

Consolidated Financial Results
for the First Quarter 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

August 8, 2017

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, 2017

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 2017

(April 1, 2017 - June 30, 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 quarter of fiscal 2017	85,063	14.9	6,665	53.6	7,025	64.1	5,029	69.7
First quarter of fiscal 2016	74,034	8.0	4,340	53.7	4,281	29.4	2,963	14.9

Note: Comprehensive income

First quarter of fiscal 2017: 5,393 million yen (—%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
First quarter of fiscal 2017	41.30	—
First quarter of fiscal 2016	24.36	—

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
First quarter of fiscal 2017	309,507	144,052	45.5
Fiscal 2016	303,540	142,340	45.8

Reference: Shareholders' equity

First quarter of fiscal 2017: 140,814 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	—				
Fiscal 2017 (forecast)		20.00	—	32.00	52.00

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
Interim	187,000	27.0	15,000	46.9	15,600	52.1	11,000	55.5	90.32
Full-year	395,000	23.1	30,000	29.9	31,000	30.5	21,000	25.4	172.44

Note: Revisions to the latest earnings 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: 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

First quarter of fiscal 2017:	123,610,077 shares
Fiscal 2016:	123,610,077 shares
 - 2) Number of treasury stock at the end of the period

First quarter of fiscal 2017:	1,826,387 shares
Fiscal 2016:	1,827,904 shares
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

First quarter of fiscal 2017:	121,783,981 shares
First quarter of fiscal 2016:	121,662,320 shares

Note: The number of treasury stock at the end of the first quarter 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 quarter of the fiscal year under review, the global economy benefited from a moderate recovery in developed nations, while facing concerns stemming from a slowdown in many emerging countries. In China, meanwhile, economic growth rate has been recovering, driven by strong consumer spending. The Japanese economy has seen robust exports mainly to China, and the economic outlook including capital spending remains firm.

The Daifuku Group's mainstay material handling systems have seen rising needs, mainly due to global logistics innovation accompanying the growth of e-commerce, industry-wide momentum in automatization, 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 reached a new record high, mainly on the strength of the larger e-commerce distribution centers across the globe, robust capital investment in the semiconductor and FPD sectors, and favorable orders for systems for automobile factories and airports. Sales were positive, underpinned by extensive order backlogs.

Specifically, the Group received orders of 148,575 million yen, up 144.9% from the previous fiscal year, and recorded sales of 85,063 million yen, up 14.9%.

Income surpassed the year-ago figure, reflecting increased earnings strength, mainly from higher sales and cost cutting by the parent company, Daifuku Co., Ltd.

Consequently, the Group posted operating income of 6,665 million yen, up 53.6% from a year earlier, and ordinary income of 7,025 million yen, up 64.1%. Net income attributable to shareholders of the parent company was 5,029 million yen, up 69.7%.

The average exchange rate used for transactions within the Group during the first quarter of the fiscal year under review was 112.82 yen to the U.S. dollar, compared with an exchange rate of 115.07 yen for the same period of the previous fiscal year. As a result, sales declined in value by about 600 million yen compared with the year-ago period; however, there was little impact on operating income. The impact of the stronger yen on orders received during the first quarter of the fiscal year under review reduced the value of orders by about 1,300 million yen, but this was more than offset by the 12,000 million yen impact of foreign currency translation differences on the order backlog at the end of the previous fiscal year, among other factors. Netting these factors, orders were up about 10,700 million yen.

Results by reportable segment are described below. Orders from and sales to outside customers are presented 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 increased number of large projects for systems for distributors in Japan and the significant increase in exports in systems for semiconductor and FPD factories in Asia and North America. In automobile production line systems, orders for services and small upgrade projects remained firm in Japan. Sales were positive, underpinned by an extensive order backlog. Income rose, mainly attributable to the increased sales volume and reduced costs.

As a result, the Company recorded orders of 69,885 million yen, up 128.5% from the previous fiscal year, sales of 38,527 million yen, up 12.3%, and segment income of 4,168 million yen, up 89.1%.

Contec Co., Ltd. and its subsidiaries

In the Japanese market, sales of industrial computers decreased compared with the previous year, due to the small number of large projects; however, sales of IoT related devices remained strong, helped by favorable corporate capital investment. 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 3,225 million yen, down 17.0% from the previous fiscal year, sales of 3,554 million yen, down 3.1%, and segment income of 138 million yen, up 20.7%.

Daifuku North America Holding Company and its subsidiaries and affiliates

Overall, orders were favorable. In particular, orders for systems for semiconductor manufacturers significantly surpassed the initial plan. In systems for manufacturers and distributors as well as systems for automobile production lines, orders remained firm. In airport technologies, the segment received an order for a large project including new facilities and after-sales service. Sales were steady, underpinned by strong orders. Income fell, reflecting deteriorated profitability in certain large projects.

As a result, Daifuku North America achieved orders of 38,875 million yen, up 174.5% from the previous fiscal year, sales of 21,029 million yen, up 7.5%, and segment income of 455 million yen, down 23.7%.

Daifuku Plusmore Co., Ltd.

