

Consolidated Financial Results
for the First Three Quarters 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

February 5, 2021

Daifuku Co., Ltd.

Stock code: 6383, First Section of Tokyo Stock Exchange

URL: www.daifuku.com/jp

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Scheduled date for filing quarterly financial report: February 8, 2021

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 2020

(April 1, 2020 - December 31, 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 3Qs of fiscal 2020	346,770	8.8	30,067	4.0	30,937	4.8	22,084	1.3
First 3Qs of fiscal 2019	318,802	(3.6)	28,921	(24.1)	29,518	(24.4)	21,802	(33.3)

Note: Comprehensive income

First three quarters of fiscal 2020: 21,550 million yen 13.5%

First three quarters of fiscal 2019: 18,979 million yen (38.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
First 3Qs of fiscal 2020	175.33	—
First 3Qs of fiscal 2019	173.23	—

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Fiscal 2020 Q3	439,873	250,124	55.8
Fiscal 2019	410,887	237,356	56.7

Reference: Shareholders' equity

Fiscal 2020 Q3: 245,358 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	—	30.00	—		
Fiscal 2020 (forecast)				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
Full-year	470,000	5.9	42,500	4.9	43,200	5.4	31,000	10.5	246.12

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 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
Fiscal 2020 Q3: 126,610,077 shares
Fiscal 2019: 126,610,077 shares
 - 2) Number of treasury stock at the end of the period
Fiscal 2020 Q3: 621,820 shares
Fiscal 2019: 703,806 shares
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year)
Fiscal 2020 3Qs: 125,955,508 shares
First 3Qs of fiscal 2019: 125,855,313 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 third quarter of the fiscal year ending March 31, 2021 includes 119,200 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 third quarter of the fiscal year ending March 31, 2021 includes 18,300 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 consolidated earnings forecast contained in this document is 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 earnings forecast, 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 three quarters of the fiscal year under review, the global economy still remained sluggish, reflecting the impact from the COVID-19 pandemic. Japan and other countries did at one point see a resumption of economic activity; however, the outlook remains uncertain given the continued increase in the number of infected people and the uncertain timing of the end of the pandemic.

Amid these economic and business conditions, during the first half orders at the Daifuku Group reflected delays in negotiations with customers, mainly due to restrictions on international/domestic movements and working at the office. Orders during the third quarter bounced back from the second quarter, to a new record high for a three-month period (149,454 million yen). Sales were favorable, underpinned by an extensive order backlog, even amid the pandemic.

Specifically, the Group received orders of 338,763 million yen, up 0.2% from the previous fiscal year and recorded sales of 346,770 million yen, up 8.8%.

Income remained favorable, driven by the increased sales of intralogistics systems for manufacturers and distributors in Japan.

Consequently, the Group posted operating income of 30,067 million yen, up 4.0% from the previous fiscal year, and ordinary income of 30,937 million yen, up 4.8%. Net income attributable to shareholders of the parent company was 22,084 million yen, up 1.3%.

The average exchange rates used for transactions during the first three quarters of the fiscal year under review were 107.26 yen to the U.S. dollar (109.22 yen in the year-ago period), 15.31 yen to the Chinese yuan (15.91 yen), and 0.0893 yen to the Korean won (0.0940 yen). As a result of exchange rate fluctuations, orders decreased in value by about 5.1 billion yen and sales decreased by about 4.8 billion yen, compared with the year-ago period. Operating income declined by about 400 million yen.

Impact of the COVID-19 pandemic

The Group's business is almost positioned as "essential businesses" in that its systems build infrastructure indispensable for social activities. Even amid the COVID-19 pandemic, the Group saw strong demand for its continued business activities.

The Group gives top priority to the lives, health and safety of its employees. The Group has continued its business activities in compliance with the requests and/or guidelines of authorities in each country, appropriately incorporating telework and taking other measures to prevent infections in all locations, including production, installation and servicing sites.

The impact of the COVID-19 pandemic on the Group's results were mainly seen in orders received;

however, an impressive recovery was recorded during the third quarter, as mentioned above.

Despite the impacts of the difficulty in parts procurement and delays in installation progress at the beginning of the fiscal year under review, favorable progress in overall production and installations is reflected in sales and income.

By region, in Japan, North America and China, which are the Group's main markets, business environments have improved overall compared to the beginning of the fiscal year under review. In Europe, parts of Southeast Asia and India, business has been slow to improve.

By industry, one major concern was that orders for airport systems would decline; however, the impact was minor as new projects have been strategically developed over the long term by airport operating companies, despite a partial decrease in orders in the operation and maintenance business reflecting the decline in air passenger figures.

