

Summary of Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2020 [Japan GAAP]

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

November 8, 2019

Daifuku Co., Ltd.

Stock code: 6383, First Section of Tokyo Stock Exchange

URL: www.daifuku.com/jp

Representative: Hiroshi Geshiro, President and CEO

Contact: Tsukasa Saito, General Manager of Finance & Accounting Division

Tel: +81-6-6472-1261

Scheduled date for filing quarterly financial report: November 8, 2019

Scheduled date of commencing dividend payment: December 4, 2019

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 Half of Fiscal 2019

(April 1, 2019 - September 30, 2019)

(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 half of fiscal 2019	208,734	-0.9	17,286	-25.2	17,619	-25.8	13,168	-39.6
First half of fiscal 2018	210,713	14.4	23,114	38.3	23,757	36.2	21,799	78.2

Note: Comprehensive income

First half of fiscal 2019: 10,565 million yen (-44.6%)

First half of fiscal 2018: 19,066 million yen (37.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
First half of fiscal 2019	104.65	—
First half of fiscal 2018	173.31	—

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
First half of fiscal 2019	392,458	225,975	56.5
Fiscal 2018	409,982	222,885	53.3

Reference: Shareholders' equity

First half of fiscal 2019: 221,774 million yen

Fiscal 2018: 218,689 million yen

2. Dividends

	Dividend per share				
	Q1-end	Q2-end	Q3-end	FY-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2018	—	30.00	—	60.00	90.00
Fiscal 2019	—	30.00			
Fiscal 2019 (forecast)			—	45.00	75.00

Note: Revisions to the latest dividend forecast: Yes

3. Consolidated Earnings Forecast for the Fiscal 2019

(April 1, 2019 - March 31, 2020)

(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	450,000	-2.1	39,000	-28.7	39,700	-28.9	28,500	226.47

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
- (4) Number of shares issued (common stock)
 - 1) Number of shares issued including treasury stock at the end of the period

Fiscal 2019 Q2: 126,610,077 shares

Fiscal 2018: 126,610,077 shares
 - 2) Number of treasury stock at the end of the period

Fiscal 2019 Q2: 743,877 shares

Fiscal 2018: 795,986 shares
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

Fiscal 2019 Q2: 125,842,949 shares

First quarter of fiscal 2018: 125,787,681 shares

Note: The number of treasury stock 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 second quarter of the fiscal year ending March 31, 2020 includes 71,100 shares owned by the Board Benefit Trust (BBT). The number of treasury stock at the end of the fiscal year ended March 31, 2019 included 75,300 shares owned by the BBT. In addition, the number of treasury stock at the end of the second quarter of the fiscal year ending March 31, 2020 includes 100,800 shares. The number of treasury stock at the end

of the fiscal year ended March 31, 2019 included 149,400 shares owned by a 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 company.

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.

Quarterly earnings supplementary materials are available at the [TDnet](#) and our website: www.daifuku.com/ir.

Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	FY2018 (ended March 31, 2019)	FY2019 Q2 (ended September 30, 2019)
ASSETS		
Current assets:		
Cash on hand and in banks	90,916	76,773
Notes and accounts receivable and unbilled receivables	191,867	181,064
Merchandise and finished goods	5,497	6,038
Costs incurred on uncompleted construction contracts and other	14,074	14,739
Raw materials and supplies	14,634	16,087
Other current assets	9,475	9,558
Allowance for doubtful accounts	(226)	(231)
Total current assets	326,239	304,030
Non-current assets:		
Property, plant and equipment	37,020	42,741
Intangible assets		
Goodwill	7,561	6,922
Other	4,898	4,805
Total intangible assets	12,460	11,728
Investments and other assets		
Other	34,460	34,149
Allowance for doubtful accounts	(198)	(191)
Total investments and other assets	34,262	33,957
Total non-current assets	83,742	88,427
Total assets	409,982	392,458
LIABILITIES		
Current liabilities:		
Notes and accounts payable and construction contracts payable	47,883	44,790
Electronically recorded obligations - operating	23,915	19,316
Short-term borrowings and current portion of long-term borrowings	19,431	14,988
Income taxes payable	13,388	3,573
Advances received on uncompleted construction contracts and other	29,245	31,313
Provision for losses on construction contracts	317	589
Other current liabilities	21,779	19,822
Total current liabilities	155,961	134,395
Non-current liabilities:		
Long-term borrowings	20,569	20,189
Liabilities for retirement benefits	7,459	7,147
Other non-current liabilities	3,105	4,750
Total non-current liabilities	31,135	32,087
Total liabilities	187,097	166,483