Daifuku Plusmore mainly sells 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, such as dealers. Income remains sluggish during the first quarter every year, but is expected to rebound during the second or subsequent quarters.

As a result, Daifuku Plusmore reported orders of 3,542 million yen, up 14.7% from the previous fiscal year, sales of 2,498 million yen, up 9.2%, and a segment loss of 17 million yen, an increase of 66 million yen.

Other

The Daifuku Group has a total of 52 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. Each of these companies primarily manufacture and sell material handling systems and equipment, electronic devices, and car wash machines.

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. Each of these companies plays a global role in optimizing the local production and procurement framework of the Group, while also helping to bolster the Group's exports.

In China, the segment is actively seeking orders in response to demand for material handling systems, which is rising rapidly in the e-commerce and other distribution sectors. In automobile production line systems, the segment 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 to shift to eco-friendly electric vehicles. In systems for FPD factories, while demand for OLED is rising, TV panels are growing in size and the segment continues to receive brisk orders, including large projects.

In Taiwan, domestic investment in systems for semiconductor and FPD factories are slowing, but in South Korea, orders for systems for semiconductor factories are strong, reflecting active demand in the semiconductor sector.

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 will win orders by responding to these needs, and Daifuku Thailand will strengthen its production framework to supply to these regions.

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

During the first quarter of the fiscal year under review, as a result of the strong capital investment in the semiconductor and FPD sectors in Asia, the segment recorded orders of 33,045 million yen, up 269.7% from the previous fiscal year, sales of 17,433 million yen, up 9.2%, and segment income of 369 million yen, up 51.0%.

(2) Financial position

Assets

Total assets at the end of the first quarter of the fiscal year under review stood at 309,507 million yen, an increase of 5,967 million yen from the end of the previous fiscal year. The result principally reflected an increase of 2,372 million yen in costs incurred on uncompleted construction contracts, as well as an increase of 1,221 million yen in other current assets.

Liabilities

Total liabilities at the end of the first quarter of the fiscal year under review amounted to 165,455 million yen, an increase of 4,255 million yen from the end of the previous fiscal year. Primary factors included increases of 3,682 million yen in advances received on uncompleted contracts and 1,739 million yen in income taxes payable.

Net assets

Net assets at the end of the first quarter of the fiscal year under review were 144,052 million yen, an increase of 1,711 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 1,371 million yen in retained earnings.

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

Daifuku has revised its interim and full-year earnings forecasts for the fiscal year ending March 31, 2018, which were announced on May 11, 2017, as follows. Specifically, sales and income forecasts have been revised upward, based on strong orders. The production volume will reach a new record high, and accordingly the Group will make full use of the advantageous business environment, such as organic collaboration with production sites located worldwide, strengthening of production capacity outside of Japan, and innovative production making use of digital technology.

Given the favorable results, Daifuku has revised its interim dividend to 20 yen per share, an increase of 5 yen. And the Company will pay a year-end dividend of 32 yen per share, making an annual dividend of 52 yen per share, a new record high. For details, please see the news release "Notice of Revisions to Earnings Forecast and Interim Dividend Forecast" separately announced on August 8, 2017.

Revisions to the interim earnings forecast for the fiscal year ending March 31, 2018

(April 1, 2017 - September 30, 2017)

	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)	180,000	12,600	12,900	9,000	73.94
Current forecast (B)	187,000	15,000	15,600	11,000	90.32
Change (B – A)	7,000	2,400	2,700	2,000	—
Rate of change (%)	3.9%	19.0%	20.9%	22.2%	—
Reference: Interim results for fiscal year ended March 31, 2017	147,264	10,208	10,253	7,072	58.12

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)	380,000	26,600	27,400	19,000	156.09
Current forecast (B)	395,000	30,000	31,000	21,000	172.44
Change (B – A)	15,000	3,400	3,600	2,000	—
Rate of change (%)	3.9%	12.8%	13.1%	10.5%	—
Reference: Results for fiscal year ended March 31, 2017	320,825	23,099	23,760	16,746	137.58

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 interim orders forecast of 210,000 million yen, which was announced on May 11, 2017, to 260,000 million yen, up 23.8%, and revised its full-year orders forecast of 390,000 million yen to 440,000 million yen, up 12.8% for the fiscal year ending March 31, 2018.