New three-year business plan

Fiscal 2020 (the fiscal year under review) is the final year of the four-year business plan Value Innovation 2020 (April 2017 to March 2021). The Group has prepared a new three-year business plan, Value Transformation 2023, which will apply to the period from April 2021 to March 2024, given the drastic changes in the environment surrounding the Group, including the new normal following the COVID-19 pandemic and the global expansion and diversification of automation needs.

In the new business plan, the Group will promote "DX² (DX Squared) = Digital Transformation x Daifuku Transformation" with the goal of helping build a sustainable society and enhancing corporate value through solutions that solve the challenges faced by customers and society.

For details about the plan, please see the Company's statement separately announced on February 5, 2021.

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 fell as a whole, reflecting sluggish growth in orders for cleanroom systems for the semiconductor and flat-panel display sectors and automotive systems, despite orders for intralogistics systems bouncing back from the first half when business negotiations were limited mainly due to restrictions on

international/domestic movement and working at the office.

Sales remained firm as a whole, with a decline in cleanroom systems reflecting severe business environments in this sector, offset by a favorable performance in intralogistics systems based on the extensive order backlog.

Segment income rose, driven by increased sales and profitability in intralogistics systems, despite a decline in sales posted in cleanroom systems.

As a result, the Company recorded orders of 131,993 million yen, down 7.0% from the same period the previous fiscal year, sales of 143,011 million yen, down 1.9%, and segment income of 12,819 million yen, up 3.8%.

Contec Co., Ltd. and its subsidiaries

In the Japanese market, sales of electronic devices showed signs of recovery from the second quarter, but were affected as a whole during the first three quarters, given a decline in industry-wide capital investment.

In the U.S. market, sales of industrial computers for the medical device sector remained firm, although a slowdown in economic growth because of the COVID-19 pandemic has led to severe circumstances.

Segment 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 11,539 million yen, down 11.0% from the same period the previous fiscal year, sales of 12,259 million yen, up 2.8%, and segment income of 792 million yen, down 40.3%.

Daifuku North America Holding Company and its subsidiaries

Orders remained unchanged from the previous fiscal year, with large orders for airport systems, significant growth in intralogistics systems driven by e-commerce projects, and favorable results in cleanroom systems for semiconductor factories, despite a reactionary fall in automotive systems, which had received orders for a large project during the previous fiscal year.

Sales increased significantly in automotive systems and intralogistics systems. Also, sales in airport systems were favorable.

Segment income declined, reflecting certain large projects with low profitability.

As a result, Daifuku North America achieved orders of 98,722 million yen, down 1.4% from the same period the previous fiscal year, sales of 104,339 million yen, up 46.3%, and segment income of 4,253

million yen, down 10.0%.

Clean Factomation, Inc.

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 reflected the decline in orders from the previous fiscal year. Segment income remained firm.

As a result, Clean Factomation posted orders of 25,299 million yen, up 34.7% from the same period the previous fiscal year, sales of 21,554 million yen, down 5.6%, and segment income of 3,194 million yen, up 5.8%.

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. However, sales of units did not reach the results of the previous year, reflecting the impact from the COVID-19 pandemic.

Non-Japan subsidiaries

The Group has 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 and Central America, Asia, Europe, and Oceania, which provide sales, installations and services.

During the first half, the results generally reflected restraints on social activities due to the COVID-19 pandemic and the subsequent deterioration in the economic environment; however, the segment reported orders of 71,208 million yen, up 10.6% from the previous fiscal year, sales of 64,650 million yen, down 5.0%, and segment income of 2,321 million yen, up 73.2%, which was underpinned by winning large orders in China, South Korea, and other regions, and an economic recovery from the third quarter.

(2) Financial position

Assets at the end of the third quarter of the fiscal year under review stood at 439,873 million yen, an increase of 28,985 million yen from the end of the previous fiscal year. The result principally reflected increases of 26,018 million yen in cash on hand and in banks and 3,319 million yen in costs incurred on uncompleted

construction contracts and other.

Liabilities at the end of the third quarter of the fiscal year under review amounted to 189,748 million yen, an increase of 16,217 million yen from the end of the previous fiscal year. Primary factors included an increase of 16,336 million yen in short-term borrowings.

Net assets at the end of the third quarter of the fiscal year under review were 250,124 million yen, an increase of 12,767 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 12,779 million yen in retained earnings.

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

Daifuku Co., Ltd. has revised its full-year earnings forecast for the fiscal year ending March 31, 2021.

The reason for the revision is that the Group's business is progressing steadily even amid the COVID-19 pandemic, and sales and income are expected to increase, especially in intralogistics systems.

