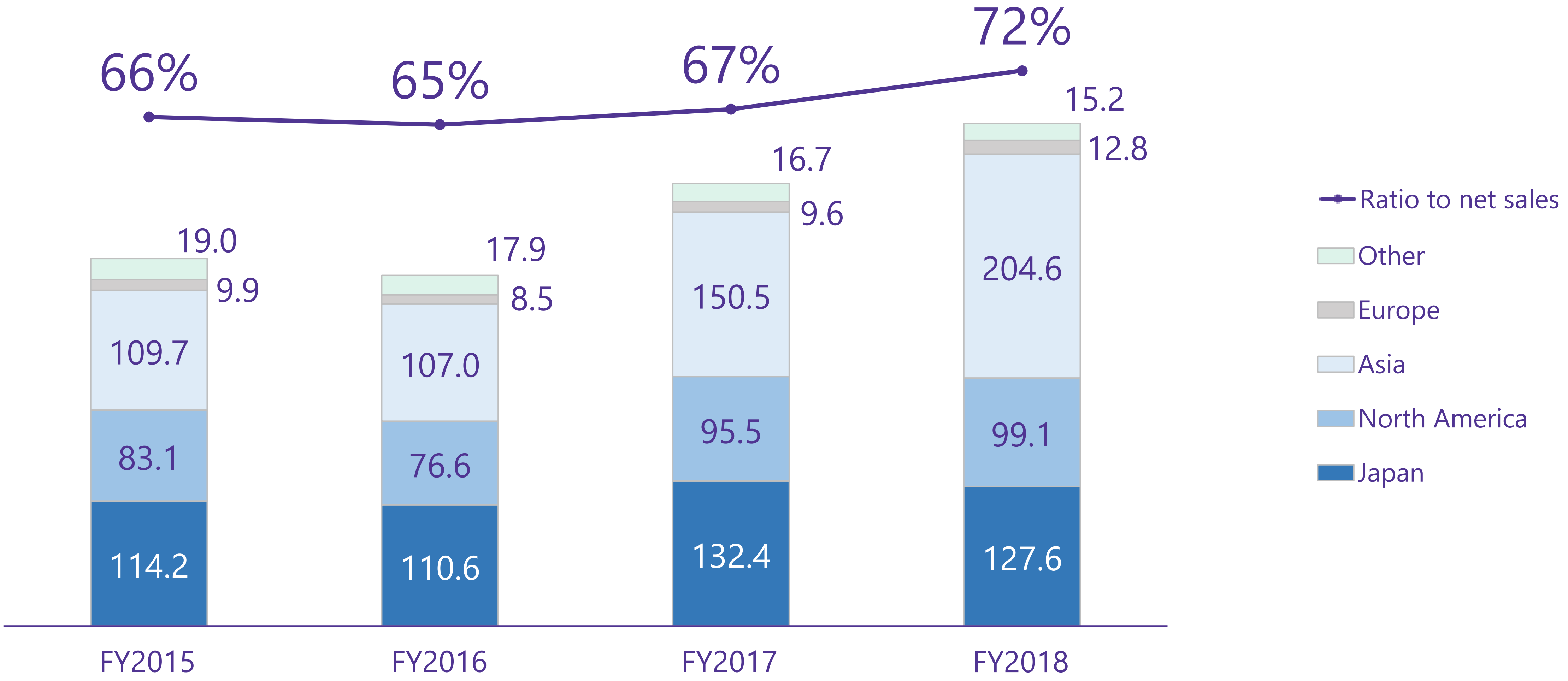
(Billion yen)

Region			FY2015		FY2016		FY2017		FY2018	
			Orders	Composition	Orders	Composition	Orders	Composition	Orders	Composition
Japan			119.51	33.3%	120.03	33.7%	145.37	29.8%	**174.01**	**34.6%**
Non-Japan			239.91	66.7%	236.48	66.3%	342.59	70.2%	**329.38**	**65.4%**
	North America		90.31	25.1%	90.46	25.5%	107.17	22.0%	**111.04**	**22.0%**
	Asia		116.42	32.4%	127.77	35.8%	207.33	42.5%	**182.20**	**36.2%**
		China	43.93	12.2%	55.36	15.5%	115.91	23.8%	**88.96**	**17.7%**
		South Korea	33.01	9.2%	35.03	9.8%	64.85	13.3%	**50.16**	**10.0%**
		Taiwan	27.54	7.7%	25.10	7.0%	12.66	2.6%	**27.62**	**5.5%**
		Other	11.92	3.3%	12.26	3.5%	13.89	2.8%	**15.45**	**3.0%**
	Europe		11.52	3.2%	7.23	2.0%	10.96	2.2%	**14.26**	**2.8%**
	Latin America		7.31	2.0%	2.65	0.7%	7.99	1.6%	**9.42**	**1.9%**
	Other		14.33	4.0%	8.36	2.3%	9.12	1.9%	**12.44**	**2.5%**
Total			359.42	100.0%	356.51	100.0%	487.97	100.0%	**503.39**	**100.0%**

- ✓ Orders in Japan increased significantly.
- ✓ Orders continued to exceed 100 billion yen in North America.
- ✓ In Asia, orders from the electronics sector slightly fell.