2. Matters Relating to Summary Information (Notes)

Not applicable

3. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	FY2016 (Year ended March 31, 2017)	First quarter of FY2017 (Quarter ended June 30, 2017)
ASSETS		
Current assets:		
Cash on hand and in banks	64,802	66,035
Notes and accounts receivable and unbilled receivables	124,005	123,657
Merchandise and finished goods	4,910	4,925
Costs incurred on uncompleted construction contracts and other	8,860	11,232
Raw materials and supplies	9,086	10,087
Other current assets	10,919	12,140
Allowance for doubtful accounts	(116)	(112)
Total current assets	222,468	227,965
Non-current assets:		
Property, plant and equipment	33,586	34,115
Intangible assets		
Goodwill	9,882	9,371
Other	5,548	5,315
Total intangible assets	15,430	14,687
Investments and other assets		
Other	32,187	32,870
Allowance for doubtful accounts	(132)	(131)
Total investments and other assets	32,054	32,738
Total non-current assets	81,071	81,542
Total assets	303,540	309,507
LIABILITIES		
Current liabilities:		
Notes and accounts payable and construction contracts payable	40,311	40,044
Electronically recorded obligations - operating	18,806	20,128
Short-term borrowings	21,647	19,950
Income taxes payable	1,239	2,979
Advances received on uncompleted construction contracts and other	26,313	29,995
Provision for losses on construction contracts	863	775
Other current liabilities	16,885	16,390
Total current liabilities	126,067	130,263
Non-current liabilities:		
Bonds	2,700	2,700
Long-term borrowings	15,422	15,996
Liabilities for retirement benefits	13,486	13,236
Other non-current liabilities	3,522	3,258
Total non-current liabilities	35,132	35,191
Total liabilities	161,199	165,455

(Million yen)

	FY2016 (Year ended March 31, 2017)	First quarter of FY2017 (Quarter ended June 30, 2017)
NET ASSETS		
Shareholders' equity:		
Common stock	15,016	15,016
Capital surplus	15,915	15,915
Retained earnings	107,349	108,721
Treasury stock	(1,586)	(1,584)
Total shareholders' equity	136,694	138,068
Accumulated other comprehensive income:		
Net unrealized gain on securities	4,290	4,766
Deferred gain (loss) on hedges	(5)	(47)
Foreign currency translation adjustments	5,102	4,588
Accumulated adjustments on retirement benefits	(6,989)	(6,562)
Total accumulated other comprehensive income	2,398	2,746
Non-controlling interests:	3,247	3,237
Total net assets	142,340	144,052
Total liabilities and net assets	303,540	309,507

(2) Consolidated statements of income and comprehensive income

(Million yen)

	FY2016 Q1 (April 1, 2016 - June 30, 2016)	FY2017 Q1 (April 1, 2017 - June 30, 2017)
Net sales	74,034	85,063
Cost of sales	59,650	68,405
Gross profit	14,383	16,657
Selling, general and administrative expenses:		
Selling expenses	3,964	4,302
General and administrative expenses	6,078	5,689
Total selling, general and administrative expenses	10,042	9,991
Operating income	4,340	6,665
Other income:		
Interest income	45	41
Dividend income	190	195
Equity in earnings of affiliates	116	93
Foreign exchange gain	—	24
Rental income	58	59
Miscellaneous income	60	69
Total other income	471	483
Other expenses:		
Interest expenses	111	91
Foreign exchange loss	388	—
Miscellaneous expenses	31	32
Total other expenses	530	123
Ordinary income	4,281	7,025
Extraordinary income:		
Gain on liquidation of affiliates	27	—
Gain on transfer of business	—	43
Other	2	3
Total extraordinary income	30	47
Extraordinary loss:		
Loss on disposal or sales of property, plant and equipment	19	15
Other	10	1
Total extraordinary loss	29	16
Income before income taxes	4,282	7,056
Income taxes - current	1,832	2,628
Income taxes - deferred	(562)	(650)
Total income taxes	1,269	1,978
Net income	3,012	5,078
Net income (loss) attributable to:		
Shareholders of the parent company	2,963	5,029
Non-controlling interests	49	48

(Million yen)

	FY2016 Q1 (April 1, 2016 - June 30, 2016)	FY2017 Q1 (April 1, 2017 - June 30, 2017)
Other comprehensive income		
Net unrealized gain (loss) on securities	(782)	474
Deferred gain (loss) on hedges	(10)	(47)
Foreign currency translation adjustments	(3,242)	(971)
Adjustments on retirement benefits	627	433
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	(686)	426
Total other comprehensive income (loss)	(4,094)	315
Comprehensive income (loss):	(1,082)	5,393
Comprehensive income (loss) attributable to:		
Shareholders of the parent company	(1,022)	5,377
Non-controlling interests	(59)	15

(3) Notes on consolidated financial statements

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, 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

II. The first quarter of the fiscal year ending March 31, 2018 (from April 1, 2017 to June 30, 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	38,527	3,554	21,029	2,498	65,609	17,433	83,043
Intersegment sales or transfers	9,086	2,605	81	0	11,773	3,027	14,801
Total	47,614	6,159	21,110	2,498	77,382	20,461	97,844
Segment income (loss)	4,168	138	455	(17)	4,745	369	5,115

* "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	77,382
Net sales classified in "Other"	20,461
Elimination of intersegment transactions	(14,801)
Consolidation adjustments to net sales under the percentage-of-completion method	1,858
Other adjustments for consolidation	161
Net sales in quarterly consolidated financial statements	85,063

Segment income	(Million yen)
Reportable segment total	4,745
Segment income classified in "Other"	369
Elimination of cash dividends from affiliates	(264)
Consolidation adjustments to net sales under the percentage-of-completion method	144
Other adjustments for consolidation	33
Net income attributable to shareholders of the parent company in quarterly consolidated financial statements	5,029