

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2021
[Japan GAAP]

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

August 6, 2020

Daifuku Co., Ltd.

Stock code: 6383, First Section of Tokyo Stock Exchange

URL: www.daifuku.com/jp

Representative: Hiroshi Geshiro, President and CEO

Contact: Tetsuya Hibi, Corporate Officer, Finance and Accounting Division Manager

Tel: +81-6-6472-1261

Scheduled date for filing quarterly financial report: August 7, 2020

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 2020

(April 1, 2020 - June 30, 2020)

(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 2020	113,968	18.5	9,025	40.5	9,877	50.8	7,394	41.4
First quarter of fiscal 2019	96,160	(1.1)	6,423	(24.5)	6,551	(27.0)	5,229	(53.4)

Note: Comprehensive income

First quarter of fiscal 2020: 5,370 million yen 6.9%

First quarter of fiscal 2019: 5,022 million yen (27.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
First quarter of fiscal 2020	58.73	—
First quarter of fiscal 2019	41.56	—

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
First quarter of fiscal 2020	423,433	237,428	55.0
Fiscal 2019	410,887	237,356	56.7

Reference: Shareholders' equity

First quarter of fiscal 2020: 232,772 million yen

Fiscal 2019: 232,961 million yen

2. Dividends

	Dividend per share				
	Q1-end	Q2-end	Q3-end	FY-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2019	—	30.00	—	45.00	75.00
Fiscal 2020	—				
Fiscal 2020 (forecast)		30.00	—	45.00	75.00

Note: Revisions to the latest dividend forecast: None

3. Consolidated Earnings Forecast for Fiscal 2020

(April 1, 2020 - March 31, 2021)

(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	212,000	1.6	16,300	(5.7)	16,900	(4.1)	11,600	(11.9)	92.16
Full-year	460,000	3.7	41,000	1.2	41,800	2.0	29,000	3.3	230.40

Note: Revisions to the latest consolidated financial forecast: None

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 policies resulting from the revision of the accounting standards and other regulations: None
 - 2) Changes in accounting policies other than 1): 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 2020: 126,610,077 shares
Fiscal 2019: 126,610,077 shares
 - 2) Number of treasury stock at the end of the period
First quarter of fiscal 2020: 692,027 shares
Fiscal 2019: 703,806 shares
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year)
First quarter of fiscal 2020: 125,915,408 shares
First quarter of fiscal 2019: 125,824,281 shares

Note: The number of treasury stock at the end of the period includes shares owned by the Board Benefit Trust (BBT) and a trust on behalf of Daifuku employees' shareholding association. The number of treasury stock at the end of the first quarter of the fiscal year ending March 31, 2021 includes 156,100 shares owned by the BBT. The number of treasury stock at the end of the fiscal year ended March 31, 2020 included 159,100 shares owned by the BBT. In addition, the number of treasury stock at the end of the first quarter of the fiscal year ending March 31, 2021 includes 52,700 shares owned by the trust on behalf of Daifuku employees' shareholding association. The number of treasury stock at the end of the fiscal year ended March 31, 2020 included 61,900 shares owned by the trust on behalf of Daifuku employees' shareholding association.

These quarterly consolidated financial statements are not subject to audit through the certified public accountant or an auditing firm.

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, 2021."

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 deteriorated rapidly due to the global spread of the novel coronavirus, or COVID-19, which emerged at the beginning of 2020. As the impact is still continuing around the world and given the emergence of technology trade issues, the global economic outlook remains uncertain.

In Japan, a state of emergency was announced on April 7 and remained in place for more than one month. This has had a significant impact on economic activities, and the outlook for the Japanese economy remained uncertain.

Amid these economic and business conditions, the Group experienced some delays and postponements in orders due to the impact of the COVID-19 pandemic. Sales were favorable, underpinned by an extensive order backlog from the previous fiscal year, despite some projects experiencing delays in progress.

Specifically, the Daifuku Group received orders of 104,904 million yen, up 4.4% from the previous fiscal year, and recorded sales of 113,968 million yen, up 18.5%.

Income remained favorable, driven by systems for manufacturers and distributors in Japan, despite factors including delays in installation progress in North America and China and increased procurement costs for components.