Sales by Region (Consolidated)

(Billion yen)



	FY2015	FY2016	FY2017	FY2018
Non-Japan Total	221.9	210.1	272.4	331.8

Sales by Region (Consolidated)

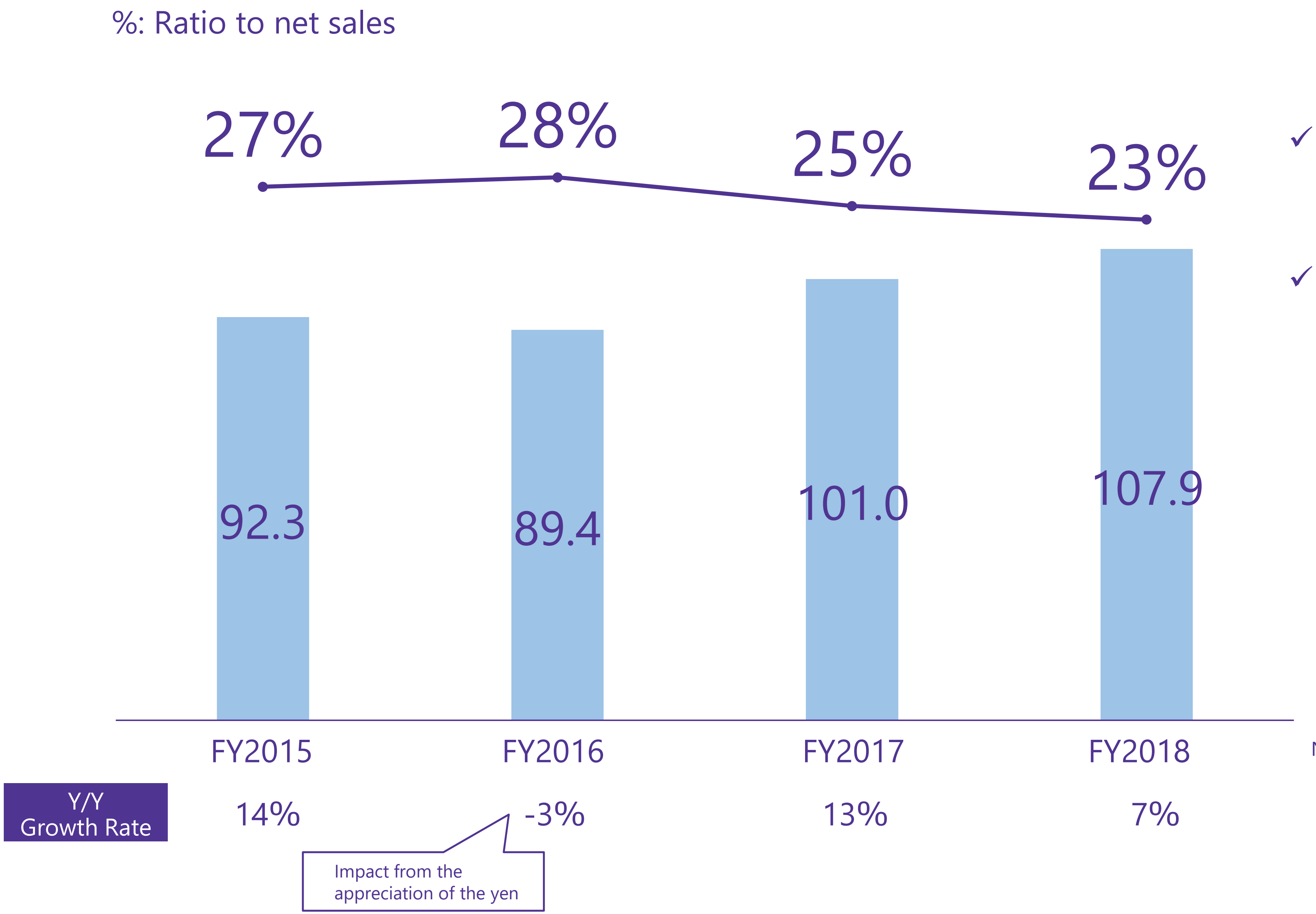
(Billion yen)

