DAIFUKU

Consolidated Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2015 [Japan GAAP]

Prepared in accordance with accounting principles generally accepted in Japan

Translated from the original Japanese-language document

February 10, 2015

Daifuku Co., Ltd.
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Scheduled date for filing quarterly financial report: February 13, 2015
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 2014

(April 1, 2014 - December 31, 2014)

(1) Operating Results (Figures in percentages denote the year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First 3 quarters of fiscal 2014	**186,305**	**7.8**	**9,174**	**0.8**	**10,013**	**3.7**	**6,573**	**11.4**
First 3 quarters of fiscal 2013	172,794	19.5	9,099	89.3	9,655	112.2	5,902	123.4

Note: Comprehensive income
First three quarters of fiscal 2014: 9,900 million yen (-23.7%)
First three quarters of fiscal 2013: 12,977 million yen (196.4 %)

	Net income per share	Diluted net income per share
	Yen	Yen
First 3 quarters of fiscal 2014	**59.36**	**53.99**
First 3 quarters of fiscal 2013	53.35	51.65

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
First 3 quarters of fiscal 2014	**254,878**	**107,780**	**41.0**
Fiscal 2013	249,531	99,690	38.8

Reference: Shareholders' equity
First three quarters of fiscal 2014: 104,401 million yen
Fiscal 2013: 96,842 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 2013	–	5.00	–	13.00	18.00
Fiscal 2014	–	7.00	–		
Fiscal 2014 (forecast)				**13.00**	**20.00**

Note: Revisions to the latest dividend forecast: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2015
(April 1, 2014- March 31, 2015)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	270,000	11.7	14,500	15.5	15,300	16.0	9,200	18.9	83.09

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: 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

Third quarter of fiscal 2014:	**113,671,494 shares**
Fiscal 2013:	113,671,494 shares

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

Third quarter of fiscal 2014:	**2,882,951 shares**
Fiscal 2013:	3,012,390 shares

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

First three quarters of fiscal 2014:	**110,724,219 shares**
First three quarters of fiscal 2013:	110,643,377 shares

Note: The number of treasury stock at the end of the first three quarters of the fiscal year ending March 31, 2015 includes 291,100 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, 2014 included 423,000 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, 2015."

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

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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 faced concerns stemming from a slowdown in economic growth in China and other emerging countries, while European economies continued to struggle. Meanwhile, the U.S. economic recovery grew steadier and the Japanese economy maintained a slow recovery from the impact of the consumption tax increase, bolstered by lower crude oil prices.

In the material handling and logistics industry, demand from the e-commerce sector has been increasing worldwide. In addition, demand for automated facilities is rising to overcome the on-site issue of labor shortages in Japan.

Amid these conditions, the operating results of the Daifuku Group made smooth progress almost as planned.

Orders, mainly for systems for manufacturers and distributors outside of Japan, increased. In North America, Wynright Corporation, which joined the Group in October 2013, has contributed to earnings. A large order from the e-commerce sector in South Korea, which was received in the second quarter of the fiscal year under review, also contributed to earnings.

Sales were favorable, underpinned by systems for manufacturers, distributors, and automobile factories in North America, as well as systems for flat-panel display (FPD) factories in China.

Specifically, the Group received orders of 212,335 million yen, up 10.3% from a year earlier, and recorded net sales of 186,305 million yen, up 7.8%.

In terms of profits, both strong sales posted by Contec Co., Ltd. and positive results recorded by non-Japanese subsidiaries that sell systems for automobile, semiconductor and FPD factories in North America and Asia contributed to earnings. Consequently, the Group posted operating income of 9,174 million yen, up 0.8% from a year earlier, and ordinary income of 10,013 million yen, up 3.7%, due to a decrease in interest expenses. Net income was 6,573 million yen, up 11.4%, reflecting extraordinary income from the sale of assets.

Results by reportable segment are described below. Orders from and sales to outside customers are described as segment orders and sales, and net income is recorded as segment income. For more details about segments, please see “Segment Information” below.

Daifuku Co., Ltd.