Consequently, the Group posted operating income of 9,025 million yen, up 40.5% from a year earlier, and ordinary income of 9,877 million yen, up 50.8%. Net income attributable to shareholders of the parent company was 7,394 million yen, up 41.4%.

The average exchange rate used for transactions during the first quarter of the fiscal year under review was 109.12 yen to the U.S. dollar (110.30 yen in the year-ago period), 0.0904 yen to the Korean won (0.0983 yen), and 15.52 yen to the Chinese yuan (16.44 yen). As the impact from the Korean won and the Chinese yuan has been growing in recent years, orders fell by about 3.8 billion yen year-on-year. Sales fell by about 1.7 billion yen, but the impact on operating income was minor.

Impact of the COVID-19 pandemic

The impact of the COVID-19 pandemic on the Group's results were mainly as follows. Of the Group, Japanese companies such as Daifuku Co., Ltd. and Contec Co., Ltd. close their books on March 31, while most non-Japan subsidiaries have their fiscal year-end on December 31. The first quarter shows the period from April to June, 2020 for the former and the period from January to March, 2020 for the latter.

The Group swiftly set up a task force led by the president to ensure a rapid response. A number of projects with the systems the Group provides are positioned as "essential businesses" that build

infrastructure indispensable for social activities. Following the government's instructions and customer policies, the Group adopted measures that included: 1) taking appropriate steps to prevent the spread of COVID-19, giving the highest priority to ensuring the safety of employees and their families, customers, and suppliers; and 2) encouraging employees centered on sales and administrative personnel to stagger working hours or work from home concurrently, to continue business activities. Some business activities were affected by the COVID-19 pandemic, which included delays in the timing of receiving orders because of difficulty in conducting negotiations with customers, as well as delays in installation progress, due to restrictions on international/domestic movement and working at the office, and the suspension of operations.

Japan

The Group's mainstay production site, Shiga Works, continued its production activity without any difficulty. Rather than reducing costs, we placed priority on meeting deadlines and ensuring uninterrupted operation of customer systems we had delivered, and thus we swiftly arranged Japan-made parts or components to replace imported products that would have raised issues with procurement. In addition, making effective use of the information-communication technology infrastructure we had already built out, we implemented an employee teleworking system, mainly in Tokyo and Osaka.

U.S.A.

In systems for automobile production lines, a number of installations and services were suspended due to customer factory shutdowns, although production activity continued. In systems for semiconductor factories and distributors, installation and service activities continued, as many customers continued their operations.

In systems for airports, a number of projects including the expansion of carrier-owned terminals were postponed; however, the impact was minor on long-term strategic projects of airport management companies. Along with a decrease of passengers, operation and maintenance projects for airport facilities declined in size.

China

Our subsidiaries in China had to wait to resume full-scale operation until May in Wuhan and surrounding areas, as we and our customers faced severe restraints on working at the office and international/domestic movement. Accordingly, we experienced delays in the timing of receiving orders and posting sales.

South Korea

Without suspending the operation of factories, our subsidiaries in South Korea were able to continue operations, resulting in a comparatively minor impact.

Other

In Taiwan and Thailand, we were able to continue operations without the suspension of factory operations. In other ASEAN countries and India, business activities were severely affected overall, and the progress of work has been far behind schedule. In Europe and Oceania, as well, business activities were generally stagnant.

Toward a post-COVID-19 society

In recent years, the Group's mainstay material handling systems have continued to show strong growth, bolstered by demand across a broad range of sectors, reflecting an increase in the global movement of people and goods, changes in the industrial structure associated with transformations in distribution systems and technological innovations including the Internet of Things (IoT), as well as investment in automatization spurred by labor shortages.

While the outlook for industry in general is unclear due to the COVID-19 pandemic, the Group believes that medium- to long-term growth can still be achieved in this operating environment, underpinned by rising needs including the further expansion of e-commerce, growing demand for semiconductors for 5G mobile communication and data centers. The Group's systems not only help solve labor shortages and shorten lead times, but also help meet government recommendations to avoid closed spaces, crowded places, and close contact settings, or the "three Cs." Looking forward, the need for automation with an eye to the creation of human non-contact environments can be expected to accelerate. The Group will develop and provide new logistics solutions to help build the New Normal society that differs from that before the outbreak of the COVID-19 pandemic.