Region			FY2015		FY2016		FY2017		FY2018	
			Sales	Composition	Sales	Composition	Sales	Composition	Sales	Composition
Japan			114.21	34.0%	110.67	34.5%	132.46	32.7%	**127.60**	**27.8%**
Non-Japan			221.96	66.0%	210.14	65.5%	272.45	67.3%	**331.88**	**72.2%**
	North America		83.17	24.7%	76.62	23.9%	95.50	23.6%	**99.11**	**21.6%**
	Asia		109.79	32.7%	107.00	33.3%	150.53	37.2%	**204.62**	**44.5%**
		China	39.58	11.8%	36.86	11.5%	72.56	17.9%	**111.33**	**24.2%**
		South Korea	34.45	10.2%	32.27	10.0%	50.84	12.6%	**56.74**	**12.3%**
		Taiwan	23.37	7.0%	27.84	8.7%	15.55	3.8%	**21.17**	**4.6%**
		Other	12.37	3.7%	10.02	3.1%	11.58	2.9%	**15.37**	**3.4%**
	Europe		9.92	3.0%	8.57	2.7%	9.67	2.4%	**12.85**	**2.8%**
	Latin America		2.70	0.8%	4.09	1.3%	6.12	1.5%	**6.06**	**1.3%**
	Other		16.35	4.8%	13.84	4.3%	10.61	2.6%	**9.22**	**2.0%**
Total			336.18	100.0%	320.82	100.0%	404.92	100.0%	**459.48**	**100.0%**

- ✓ The non-Japan sales ratio to total sales reached 72%, exceeding the medium-term business plan target of 70%.
- ✓ Sales in Asia remained favorable.

Service Sales (Consolidated)

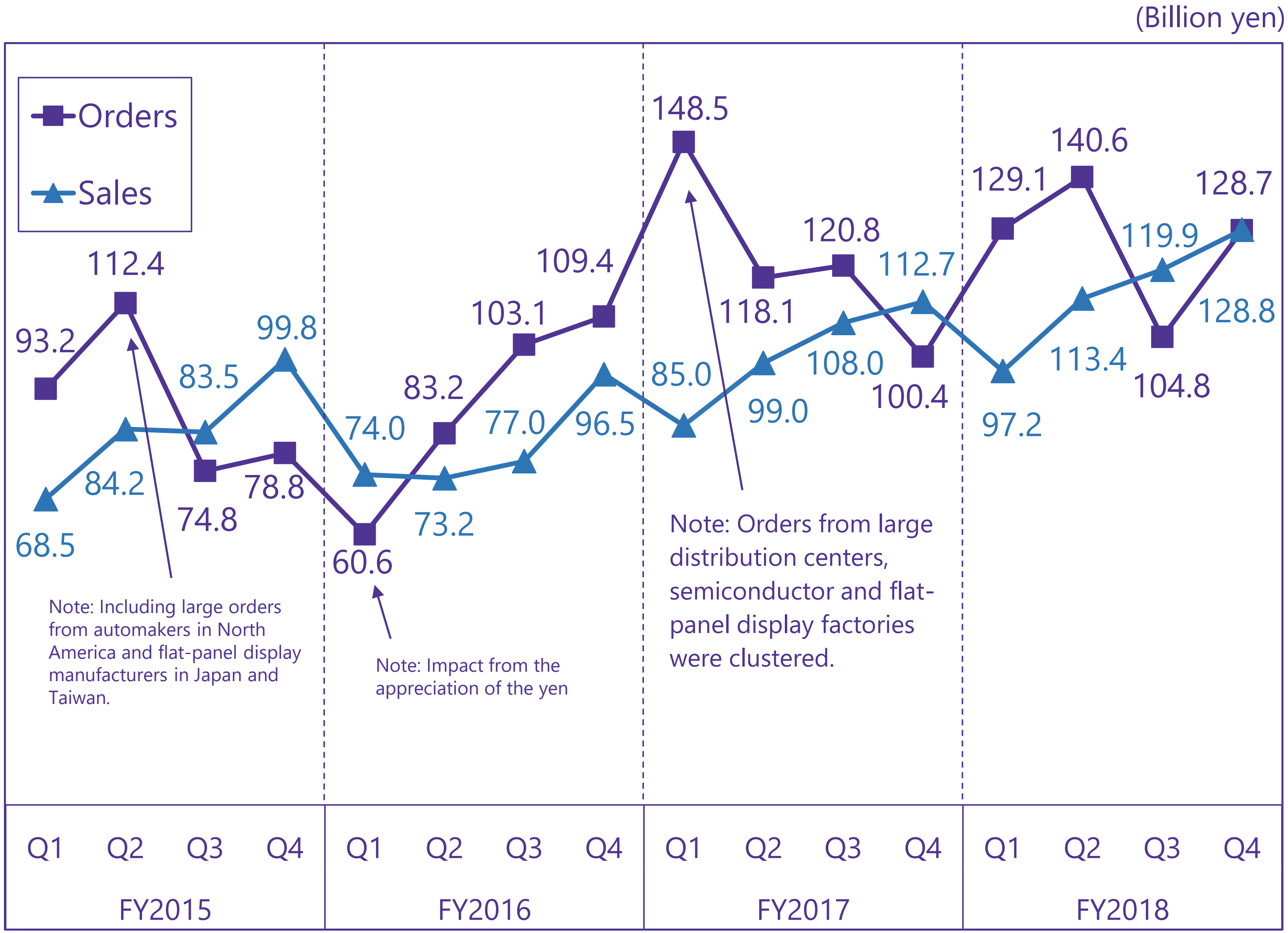
(Billion yen)