Revisions to the full-year earnings forecast for the fiscal year ending March 31, 2021

(April 1, 2020 - March 31, 2021)

	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)	460,000	41,000	41,800	29,000	230.40
Current forecast (B)	470,000	42,500	43,200	31,000	246.12
Change (B – A)	10,000	1,500	1,400	2,000	–
Rate of change (%)	2.2%	3.7%	3.3%	6.9%	–
Reference: Results for fiscal year ended March 31, 2020	443,694	40,497	40,976	28,063	222.96

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

The full-year orders forecast of 460,000 million yen for the fiscal year ending March 31, 2021, which was announced on November 6, 2020, remains unchanged.

2. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	FY2019 (ended March 31, 2020)	FY2020 Q3 (ended December 31, 2020)
ASSETS		
Current assets:		
Cash on hand and in banks	70,907	96,926
Notes and accounts receivable and unbilled receivables	202,712	198,796
Merchandise and finished goods	6,453	6,932
Costs incurred on uncompleted construction contracts and other	11,169	14,489
Raw materials and supplies	15,720	18,330
Other current assets	13,103	11,053
Allowance for doubtful accounts	(383)	(642)
Total current assets	319,683	345,886
Non-current assets:		
Property, plant and equipment	47,343	48,993
Intangible assets		
Goodwill	4,891	4,415
Other	5,242	5,518
Total intangible assets	10,133	9,934
Investments and other assets		
Other	33,896	35,225
Allowance for doubtful accounts	(169)	(166)
Total investments and other assets	33,727	35,059
Total non-current assets	91,204	93,986
Total assets	410,887	439,873
LIABILITIES		
Current liabilities:		
Notes and accounts payable and construction contracts payable	46,509	39,521
Electronically recorded obligations – operating	22,587	20,554
Short-term borrowings and current portion of long-term borrowings	11,772	28,109
Income taxes payable	2,599	6,850
Advances received on uncompleted construction contracts and other	33,091	34,087
Provision for losses on construction contracts	263	296
Other current liabilities	21,870	25,236
Total current liabilities	138,695	154,655
Non-current liabilities:		
Long-term borrowings	21,645	21,240
Liabilities for retirement benefits	8,082	7,914
Other reserves	330	321
Other non-current liabilities	4,777	5,615
Total non-current liabilities	34,836	35,092
Total liabilities	173,531	189,748

(Million yen)

	FY2019 (ended March 31, 2020)	FY2020 Q3 (ended December 31, 2020)
NET ASSETS		
Shareholders' equity:		
Common stock	31,865	31,865
Capital surplus	21,987	21,981
Retained earnings	179,292	192,072
Treasury stock	(1,430)	(1,035)
Total shareholders' equity	231,714	244,883
Accumulated other comprehensive income:		
Net unrealized gain (loss) on securities	2,716	4,212
Deferred gain (loss) on hedges	(89)	(132)
Foreign currency translation adjustments	1,038	(1,878)
Accumulated adjustments on retirement benefits	(2,419)	(1,726)
Total accumulated other comprehensive income	1,246	475
Non-controlling interests:	4,394	4,765
Total net assets	237,356	250,124
Total liabilities and net assets	410,887	439,873

(2) Consolidated statements of income and comprehensive income

(Million yen)

	FY2019 3Qs (April 1, 2019 - December 31, 2019)	FY2020 3Qs (April 1, 2020 - December 31, 2020)
Net sales	318,802	346,770
Cost of sales	256,643	284,049
Gross profit	62,159	62,721
Selling, general and administrative expenses:		
Selling expenses	13,040	12,150
General and administrative expenses	20,197	20,502
Total selling, general and administrative expenses	33,238	32,653
Operating income	28,921	30,067
Other income:		
Interest income	439	276
Dividend income	430	410
Foreign exchange gains	—	213
Rent income	162	164
Miscellaneous income	367	468
Total other income	1,400	1,532
Other expenses:		
Interest expenses	581	500
Foreign exchange losses	84	—
Miscellaneous expenses	137	162
Total other expenses	803	662
Ordinary income	29,518	30,937
Extraordinary income:		
Gain on sales of investments in securities	971	49
Other	15	5
Total extraordinary income	987	54
Extraordinary loss:		
Loss on disposal or sales of property, plant and equipment	126	179
Settlement package	—	235
Other	26	0
Total extraordinary loss	152	415
Income before income taxes and non-controlling interests	30,352	30,576
Income taxes - current	5,510	9,557
Income taxes - deferred	2,519	(1,325)
Total income taxes	8,030	8,231
Net income	22,322	22,344
Net income attributable to:		
Shareholders of the parent company	21,802	22,084
Non-controlling interests	519	260

(Million yen)