<Orders>

In our mainstay systems for manufacturers and distributors, orders for large projects remained firm in the distribution, pharmaceutical, and food sectors. In addition, large orders from the e-commerce sector outside of Japan contributed to earnings.

In systems for semiconductor and FPD factories, orders from semiconductor factories in the United States and FPD factories in China were firm.

Orders for automobile production line systems remained firm mainly in emerging countries, including Russia and Brazil. In Japan, orders for service and small upgrade projects were also firm.

<Sales>

In systems for manufacturers and distributors, sales remained firm in the food and pharmaceutical wholesaling sectors. In addition, sales of large systems for the e-commerce and supermarket sector contributed to earnings.

Sales of systems for semiconductor factories increased in the United States and South Korea. Also, sales of systems for FPD factories increased in China.

Sales of automobile production line systems were mostly in Japan and emerging countries.

Sales of car wash machines remained firm, mainly for car service stations.

<Income>

Segment income benefited from the Company's stable cost-cutting efforts in production and the increased sales in systems for FPD factories, in particular.

As a result, Daifuku recorded orders of 93,332 million yen, up 11.0% from the previous fiscal year, net sales of 77,347 million yen, down 2.4%, and segment income of 4,053 million yen, up 12.4%.

Contec Group (Contec Co., Ltd. and its subsidiaries)

In the Japanese market, sales of measuring and control boards and industrial-use computers remained firm, backed by increased capital investment. In addition, in the U.S. market, demand from the medical device sector was firm. Accordingly, sales of industrial-use computers, with a focus on embedded PCs for medical devices, increased. Profits increased significantly, mainly due to increased sales and extraordinary income from the sale of assets.

As a consequence, Contec posted orders of 11,748 million yen, up 3.6% from the previous fiscal year, net sales of 10,709 million yen, up 12.9%, and segment income of 646 million yen, up 81.3%.

Daifuku Webb Group (Daifuku Webb Holding Company and its subsidiaries and affiliates)

In systems for manufacturers and distributors, Daifuku Webb received large orders from the food, apparel and department store sectors. About 14.3 billion yen of orders and about 17.8 billion yen of sales of

Wynright, which joined the Group in October 2013, significantly contributed to earnings. The production and sales frameworks for these systems were completely integrated into Wynright. Daifuku Webb will pursue the benefits of collaboration within the Group.

In systems for the semiconductor sector, sales of nitrogen purge stockers were favorable.

In automobile production line systems, orders and sales in both new installations and services remained favorable, thanks to brisk capital investment among automakers in North America, including Detroit's Big Three and Japanese automakers.

In airport baggage handling systems, orders hit a wall but are now on a recovery trend.

As a result, Daifuku Webb achieved orders of 58,893 million yen, up 40.6% year on year, net sales of 58,101 million yen, up 73.2%, and segment income of 1,208 million yen, up 12.1%.

In January 2015, Daifuku Webb Holding Company changed its company name to Daifuku North America Holding Company, with the aim of moving further ahead in businesses in North America.

Other

The Other segment includes all other Daifuku Group companies, excluding the aforementioned three segments. The Group has 62 consolidated subsidiaries and affiliates located in Japan and overseas. Major Japanese subsidiaries in this segment include Daifuku Plusmore Co., Ltd., which sells car wash machines and bowling-related products.

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 sell and manufacture material handling systems and equipment. These companies have been boosting exports to overseas markets, playing a global role in the optimal local production and procurement framework of the Group.

In China, orders for systems for FPD factories were brisk. Sales of systems for Japanese and foreign-affiliated automobile factories remained firm. In systems for manufacturers and distributors, orders included systems for the large parts center of a non-Chinese automaker, as well as pharmaceutical manufacturers and wholesalers. More large orders from the food sector are projected to be posted in the fourth quarter of the fiscal year under review.

In Taiwan, Taiwan Daifuku improved profitability in its role as a producer of systems for FPD factories in China, where large orders have continued, despite weakness in domestic demand.