- ✓ Service sales continued to exceed 100 billion yen.
- ✓ The ratio of service sales to net sales is declining due to an increase in net sales.

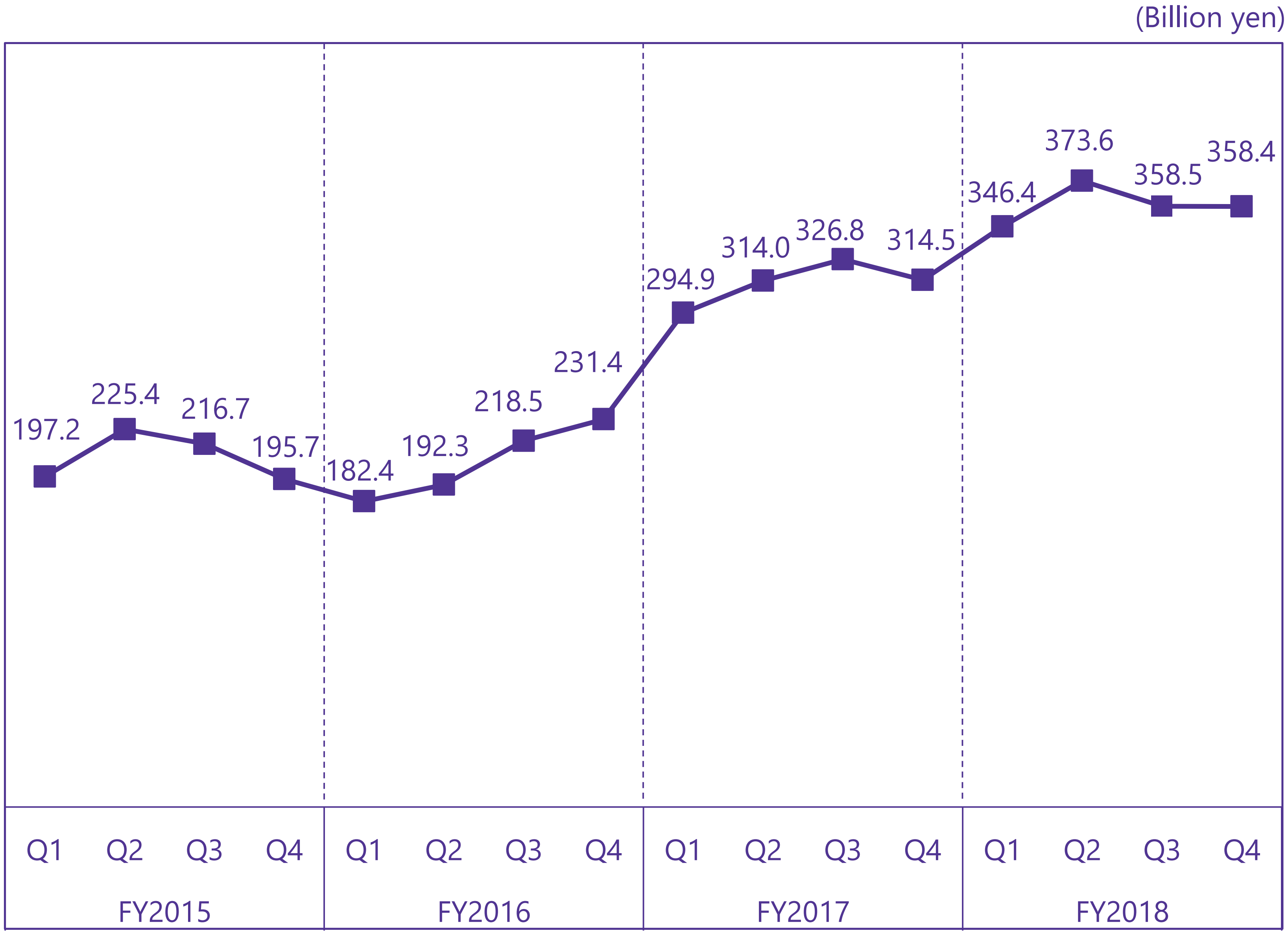
Note: Sales in the service business include maintenance, retrofitting, and remodeling work for products and systems Daifuku delivered.