Results by reportable segment

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 reportable segments, please see the "Segment information" below.

Daifuku Co., Ltd.

Orders were affected from the COVID-19 pandemic, as negotiations with customers were limited mainly due to restrictions on international/domestic movement, especially for projects involving exports to East Asia of systems for semiconductor and flat-panel display (FPD) production lines. Growth in orders was also sluggish for systems manufacturers, distributors, and automobile production lines.

Sales increased, benefiting from a favorable performance in systems for manufacturers and distributors based on the extensive order backlog.

Income increased, driven by increased sales and profitability in systems for manufacturers and

distributors, despite sales posted of projects with lower profitability in systems for semiconductor and flat-panel display production lines, orders for which were received under the severe business environment during the second half of the previous fiscal year.

As a result, the Company recorded orders of 33,874 million yen, down 35.3% from the same period the previous year, sales of 50,608 million yen, up 25.9%, and segment income of 4,564 million yen, up 96.7%.

Contec Co., Ltd. and its subsidiaries

In the Japanese market, orders were affected by postponements of corporate capital investment on uncertainty about the future, while sales increased with large projects for logistics, the orders for which were recorded during the previous fiscal year.

In the U.S. market, sales of industrial computers for the medical device sector remained firm. In addition, a project for the airport security related sector contributed to the increased sales.

Income fell, reflecting the absence of the gain on sales of investments in securities posted during the previous year.

As a result, Contec posted orders of 4,151 million yen, down 21.4% from the same period the previous fiscal year, sales of 3,972 million yen, up 15.9%, and segment income of 328 million yen, down 13.7%.

Daifuku North America Holding Company and its subsidiaries

Orders for systems for manufacturers and distributors were strong, driven by projects for the e-commerce sector, while orders for systems for automobile production lines and semiconductor production lines remained firm. Orders for systems for airports remained unchanged from the year-ago level.

Sales increased, driven by a large project in systems for automobile production lines, orders for which was received during the previous fiscal year.

Income was affected by certain large projects with low profitability.

As a result, Daifuku North America achieved orders of 24,453 million yen, up 32.6% from the same period the previous fiscal year, sales of 33,982 million yen, up 54.9%, and segment income of 1,248 million yen, down 7.2%.

Clean Factomation, Inc.

Clean Factomation provides cleanroom transport systems to semiconductor manufacturers mainly in South Korea.

Orders remained favorable, bolstered by increased demand for semiconductors for data centers due to increased work from home and the extensive use of online meetings. Sales and income were firm, underpinned by an order backlog.

As a result, Clean Factomation posted orders of 12,388 million yen, up 62.3% from the same period the previous fiscal year, sales of 7,241 million yen, down 9.6%, and segment income of 1,192 million yen, up 21.2%.

Other

The Group has a total of 67 consolidated subsidiaries worldwide. The Other segment includes all consolidated subsidiaries excluding the aforementioned Contec and its subsidiaries, Daifuku North America and its subsidiaries, and Clean Factomation. These companies primarily manufacture and sell material handling systems and equipment, and car wash machines. The status of major subsidiaries is as follows.

Japan subsidiaries

Daifuku Plusmore Co., Ltd. is expanding sales of large vehicle wash machines for trucks and buses, in addition to car wash machines for service stations and car dealerships. Accordingly, sales remained firm.

Non-Japan subsidiaries

The Group has major production sites in China, Taiwan, South Korea, Thailand, and India, which provide sales, installations and services, playing a global role in the optimal local production and procurement framework.

In addition, the Group has subsidiaries in the regions of North America, Asia, Europe, Central America and Oceania, which provide sales, installations and services.

Orders benefited from large projects in China and South Korea; however, sales and income reflected restraints on social activities due to the COVID-19 pandemic and the subsequent deterioration in the economic environment. As a result, the segment reported orders of 30,035 million yen, up 79.6% from the previous fiscal year, sales of 17,117 million yen, down 23.5%, and segment income of 403 million yen, down 2.7%.