(Million yen)

	FY2018 (ended March 31, 2019)	FY2019 Q2 (ended September 30, 2019)
NET ASSETS		
Shareholders' equity:		
Common stock	31,865	31,865
Capital surplus	21,518	21,518
Retained earnings	162,722	168,179
Treasury stock	(1,449)	(1,177)
Total shareholders' equity	214,656	220,386
Accumulated other comprehensive income:		
Net unrealized gain on securities	4,554	3,956
Deferred gain (loss) on hedges	(20)	43
Foreign currency translation adjustments	2,003	(363)
Accumulated adjustments on retirement benefits	(2,505)	(2,248)
Total accumulated other comprehensive income	4,032	1,388
Non-controlling interests:		
	4,195	4,200
Total net assets	222,885	225,975
Total liabilities and net assets	409,982	392,458

(2) Consolidated statements of income and comprehensive income

(Million yen)

	FY2018 H1 (April 1, 2018 - September 30, 2018)	FY2019 H1 (April 1, 2019 - September 30, 2019)
Net sales	210,713	208,734
Cost of sales	164,557	169,926
Gross profit	46,156	38,808
Selling, general and administrative expenses:		
Selling expenses	9,333	8,559
General and administrative expenses	13,708	12,961
Total selling, general and administrative expenses	23,041	21,521
Operating income	23,114	17,286
Other income:		
Interest income	244	302
Dividend income	231	247
Rent income	121	108
Miscellaneous income	314	252
Total other income	911	910
Other expenses:		
Interest expenses	149	401
Foreign exchange loss	76	69
Miscellaneous expenses	42	107
Total other expenses	268	577
Ordinary income	23,757	17,619
Extraordinary income:		
Gain on sales of investments in securities	31	777
Gain on sales of shares in affiliates	6,948	—
Other	13	9
Total extraordinary income	6,994	786
Extraordinary loss:		
Loss on disposal or sales of property, plant and equipment	160	9
Other	2	—
Total extraordinary loss	162	9
Income before income taxes	30,589	18,396
Income taxes - current	9,410	3,177
Income taxes - deferred	(842)	1,769
Total income taxes	8,568	4,946
Net income	22,021	13,450
Net income attributable to:		
Shareholders of the parent company	21,799	13,168
Non-controlling interests	221	281

(Million yen)

	FY2018 H1 (April 1, 2018 - September 30, 2018)	FY2019 H1 (April 1, 2019 - September 30, 2019)
Other comprehensive income		
Net unrealized gain on securities	614	(781)
Deferred gain (loss) on hedges	(130)	64
Foreign currency translation adjustments	(2,843)	(2,408)
Retirement benefits reserves adjustments	472	248
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	(1,069)	(7)
Total other comprehensive income (loss)	(2,955)	(2,884)
Comprehensive income:	19,066	10,565
Comprehensive income attributable to:		
Shareholders of the parent company	18,785	10,524
Non-controlling interests	280	40

(3) Consolidated statements of cash flows

(Million yen)