In South Korea, orders from semiconductor manufacturers were firm. In automobile production line systems, Daifuku Korea steadily received orders for facility upgrades, despite the slowdown in investments for new factory constructions in consequence of the deteriorating export environment associated with the appreciation of the Korean won.

In Thailand, Indonesia, and Malaysia, orders grew at a sluggish pace under unfavorable business sentiment. In consideration of Southeast Asia's potential, however, the Daifuku Group will continue to strengthen its local operating frameworks and its social presence through local trade fairs, seeking orders from automobile factories that need to upgrade or replace their facilities, as well as to meet demand for low-temperature logistics in the food and beverage sectors.

In New Zealand, the acquisition of BCS Group Limited, which sells airport baggage handling systems, was completed at the end of December 2014. Accordingly, the balance sheets of BCS's 12 group companies were consolidated into the results of the first three quarters of the fiscal year under review.

Daifuku's subsidiaries that manufacture and sell airport baggage handling systems have been operating in North America and Europe. Looking ahead, in addition to these regions, the Daifuku Group will strive to expand this business and increase profitability in further collaboration with BCS group companies that operate in the Asia-Pacific region.

Consequently, the segment received orders of 48,361 million yen, down 12.2% from the previous fiscal year, net sales of 43,508 million yen, down 7.3%, and posted segment income of 2,660 million yen, up 15.1%.

(2) Financial position

Assets

Total assets at the end of the first three quarters of the fiscal year under review stood at 254,878 million yen, an increase of 5,346 million yen from the end of the previous fiscal year. This result was principally a reflection of the collection of 9,587 million yen in notes and accounts receivable and unbilled receivables, offset by increases of 7,051 million yen in costs on uncompleted contracts and 4,964 million yen in other current assets such as insufficient charges on uncompleted contracts.

Liabilities

Total liabilities amounted to 147,097 million yen, a decrease of 2,743 million yen from the end of the previous fiscal year. Primary factors included a decrease of 5,738 million yen in notes and accounts payable and construction contracts payable.

Net assets

Net assets were 107,780 million yen, an increase of 8,090 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 4,378 million yen in retained earnings, as well as an increase of 3,015 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, 2015

The Daifuku Group has revised its full-year earnings forecasts for the fiscal year ending March 31, 2015, which was announced on May 14, 2014, following favorable results at non-Japanese subsidiaries, which are engaged in systems for automobile factories in North America and systems for semiconductor and FPD factories in Asia. The Group has also revised its orders forecast from the previously announced 290 billion yen to 300 billion yen, given the increased orders for systems for semiconductor factories in Asia. Details are as follows:

Revisions to the earnings forecast for the fiscal year ending March 31, 2015 (April 1, 2014- March 31, 2015)

(Million yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
Previous forecast (A)	270,000	14,000	14,300	8,800	79.49
Current forecast (B)	270,000	14,500	15,300	9,200	83.09
Change (B – A)	–	500	1,000	400	–
Rate of change (%)	–	3.6	7.0	4.5	–
Reference: Results for fiscal year ended March 31, 2014	241,811	12,556	13,191	7,740	69.96

*Disclaimer

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.

2. Matters Relating to Summary Information (Notes)

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

Changes in Accounting Policies

Application of accounting standards for retirement benefits

The Company applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26; May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25; May 17, 2012), in accordance with the provisions of the main clauses of Article 35 of the Accounting Standard for Retirement Benefits and Article 67 of the Guidance on Accounting Standard for Retirement Benefits, from the first quarter under review. Consequently, the Company changed the method for attributing projected benefits to periods, switching from the straight-line basis to the benefit formula basis, in line with the revision of the method of calculating retirement benefit obligations and service costs. With respect to the period of bonds used as a basis for determining the discount rate, the Company changed from the method of determination based on a number of years similar to the average remaining service period of employees to the method of using a single weighted-average discount rate that reflects the periods until the expected payment of retirement benefits and the amount of projected benefits each period.

With regard to the application of the Accounting Standard for Retirement Benefits, etc., in accordance with the transitional treatment provided in Article 37 of the Accounting Standard for Retirement Benefits, the effect of changing the method of calculating retirement benefit obligations and service costs was recognized by adjusting retained earnings at the beginning of the first half of the fiscal year under review.