Quarterly Orders and Sales (Consolidated)



- ✓ Along with strong orders, quarterly orders and sales have exceeded 100 billion yen since Q2.

Order Backlogs (Consolidated)



- ✓ The backlog at the end of FY2018 remained at 358.4 billion yen, an increase of 43.9 billion yen year on year.
- ✓ FY2019 sales are expected to remain high, backed by an extensive backlog.

FY2019 Forecast (Consolidated)

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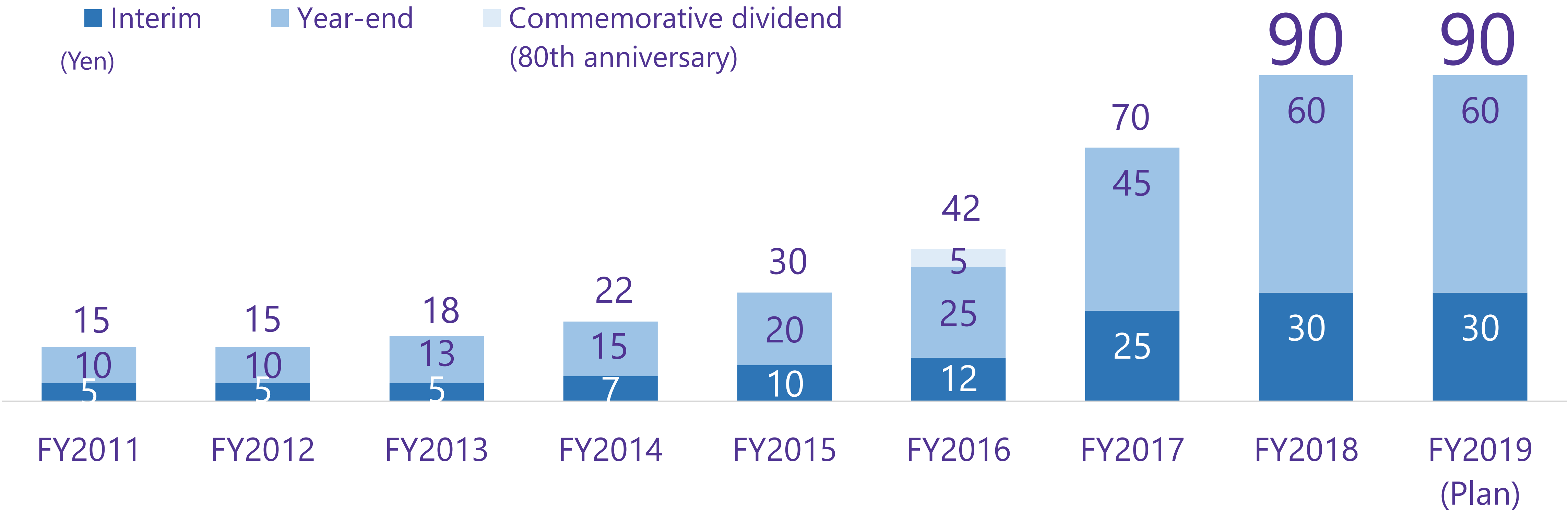
(Billion yen)

	FY2018 H1	FY2019 H1	Year-on-year	FY2018	FY2019	Year-on-year
Orders	269.83	**280.0**	3.8%	503.39	**530.0**	5.3%
Net sales	210.71	**230.0**	9.2%	459.48	**480.0**	4.5%
Operating income	23.11	**23.0**	-0.5%	54.68	**52.8**	-3.4%
Ordinary income	23.75	**23.4**	-1.5%	55.84	**53.5**	-4.2%
Net income attributable to shareholders of the parent company	21.79	**16.3**	-25.2%	39.56	**38.2**	-3.5%
Net income per share	173.31 yen	**129.58 yen**	-	314.54 yen	**303.67 yen**	-

- ✓ The environment for orders is expected to support sustainable growth.
- ✓ Strengthening of production capacity is planned around the world, in response to increasing orders.

Increase of dividends for the sixth consecutive fiscal year, by 20 yen from the previous year

Daifuku has decided to pay a FY2018 annual dividend of 90 yen, an increase of 5 yen, based on a dividend policy that targets a consolidated payout ratio of 30%. The FY2019 annual dividend is planned to be 90 yen.