	FY2018 H1 (April 1, 2018 - September 30, 2018)	FY2019 H1 (April 1, 2019 - September 30, 2019)
Cash flows from operating activities:		
Income before income taxes	30,589	18,396
Depreciation	2,219	2,678
Interest and dividend income	(476)	(549)
Interest expenses	149	401
Loss (gain) on sales of investments in securities	(31)	(777)
Loss (gain) on sales of shares in affiliates	(6,948)	—
Decrease (increase) in notes and accounts receivable	(4,619)	8,380
Decrease (increase) in inventories	(9,792)	(3,265)
Increase (decrease) in notes and accounts payable	(960)	(6,494)
Increase (decrease) in advances received on uncompleted contracts	2,964	774
Other, net	2,143	(1,728)
Subtotal	15,238	17,813
Interest and dividend income received	477	547
Interest expenses paid	(146)	(394)
Income taxes refund (paid)	(9,336)	(12,194)
Other, net	235	248
Net cash provided by (used in) operating activities	6,469	6,020
Cash flows from investing activities:		
Investments in time deposits	(3)	(0)
Payments for purchase of property, plant and equipment	(2,450)	(4,860)
Proceeds from sales of property, plant and equipment	56	23
Proceeds from sales of investments in securities	59	1,154
Payments for purchase of investments in securities	(14)	(339)
Proceeds from sales of shares in affiliates	13,223	—
Payments for purchase of shares in affiliates	—	(2,411)
Other, net	18	5
Net cash provided by (used in) investing activities	10,889	(6,428)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings, net	2,753	(4,111)
Repayment of long-term borrowings	(252)	(390)
Payments for purchase of treasury stock	(5)	(3)
Payments of cash dividends	(5,653)	(7,551)
Other, net	(127)	(288)
Net cash provided by (used in) financing activities	(3,284)	(12,345)
Effect of exchange rate change on cash and cash equivalents	(1,551)	(1,389)
Net increase (decrease) in cash and cash equivalents	12,522	(14,142)

	(Million yen)	
	FY2018 H1 (April 1, 2018 - September 30, 2018)	FY2019 H1 (April 1, 2019 - September 30, 2019)
Cash and cash equivalents at beginning of period	85,150	90,903
Cash and cash equivalents at end of period	97,673	76,760

Segment Information

I. The first half of the previous fiscal year ended March 31, 2019 (April 1, 2018 - September 30, 2018)

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	92,970	7,828	40,968	15,677	157,444	47,807	205,252
Intersegment sales or transfers	22,906	5,518	484	2,253	31,163	8,051	39,214
Total	115,876	13,347	41,453	17,930	188,608	55,858	244,467
Segment income	18,186	571	1,750	1,564	22,072	1,865	23,938

* "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	188,608
Net sales classified in "Other"	55,858
Elimination of intersegment transactions	(39,214)
Other adjustments for consolidation	5,461
Net sales in quarterly consolidated financial statements	210,713

Segment income	(Million yen)
Reportable segment total	22,072
Segment income classified in "Other"	1,865
Elimination of cash dividends from affiliates	(231)
Adjustments to gain on sales of shares in affiliates	(797)
Other adjustments for consolidation	(1,109)
Net income attributable to shareholders of the parent company in quarterly consolidated financial statements	21,799

II. The first half of the fiscal year ending March 31, 2020 (April 1, 2019 - September 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	93,780	7,532	46,338	16,270	163,921	45,444	209,366
Intersegment sales or transfers	18,555	4,535	382	2,458	25,932	6,664	32,596
Total	112,335	12,067	46,720	18,729	189,853	52,109	241,963
Segment income	7,414	705	2,694	1,946	12,760	835	13,596

* "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	189,853
Net sales classified in "Other"	52,109
Elimination of intersegment transactions	(32,596)
Other adjustments for consolidation	(631)
Net sales in quarterly consolidated financial statements	208,734

Segment income	(Million yen)
Reportable segment total	12,760
Segment income classified in "Other"	835
Elimination of cash dividends from affiliates	(117)
Other adjustments for consolidation	(310)
Net income attributable to shareholders of the parent company in quarterly consolidated financial statements	13,168

3. Changes to reportable segments

From the first quarter of the fiscal year under review, Daifuku Plusmore Co., Ltd., which was previously a reportable segment, was included in Other due to its decreased significance. Accordingly, the change in the segment classification is as follows.

Formerly: Daifuku Co., Ltd.

Contec Co., Ltd. and its affiliates

Daifuku North America Holding Company and its subsidiaries

Clean Factomation, Inc.

Daifuku Plusmore Co., Ltd.

From the first quarter of the fiscal year under review:

Daifuku Co., Ltd.

Contec Co., Ltd. and its subsidiaries

Daifuku North America Holding Company and its subsidiaries

Clean Factomation, Inc.

The segment information of the first half of the previous fiscal year is based on the new reportable segments.