DAIFUKU

# Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 [Japan GAAP]

Prepared in accordance with accounting principles generally accepted in Japan

Translated from the original Japanese-language document

May 11, 2017

**Daifuku Co., Ltd.**
Stock code: 6383, First Section of Tokyo Stock Exchange
URL: www.daifuku.com/jp
Representative: Masaki Hojo, President and CEO
Contact: Tsukasa Saito, General Manager of Finance & Accounting Division
Tel: +81-6-6472-1261

Scheduled date of general meeting of shareholders: June 23, 2017
Scheduled date of commencing dividend payment: June 26, 2017
Scheduled date for filing financial statements: June 26, 2017
Earnings supplementary materials: Yes
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 Fiscal 2016

(April 1, 2016 - March 31, 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 | % |
| **Fiscal 2016** | **320,825** | **-4.6** | **23,099** | **10.6** | **23,760** | **8.0** | **16,746** | **22.7** |
| Fiscal 2015 | 336,184 | 25.8 | 20,878 | 40.3 | 21,995 | 39.4 | 13,652 | 39.2 |

Note: Comprehensive income

Fiscal 2016: 16,046 million yen (106.2 %)

Fiscal 2015: 7,780 million yen (-42.8 %)

| | Net income per share | Diluted net income per share | Return on equity | Ratio of ordinary income to total assets | Ratio of operating income to net sales |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| **Fiscal 2016** | **137.58** | – | **12.6** | **7.9** | **7.2** |
| Fiscal 2015 | 118.72 | 112.14 | 11.6 | 7.8 | 6.2 |

Reference: Equity in earnings of affiliates during the period
Fiscal 2016: 567 million yen
Fiscal 2015: 503 million yen

(2) Financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| **Fiscal 2016** | **303,540** | **142,340** | **45.8** | **1,142.14** |
| Fiscal 2015 | 296,055 | 130,116 | 42.9 | 1,044.40 |

Reference: Shareholders' equity
Fiscal 2016: 139,092 million yen
Fiscal 2015: 127,052 million yen

(3) Cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents, end of year |
|---|---|---|---|---|
| | Million yen | Million yen | Million yen | Million yen |
| **Fiscal 2016** | **26,683** | **-5,393** | **-4,404** | **64,790** |
| Fiscal 2015 | 7,206 | -2,099 | -8,702 | 49,084 |

**2. Dividends**

| | Dividend per share | | | | | Total cash dividends (annual) | Dividends payout (consolidated) | Net assets dividend ratio (consolidated) |
|---|---|---|---|---|---|---|---|---|
| | End of Q1 | End of Q2 | End of Q3 | End of FY | Annual | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| Fiscal 2015 | – | 10.00 | – | 20.00 | 30.00 | 3,547 | 25.3 | 3.0 |
| Fiscal 2016 | – | 12.00 | – | 30.00 | 42.00 | 5,118 | 30.5 | 3.8 |
| **Fiscal 2017 (forecast)** | – | **15.00** | – | **32.00** | **47.00** | | **30.1** | |

Note: Fiscal 2016 dividends breakdown
Ordinary dividend: 37 yen
Commemorative dividend: 5 yen (for celebrating our 80th anniversary)

**3. Consolidated Earnings Forecast for Fiscal 2017**

(April 1, 2017- March 31, 2018)

(Figures in percentage denote the year-on-year change from 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 | 180,000 | 22.2 | 12,600 | 23.4 | 12,900 | 25.8 | 9,000 | 27.3 | 73.94 |
| Full-year | 380,000 | 18.4 | 26,600 | 15.2 | 27,400 | 15.3 | 19,000 | 13.5 | 156.09 |

**Notes:**

(1) Changes in significant subsidiaries that affected the scope of consolidation during the fiscal year: None

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

1) Changes in accounting standards associated with the revisions of accounting standards: Yes

2) Other changes: None

3) Changes in accounting estimates: None

4) Restatement: None

For more details, please see "Changes in accounting policies" on page 26.

(3) Number of shares issued (Common stock)

1) Number of shares issued including treasury stock at the end of the period

| | |
|---|---|
| **Fiscal 2016:** | **123,610,077 shares** |
| Fiscal 2015: | 123,610,077 shares |

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

| | |
|---|---|
| **Fiscal 2016:** | **1,827,904 shares** |
| Fiscal 2015: | 1,958,836 shares |

3) Average number of shares during the period

| | |
|---|---|
| **Fiscal 2016:** | **121,726,169 shares** |
| Fiscal 2015: | 114,994,693 shares |

Note: For the number of shares, which is the basis for the calculation of net income per share, please see "Per share information" on page 32. The number of treasury stock at the end of the fiscal year ending March 31, 2017 includes 90,000 shares owned by the Board Benefit Trust. The number of treasury stock at the end of the fiscal year ended March 31, 2016 included 133,400 shares owned by a trust on behalf of Daifuku employees' shareholding association.

These consolidated financial statements are not subject to audit.