(2) Financial position

Assets at the end of the first quarter of the fiscal year under review stood at 423,433 million yen, an increase of 12,545 million from the end of the previous fiscal year. The result principally reflected an increase of 18,211 million yen in cash on hand and in banks.

Liabilities at the end of the first quarter of the fiscal year under review amounted to 186,004 million yen, an increase of 12,472 million yen from the end of the previous fiscal year. Primary factors included increases of 9,759 million yen in short-term borrowings and 2,422 million yen in income taxes payable.

Net assets at the end of the first quarter of the fiscal year under review were 237,428 million yen, an increase of 72 million from the end of the previous fiscal year. This was mainly attributable to an increase in retained earnings, etc. and a decrease in foreign currency translation adjustments, etc.

(3) Outlook for the fiscal year ending March 31, 2021

Daifuku Co., Ltd. has not revised its interim and full-year earnings forecasts for the fiscal year ending March 31, 2021, which were announced on May 12, 2020. For details, please refer to the summary.

During the first quarter, results were close to target, with increases in sales and income. In the second quarter and beyond, sales are expected to see firm progress based on sales from order backlogs posted at the end of the previous fiscal year and steady projects involving services.

Meanwhile, our interim orders forecast has been revised to 200 billion yen from 240 billion yen that was announced on May 12, 2020.

During the first quarter, orders remained relatively favorable, mainly with projects continuing from the previous fiscal year. In the second quarter, delays in the timing of receiving large orders and in negotiations with customers for new projects are projected, mainly due to restrictions on international/domestic movement and working at the office imposed by the COVID-19 pandemic. As these impacts are expected to largely subside during the second half of the fiscal year under review, our full-year orders forecast of 480 billion yen remains unchanged.

2. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	FY2019 (ended March 31, 2020)	FY2020 Q1 (ended June 30, 2020)
ASSETS		
Current assets:		
Cash on hand and in banks	70,907	89,118
Notes and accounts receivable and unbilled receivables	202,712	191,196
Merchandise and finished goods	6,453	6,916
Costs incurred on uncompleted construction contracts and other	11,169	12,436
Raw materials and supplies	15,720	18,244
Other current assets	13,103	13,494
Allowance for doubtful accounts	(383)	(343)
Total current assets	319,683	331,064
Non-current assets:		
Property, plant and equipment	47,343	47,721
Intangible assets		
Goodwill	4,891	4,872
Other	5,242	5,769
Total intangible assets	10,133	10,641
Investments and other assets		
Other	33,896	34,172
Allowance for doubtful accounts	(169)	(167)
Total investments and other assets	33,727	34,004
Total non-current assets	91,204	92,368
Total assets	410,887	423,433
LIABILITIES		
Current liabilities:		
Notes and accounts payable and construction contracts payable	46,509	43,528
Electronically recorded obligations - operating	22,587	24,073
Short-term borrowings and current portion of long-term borrowings	11,772	21,532
Income taxes payable	2,599	5,022
Advances received on uncompleted construction contracts and other	33,091	33,383
Provision for losses on construction contracts	263	301
Other current liabilities	21,870	23,528
Total current liabilities	138,695	151,370
Non-current liabilities:		
Long-term borrowings	21,645	21,241
Liabilities for retirement benefits	8,082	8,062
Other reserves	330	356
Other non-current liabilities	4,777	4,973
Total non-current liabilities	34,836	34,633
Total liabilities	173,531	186,004

(Million yen)

	FY2019 (ended March 31, 2020)	FY2020 Q1 (ended June 30, 2020)
NET ASSETS		
Shareholders' equity:		
Common stock	31,865	31,865
Capital surplus	21,987	21,988
Retained earnings	179,292	181,168
Treasury stock	(1,430)	(1,370)
Total shareholders' equity	231,714	233,651
Accumulated other comprehensive income:		
Net unrealized gain (loss) on securities	2,716	3,300
Deferred gain (loss) on hedges	(89)	(266)
Foreign currency translation adjustments	1,038	(1,706)
Accumulated adjustments on retirement benefits	(2,419)	(2,206)
Total accumulated other comprehensive income	1,246	(879)
Non-controlling interests:		
	4,394	4,656
Total net assets	237,356	237,428
Total liabilities and net assets	410,887	423,433

(2) Consolidated statements of income and comprehensive income

(Million yen)