Liabilities, Expenses, Employees (Consolidated)

Interest-bearing liabilities

(Billion yen)

		FY2015	FY2016	FY2017	FY2018
	Short-term	8.7	21.6	19.9	**19.4**
	Long-term	32.2	18.1	18.0	**20.5**
Total		40.9	39.7	37.9	**40.0**
D/E ratio		0.32	0.29	0.20	**0.18**

Expenses and employees

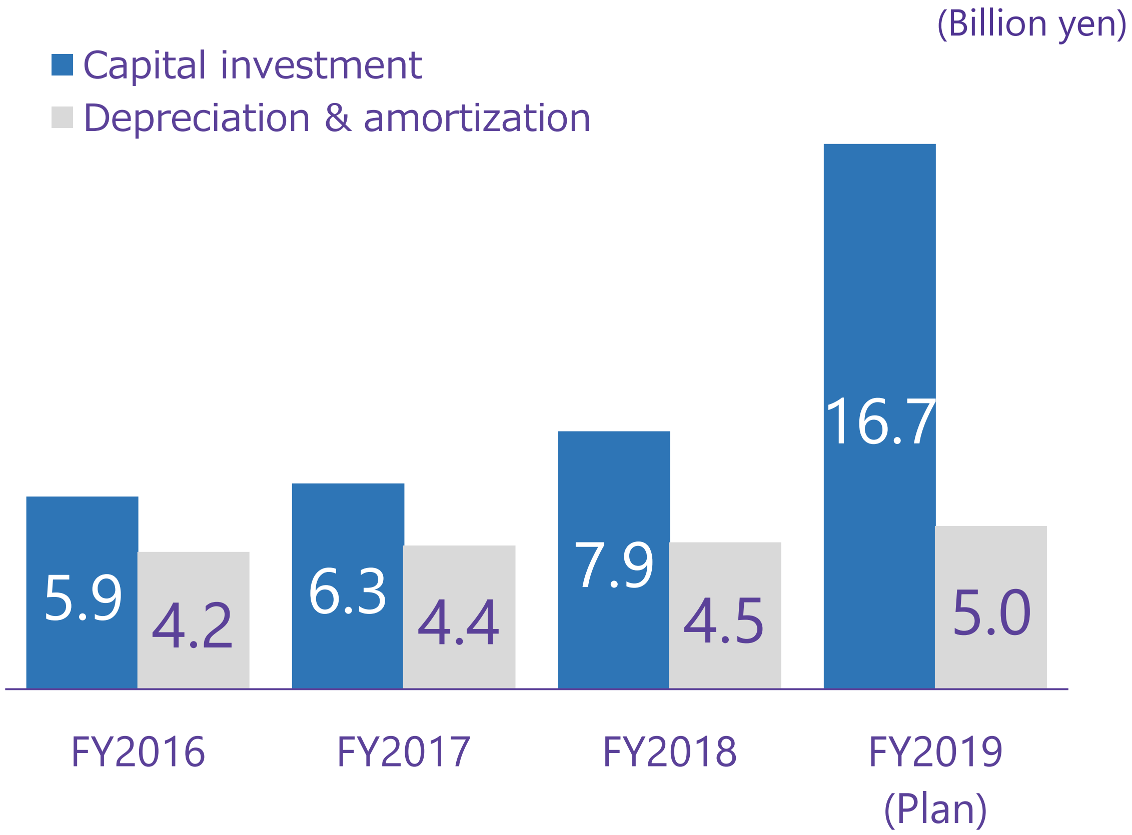
		FY2015	FY2016	FY2017	FY2018
Fixed cost		97.3	93.4	107.7	**119.3**
	Personnel expenses	64.6	64.9	73.0	**76.8**
Employees (year-end)		7,835	8,689	9,193	**9,857**
	Outside of Japan	4,758	5,536	5,936	**6,459**