**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-(5) "Outlook for the fiscal year ending March 31, 2018."

Earnings supplementary materials are available at the TDnet and our website: www.daifuku.com/ir.

## Contents

## 1. Operating Results and Financial Review

(1) Operating results

During the fiscal year under review, the global economy faced stagnant business confidence in emerging countries in the wake of the slowdown in economic growth in China. Benefited from a moderate recovery in developed nations, turmoil in stock and foreign exchange markets triggered by the Brexit decision in Great Britain remained limited. Following the U.S. presidential election, an increase in public spending within the nation is expected, however, future trade policy is emerging as a variable factor with potential repercussions for the global economy. The Japanese economy maintained a moderate recovery with some positive factors, including the underlying strength of capital investment and exports.

Daifuku Group's mainstay material handling systems have growth potential, since logistics-related investments from the e-commerce sector are expanding globally, demand for automation and larger facilities is increasing, and capital investment is being used to resolve labor shortages and increase productivity. Taking note of this growth potential, entries from different industries and M&A within the industry have been increasing in recent years.

Amid these conditions, operating results of the Group made steady progress. Operating income, ordinary income and net income attributable to shareholders of the parent company all reached record highs. At the same time, the Group achieved an operating margin of 7%, which was the medium-term management target.

Orders were robust, topping 100 billion yen in the fourth quarter, as in the third quarter. Orders were strong in all major areas due to a worldwide increase in demand for material handling systems from manufacturers and distributors, buoyant business conditions in the flat-panel display (FPD) and semiconductor sectors, and an increase in capital investment by U.S. automakers.

Sales made steady progress against a backdrop of an abundant order backlog but contracted with the appreciation of the yen.

Specifically, the Group received orders of 356,518 million yen, down 0.8% from a year earlier, and recorded net sales of 320,825 million yen, down 4.6%.

Income surpassed the year-ago figure, reflecting the significantly increased profitability at U.S. subsidiaries, stable profitability by the parent company, Daifuku Co., Ltd., and the return to profitability of a European subsidiary, which sells systems used in airports.

Consequently, the Group posted operating income of 23,099 million yen, up 10.6% from a year earlier, and ordinary income of 23,760 million yen, up 8.0%. Net income attributable to shareholders of the parent company was 16,746 million yen, up 22.7%, mainly due to a decline of extraordinary loss related to subsidiaries.

The Group has been promoting Value Innovation 2017, a four-year medium-term business plan with the fiscal year ended March 31, 2017 as the final year, in step with the 80th anniversary of its founding on May 20, 2017. The main management targets were net sales of 340 billion yen, operating income of 21 billion yen and ROE of 10% or higher. The Group achieved all the targets except for net sales that were affected by the stronger yen.

Based on these achievements, the Group developed a new medium-term business plan, Value Innovation 2020, which applies for the four-year period from April 1, 2017 to March 31, 2021, with management targets for the final year including consolidated sales of 420 billion yen and operating income of 8.0%. The Group will make a concerted effort to further enhance corporate value. For an overview of its initiatives, please see "2. Management Policy."

The average exchange rate used for transactions within the Group during the fiscal year under review was 109.45 yen to the U.S. dollar, compared with an exchange rate of 121.04 yen for the same period of the previous fiscal year. Due to the appreciation of the yen, orders declined by about 42.8 billion yen, sales by about 18.2 billion yen, and operating income by about 1 billion yen, compared with the same period of the previous fiscal year. Of the orders, the impact on orders received during the fiscal year under review was about 21.1 billion yen, and the impact of foreign currency translation differences on the order backlog at the end of the fiscal year ended March 31, 2016 was about 21.7 billion yen.

Results by reportable segment are described below. Orders from and sales to outside customers are presented as segment orders and sales, and 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 increased significantly, mainly due to an increase in demand for systems for semiconductor and FPD factories. In systems for manufacturers and distributors, orders for large projects remained firm in the distribution sectors, including e-commerce and co-ops, pharmaceutical wholesalers, and in the pharmaceutical and frozen-food sectors. Orders for retrofitting projects were also steady. In automobile production line systems, orders for services and small upgrade projects remained steady, bolstered by the active capital investment of automakers in Japan.

Sales also remained robust, as favorable orders continued from last year.

Income improved significantly, mainly due to an improvement in costs associated with structural reforms and a decline in extraordinary losses related to subsidiaries.

As a result, the Company recorded orders of 171,170 million yen, up 20.4% from the previous fiscal year, sales of 145,860 million yen, up 0.6%, and segment income of 13,316 million yen, up 57.4%.

**Contec Co., Ltd. and its subsidiaries**

- Industrial computers

In the Japanese market, sales of industrial computers remained strong, mainly for the semiconductor production equipment sector. In the U.S. market, sales of industrial computers for the medical device sector remained firm.

- Measuring and control boards

Sales of measuring and control boards for automobile production facilities were steady, along with the increased capital investment of manufacturers.