The impact of these changes on profit and loss was immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	FY2013 (Year ended March 31, 2014)	First three quarters of FY2014 (Period ended December 31, 2014)
ASSETS		
Current assets:		
Cash on hand and in banks	52,132	49,348
Notes and accounts receivable and unbilled receivables	74,217	64,629
Merchandise and finished goods	3,307	3,869
Costs incurred on uncompleted construction contracts and other	6,599	13,651
Raw materials and supplies	10,475	11,532
Other current assets	24,186	29,150
Allowance for doubtful accounts	(137)	(167)
Total current assets	170,781	172,013
Non-current assets:		
Property, plant and equipment	34,075	34,065
Intangible assets		
Goodwill	10,139	12,834
Other	4,716	5,678
Total intangible assets	14,856	18,513
Investments and other assets		
Other	29,949	30,415
Allowance for doubtful accounts	(131)	(130)
Total investments and other assets	29,817	30,284
Total non-current assets	78,749	82,864
Total assets	249,531	254,878
LIABILITIES		
Current liabilities:		
Notes and accounts payable and construction contracts payable	36,818	31,080
Electronically recorded obligations - operating	10,061	10,017
Short-term borrowings	7,014	8,114
Income taxes payable	3,991	790
Provision for losses on construction contracts	275	216
Other current liabilities	25,548	32,160
Total current liabilities	83,711	82,379
Non-current liabilities:		
Bonds	2,700	2,700
Bonds with subscription rights to shares	15,131	15,103
Long-term borrowings	33,298	33,889
Liabilities for retirement benefits	8,681	7,464
Other non-current liabilities	6,318	5,561
Total non-current liabilities	66,129	64,718
Total liabilities	149,840	147,097

(Million yen)

	FY2013 (Year ended March 31, 2014)	First three quarters of FY2014 (Period ended December 31, 2014)
NET ASSETS		
Shareholders' equity:		
Common stock	8,024	8,024
Capital surplus	9,239	9,239
Retained earnings	76,009	80,388
Treasury stock	(2,620)	(2,456)
Total shareholders' equity	90,652	95,195
Accumulated other comprehensive income:		
Net unrealized gain on securities	3,102	4,177
Deferred gain (loss) on hedges	(29)	(106)
Foreign currency translation adjustments	5,310	7,381
Accumulated adjustments on retirement benefits	(2,194)	(2,246)
Total accumulated other comprehensive income	6,189	9,205
Minority interests:	2,848	3,379
Total net assets	99,690	107,780
Total liabilities and net assets	249,531	254,878

(2) Consolidated Statements of Income and Comprehensive Income

(Million yen)

	FY2013 First 3Qs (April 1, 2013 - December 31, 2013)	FY2014 First 3Qs (April 1, 2014 - December 31, 2014)
Net sales	172,794	186,305
Cost of sales	139,311	150,357
Gross profit	33,483	35,948
Selling, general and administrative expenses:		
Selling expenses	11,830	12,953
General and administrative expenses	12,553	13,820
Total selling, general and administrative expenses	24,383	26,773
Operating income	9,099	9,174
Other income:		
Interest income	169	116
Dividend income	255	297
Foreign exchange gain	336	150
Rental income	173	131
Refunded foreign taxes	–	168
Other	305	371
Total other income	1,240	1,234
Other expenses:		
Interest expenses	631	346
Miscellaneous expenses	53	49
Total other expenses	684	396
Ordinary income	9,655	10,013
Extraordinary income:		
Gain on sales of property, plant and equipment	4	160
Gain on sales of investments in securities	–	300
Other	0	9
Total extraordinary income	4	471
Extraordinary loss:		
Loss on liquidation of subsidiaries and affiliates	–	157
Loss on disposal and sales of property, plant and equipment	416	75
Special retirement benefit	–	65
Other	30	6
Total extraordinary loss	446	305
Income before income taxes and minority interests	9,212	10,179
Income taxes - current	4,111	2,851
Income taxes - deferred	(976)	491
Total income taxes	3,135	3,343
Income before minority interests	6,077	6,835
Minority interests in net income	174	262
Net income	5,902	6,573