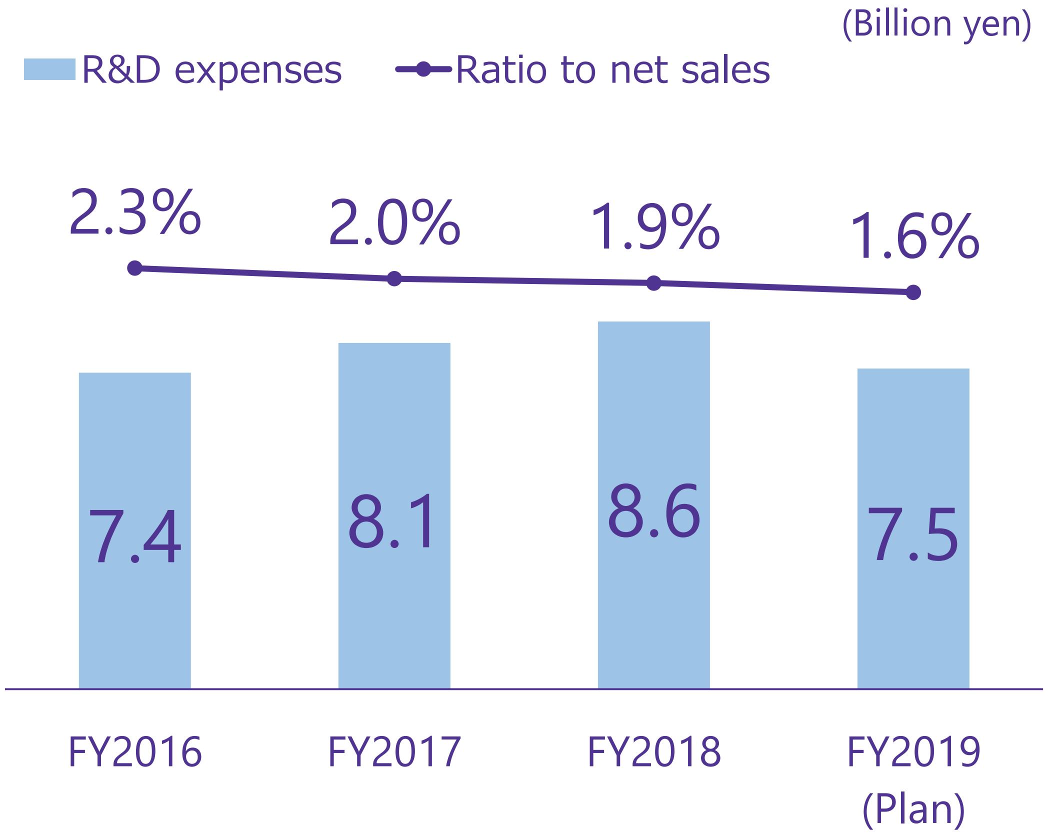
D/E ratio = interest-bearing liabilities / shareholders' equity (end of year)

- ✓ A stronger financial structure with a D/E ratio below 0.2.
- ✓ The number of employees increased by 664 from the end of the previous fiscal year; of which, the number of non-Japan employees rose by 523.

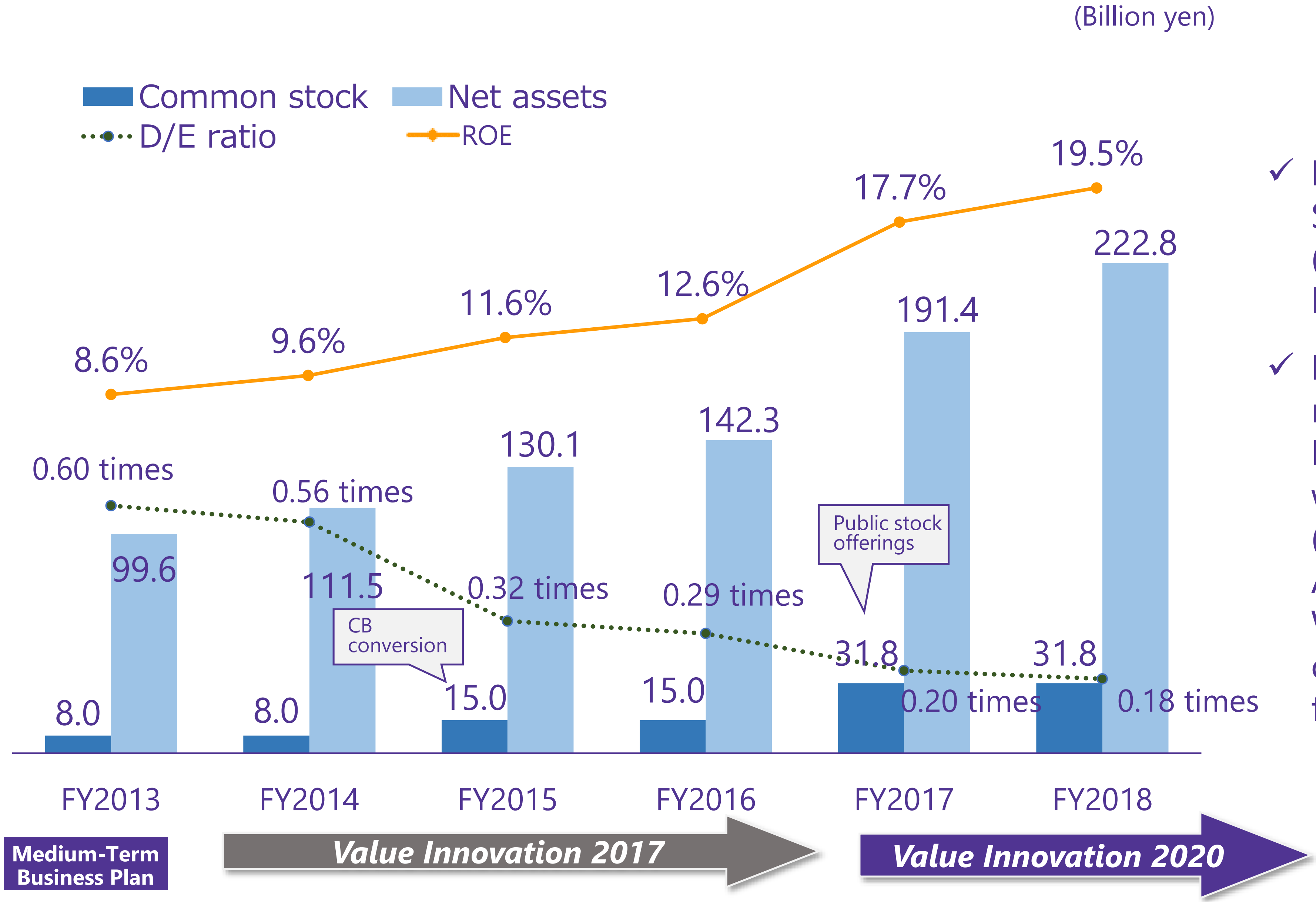
Financial Standing (Consolidated)