	FY2019 Q1 (April 1, 2019 - June 30, 2019)	FY2020 Q1 (April 1, 2020 - June 30, 2020)
Net sales	96,160	113,968
Cost of sales	79,126	94,125
Gross profit	17,034	19,843
Selling, general and administrative expenses:		
Selling expenses	4,269	4,048
General and administrative expenses	6,340	6,769
Total selling, general and administrative expenses	10,610	10,818
Operating income	6,423	9,025
Other income:		
Interest income	151	132
Dividend income	233	224
Foreign exchange gain	—	473
Rent income	54	55
Miscellaneous income	127	149
Total other income	566	1,036
Other expenses:		
Interest expenses	217	149
Foreign exchange loss	171	—
Miscellaneous expenses	50	34
Total other expenses	439	184
Ordinary income	6,551	9,877
Extraordinary income:		
Gain on sales of property, plant and equipment	0	0
Gain on sales of investments in securities	618	—
Total extraordinary income	619	0
Extraordinary loss:		
Loss on disposal or sales of property, plant and equipment	4	21
Total extraordinary loss	4	21
Income before income taxes and non-controlling interests	7,165	9,856
Income taxes - current	1,508	3,673
Income taxes - deferred	263	(1,327)
Total income taxes	1,771	2,346
Net income	5,393	7,510
Net income attributable to:		
Shareholders of the parent company	5,229	7,394
Non-controlling interests	164	116

(Million yen)

	FY2019 Q1 (April 1, 2019 - June 30, 2019)	FY2020 Q1 (April 1, 2020 - June 30, 2020)
Other comprehensive income		
Net unrealized gain (loss) on securities	(811)	585
Deferred gain (loss) on hedges	56	(177)
Foreign currency translation adjustments	301	(2,759)
Adjustments on retirement benefits	75	217
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	5	(6)
Total other comprehensive income (loss)	(371)	(2,140)
Comprehensive income:	5,022	5,370
Comprehensive income (loss) attributable to:		
Shareholders of the parent company	5,031	5,269
Non-controlling interests	(8)	101

(3) Notes on consolidated financial statements

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 quarter of the previous fiscal year ended March 31, 2020 (from April 1, 2019 to June 30, 2019)

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	Clean Factomation	Total		
Net sales							
Sales to outside customers	40,188	3,428	21,944	8,011	73,572	22,389	95,961
Intersegment sales or transfers	10,562	2,353	187	1,633	14,736	2,983	17,720
Total	50,750	5,781	22,131	9,645	88,309	25,372	113,682
Segment income (loss)	2,320	380	1,346	983	5,030	414	5,445

* "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)

(Million yen)

Net sales	
Reportable segment total	88,309
Net sales classified in "Other"	25,372
Elimination of intersegment transactions	(17,720)
Other adjustments for consolidation	198
Net sales in quarterly consolidated financial statements	96,160

(Million yen)

Segment income	
Reportable segment total	5,030
Segment income classified in "Other"	414
Elimination of cash dividends from affiliates	(117)
Other adjustments for consolidation	(98)
Net income attributable to shareholders of the parent company in quarterly consolidated financial statements	5,229

II. The first quarter of the fiscal year ending March 31, 2021 (from April 1, 2020 to June 30, 2020)

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	Clean Factomation	Total		
Net sales							
Sales to outside customers	50,608	3,972	33,982	7,241	95,805	17,117	112,922
Intersegment sales or transfers	7,635	2,693	65	567	10,961	3,127	14,089
Total	58,244	6,665	34,048	7,808	106,767	20,244	127,011
Segment income (loss)	4,564	328	1,248	1,192	7,333	403	7,737

* "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)

(Million yen)

Net sales	
Reportable segment total	106,767
Net sales classified in "Other"	20,244
Elimination of intersegment transactions	(14,089)
Other adjustments for consolidation	1,045
Net sales in quarterly consolidated financial statements	113,968

(Million yen)

Segment income	
Reportable segment total	7,333
Segment income classified in "Other"	403
Elimination of cash dividends from affiliates	(238)
Other adjustments for consolidation	(104)
Net income attributable to shareholders of the parent company in quarterly consolidated financial statements	7,394