(Million yen)

	FY2013 First 3Qs (April 1, 2013 - December 31, 2013)	FY2014 First 3Qs (April 1, 2014 - December 31, 2014)
Minority interests in net income	174	262
Income before minority interests	6,077	6,835
Other comprehensive income		
Net unrealized gain on securities	1,568	1,046
Deferred gain (loss) on hedges	(56)	(41)
Foreign currency translation adjustments	4,110	1,876
Adjustments on retirement benefits	–	(35)
Share of other comprehensive income of affiliates accounted for by the equity method	1,277	219
Total other comprehensive income	6,899	3,064
Comprehensive income:	12,977	9,900
Comprehensive income attributable to:		
Shareholders of the parent company	12,613	9,588
Minority interests	363	311

Notes on Going Concern Assumption

Not applicable

Notes for a Material Change in the Amount of Shareholders Equity

Not applicable

Segment Information

I. The first three quarters of the previous fiscal year ended March 31, 2014 (from April 1, 2013 to December 31, 2013)

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

(Million yen)

	Reportable Segment				Other*	Total
	Daifuku	Contec	Daifuku Webb	Total		
Net sales						
Sales to outside customers	79,254	9,484	33,547	122,285	46,926	169,212
Inter-segment sales or transfers	20,270	6,568	1,347	28,187	10,791	38,978
Total	99,524	16,053	34,894	150,472	57,718	208,190
Segment income	3,605	356	1,077	5,039	2,311	7,351

* "Other" represents an operating segment comprising subsidiaries that are not 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	150,472
Net sales classified in "Other"	57,718
Elimination of inter-segment transactions	(38,978)
Adjustment for consolidation of sales on the percentage-of-completion basis	4,016
Other adjustments for consolidation	(434)
Net sales in quarterly consolidated financial statements	172,794

Segment Income	(Million yen)
Reportable segment total	5,039
Segment income classified in "Other"	2,311
Elimination of dividends from affiliates	(532)
Adjustment for consolidation of sales on the percentage-of-completion basis	(13)
Other adjustments for consolidation	(902)
Segment income in quarterly consolidated financial statements	5,902

3. Information relating to loss on impairment of non-current assets by reportable segment

Not applicable

II. The first three quarters of the fiscal year ending March 31, 2015 (from April 1, 2014 to December 31, 2014)

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

(Million yen)

	Reportable Segment				Other*	Total
	Daifuku	Contec	Daifuku Webb	Total		
Net sales						
Sales to outside customers	77,347	10,709	58,101	146,158	43,508	189,666
Inter-segment sales or transfers	15,718	5,749	208	21,676	11,883	33,559
Total	93,066	16,459	58,310	167,835	55,391	223,226
Segment income	4,053	646	1,208	5,908	2,660	8,568

* "Other" represents an operating segment comprising subsidiaries that are not 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 reconsideration)

Net Sales	(Million yen)
Reportable segment total	167,835
Net sales classified in "Other"	55,391
Elimination of inter-segment transactions	(33,559)
Adjustment for consolidation of sales on the percentage-of-completion basis	(2,751)
Other adjustments for consolidation	(609)
Net sales in quarterly consolidated financial statements	186,305

Segment Income	(Million yen)
Reportable segment total	5,908
Segment income classified in "Other"	2,660
Elimination of dividends from affiliates	(622)
Adjustment for consolidation of sales on the percentage-of-completion basis	(149)
Other adjustments for consolidation	(1,223)
Segment income in quarterly consolidated financial statements	6,573

3. Changes to reportable segments

With the change in the method of calculating retirement benefit obligations and service costs, as stated in Changes in Accounting Policies, the Company changed the method of calculating the retirement benefit obligations and service costs of business segments accordingly.

The impact of these changes on profit and loss was immaterial.

4. Information on impairment loss of property, plant and equipment by reportable segment

Not applicable