- ✓ CAPEX of 16.7 billion yen is planned for FY2019. Production capacity is projected to strengthen around the world.
- ✓ Depreciation has remained mostly at the same level.





Financial Strategy



- ✓ ROE:
  Secure 10% or higher (current medium-term business plan target)
- ✓ Daifuku's corporate credit rating upgraded:
  In October 2017, the rating was upgraded from "A-" (single A minus) to "A" (single A).
  We aim to further raise our corporate credit rating in the future.

Factors for Increasing ROE

	FY2015	FY2016	FY2017	**FY2018**
ROE *1	11.6%	12.6%	17.7%	**19.5%**
1) Return on sales	4.06%	5.22%	7.16%	**8.61%**
2) Total asset turnover (times)	1.19	1.07	1.20	**1.17**
3) Financial leverage (times)	2.33	2.18	1.99	**1.87**

- ✓ ROE remains 10% or higher.
- ✓ Driven mainly by an improved return on sales (profitability).

*1 ROE = net income / shareholders' equity (average of beginning and end of year) × 100

= 1) Return on sales × 2) Total asset turnover × 3) Financial leverage = $\frac{\text{Net income}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Total assets (average of beginning and end of year)}} \times \frac{\text{Total assets (end of year)}}{\text{Equity (end of year)}}$

Daifuku Assents to the TCFD* Recommendations

Daifuku has established the Environmental Enhancement Management Committee to develop and promote environmental management strategies aimed at achieving a decarbonized society and the sustainable development goals (SDGs). On May 10, as part of these strategies, the Company announced its assent to the recommendations from the TCFD. The Company will analyze risks and opportunities climate change might pose to its business across the globe and disclose related information in accordance with the TCFD Recommendations framework.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

*TCFD: Task Force on Climate-related Financial Disclosures, an organization established by the Financial Stability Board, an international organization comprising representatives from central banks, financial supervisory authorities and finance ministries of major countries and regions

Solar panels installed within Daifuku's Shiga Works

Daifuku acquires India's material handling system manufacturer to strengthen a localized framework

Daifuku completed its acquisition of India-based Vega Conveyors and Automation Private Limited, a material handling system manufacturer, in April 2019. With the robust growth of the Indian economy bringing a surge in needs for automation within the manufacturing and logistics sectors, the Company will aim to strengthen the local production framework to expand the Factory and Distribution Automation (FA&DA) business in the Asian market, including India.

Vega Conveyors and Automation's main office and factory (Hyderabad, India)

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Cautionary Statement with Respect to Forward-Looking Statements

The strategies, beliefs and plans related to future business performance as described in this document are not established facts. They are business prospects based on the assumptions and beliefs of the management team judging from the most current information, and therefore, these prospects are subject to potential risks and uncertainties. Due to various crucial factors, actual results may differ materially from these forward-looking statements. These crucial factors that may adversely affect performance include 1) consumer trends and economic conditions in the Daifuku Group's operating environment; 2) the effect of yen exchange rates on sales, assets and liabilities denominated in U.S. dollars and other currencies; 3) the tightening of laws and regulations regarding safety and other matters that may lead to higher costs or sales restrictions; and 4) the impact of natural disasters and intentional threats, war, acts of terrorism, strikes, and plagues. Moreover, there are other factors that may adversely affect the Group's performance.