	FY2019 3Qs (April 1, 2019 - December 31, 2019)	FY2020 3Qs (April 1, 2020 - December 31, 2020)
Other comprehensive income		
Net unrealized gain (loss) on securities	(171)	1,499
Deferred gain (loss) on hedges	(46)	(43)
Foreign currency translation adjustments	(3,481)	(2,969)
Adjustments on retirement benefits	374	708
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	(17)	10
Total other comprehensive income (loss)	(3,343)	(793)
Comprehensive income:	18,979	21,550
Comprehensive income (loss) attributable to:		
Shareholders of the parent company	18,738	21,313
Non-controlling interests	240	237

(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 three quarters of the previous fiscal year ended March 31, 2020 (from April 1, 2019 to December 31, 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	145,775	11,924	71,317	22,834	251,852	68,052	319,904
Intersegment sales or transfers	28,363	7,247	497	3,443	39,552	11,024	50,577
Total	174,139	19,171	71,815	26,277	291,404	79,077	370,481
Segment income (loss)	12,348	1,328	4,725	3,018	21,421	1,340	22,761

* "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	291,404
Net sales classified in "Other"	79,077
Elimination of intersegment transactions	(50,577)
Other adjustments for consolidation	(1,102)
Net sales in quarterly consolidated financial statements	318,802

(Million yen)

Segment income	
Reportable segment total	21,421
Segment income classified in "Other"	1,340
Elimination of cash dividends from affiliates	(366)
Other adjustments for consolidation	(592)
Net income attributable to shareholders of the parent company in quarterly consolidated financial statements	21,802

II. The first three quarters of the fiscal year ending March 31, 2021 (from April 1, 2020 to December 31, 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	143,011	12,259	104,339	21,554	281,164	64,650	345,815
Intersegment sales or transfers	27,635	8,353	225	2,233	38,447	8,030	46,478
Total	170,647	20,613	104,564	23,787	319,612	72,681	392,294
Segment income (loss)	12,819	792	4,253	3,194	21,059	2,321	23,381

* "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	319,612
Net sales classified in "Other"	72,681
Elimination of intersegment transactions	(46,478)
Other adjustments for consolidation	955
Net sales in quarterly consolidated financial statements	346,770

(Million yen)

Segment income	
Reportable segment total	21,059
Segment income classified in "Other"	2,321
Elimination of cash dividends from affiliates	(1,946)
Other adjustments for consolidation	649
Net income attributable to shareholders of the parent company in quarterly consolidated financial statements	22,084

3. Other

Changes in officers

Effective April 1, 2021

(1) Changes in representatives and directors

None

(2) Changes in corporate officers

[Promoted to managing officer]

Takaya Uemoto

New: Managing Officer
 Deputy Automotive and Airport Global Business*¹ Head
 Airport Division Manager

Current: Corporate Officer
 Airport Global Business Head
 Airport Division Manager

Yasuhisa Mishina

New: Managing Officer
 Production Officer*²
 DX Division Manager*³
 General Manager of Production Operations, Intralogistics Division

Current: Corporate Officer
 General Manager of Production Operations, Intralogistics Division

Hideaki Takubo

New: Managing Officer
 Corporate Functions Head*⁴
 Human Resources and General Affairs Division Manager

Current: Corporate Officer
 Human Resources and General Affairs Division Manager

[Promoted to corporate officer]

Seiji Yamamoto

New: Corporate Officer
 General Manager of Installation and Service Operations, Intralogistics Division

Current: General Manager of Installation and Service Operations, Intralogistics Division

Tsutomu Maeda

New: Corporate Officer

General Manager of Installation and Service Operations, Automotive Division
Current: Managing Director of Daifuku India Private Limited

Tomoaki Terai

New: Corporate Officer
General Manager of Production Operations, Cleanroom Division
Current: General Manager of Production Operations, Cleanroom Division

[To retire]

Kanji Anno

Current: Managing Officer
Intralogistics Global Business Head
President of Daifuku Manufacturing Technology Co., Ltd.

(3) Changes in audit officers

[To retire]

Yoshihisa Ichinose

Current: Audit Officer
Audit Division Manager

*1 To integrate the current Automotive Global Business with Airport Global Business into one unit, the Automotive and Airport Global Business, to increase the mobility of human resources, build an optimal production framework for related non-Japan affiliates, and increase the efficiency of business operations

*2 To create the role of an officer responsible for production, who undertakes production reform across all business units

*3 To establish the DX Division as a new Company-wide organization under the direct control of the president and CEO, with DX (Digital Transformation) positioned as an important issue

*4 To establish the Corporate Functions, a new organization to oversee all related divisions to enhance their collaboration