- Networking products

Sales of wireless LANs for semiconductor-related factories remained strong.

- Solution products

While sales of IoT-related systems rose up, sales of photovoltaic measurement systems declined, associated with a fall in purchase prices of renewable energy.

As a result, Contec posted orders of 15,621 million yen, up 5.8% from the previous fiscal year, sales of 15,456 million yen, up 2.0%, and segment income of 722 million yen, up 22.7%.

**Daifuku North America Holding Company and its subsidiaries and affiliates**

While orders reached nearly 100 billion yen, they were affected by the foreign currency translation of the order backlog. Orders for systems for semiconductor manufacturers grew significantly thanks to their brisk capital spending in line with the evolution of IoT, and large projects in systems for manufacturers and distributors also made a contribution. In automobile production line systems, orders also exceeded the initial forecast as a result of acquiring a large project from a U.S. automaker in the fourth quarter.

Sales maintained their upward trend, although slower progress in the installation of systems for automobile production lines and a delay in the time of orders for airport technologies had an impact.

Income increased with the higher sales, reflecting also the significant profitability of large projects for systems for manufacturers and distributors and automobile production line systems, in addition to the improved earnings in airport technologies.

As a result, Daifuku North America achieved orders of 88,818 million yen, down 7.2% from the previous fiscal year, sales of 79,063 million yen, up 2.6%, and segment income of 3,535 million yen, up 135.1%.

**Daifuku Plusmore Co., Ltd.**

Sales of car wash machines were the second strongest after the fiscal year ended March 31, 2016 when the sales volume reached a record high, reflecting strong sales for the automotive aftermarket such as dealers, combined with the recovery of car wash machines for the service station market that was sluggish at the beginning of the period. Meanwhile, the Group withdrew from sales of bowling-related products and the rental business of roll box pallets on April 1, 2017, given their marketability and profitability.

As a consequence, Daifuku Plusmore reported orders of 11,324 million yen, down 8.6% from the previous fiscal year, sales of 11,466 million yen, down 6.7%, and segment income of 113 million yen, down 21.3%.

**Other**

The Daifuku Group has a total of 55 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. Outside Japan, major subsidiaries include Daifuku (China) Co., Ltd. in China; Taiwan Daifuku Co., Ltd. in Taiwan; Daifuku Korea Co., Ltd. and Clean Factomation, Inc. in South Korea; and Daifuku (Thailand) Ltd. in Thailand, which primarily manufacture and sell material handling systems and equipment. Each of these companies plays a global role in optimizing the local production and procurement framework of the Group, while also increasing its exports.

In China, demand for material handling systems is rising rapidly in the food, pharmaceutical, and distribution sectors. Accordingly, the Group strengthened the production system by transferring factories in Shanghai. Sales were affected by a delay in the installation of a large food-related project. In automobile production line systems, orders exceeded the initial plan significantly, as Japanese automakers restarted capital spending, which had been put on hold.

In systems for FPD factories, while demand for OLED is rising, TV panels are growing in size and the segment drastically surpassed the orders target, mainly attributable to an order for systems for FPD factory, which handles the world’s largest glass substrates. In Taiwan, orders from the FPD factory-related sector are slowing, while large projects for semiconductor factories are active.

In Taiwan, orders from the FPD factory-related sector are slowing, while large projects for semiconductor factories are active.

In South Korea, orders for systems for semiconductor factories declined significantly compared with the same period of the previous fiscal year. Sales and income reflected these declines. In automobile production line systems in South Korea, orders were affected by the sluggish growth of automotive sales. Meanwhile, demand from the distribution sector is increasing, where Daifuku Korea has been focusing on marketing and obtaining orders. In car wash machines, orders, sales, and income all reached record highs, reflecting an increase in demand for high-throughput car wash machines centering on tunnel-type car wash machines for established paid car-washing services.

Of ASEAN countries, Daifuku Thailand is focusing on reinforcing production framework for manufacturers and distributors, to compensate for the impact from the sluggish growth in the automobile industry in Thailand. In Indonesia, demand for frozen foods and daily commodities is rising and a rally is being seen. As such, the situation is improving together with developments in local sales frameworks. In India, inquiries for systems for manufacturers and distributors are robust, and Daifuku India opened a new office in Mumbai.

BCS Group Limited, which handles systems and technologies for airports mainly in Oceania and Asia, received an order for a high-speed conveying Baggage Tray System (BTS), a promising new product, from Montreal Airport in Canada for the first time. Using this as an opportunity, the Group will work on expanding sales of BTS, which is being considered by airports in many parts of the world, in cooperation with Group companies.

As a result, the segment recorded orders of 69,584 million yen, down 26.3% from the previous fiscal year, sales of 68,785 million yen, down 15.9%, and segment income of 2,287 million yen, down 29.2%.

(2) Financial position

**Assets, liabilities and net assets**

Total assets at the end of the fiscal year under review stood at 303,540 million yen, an increase of 7,484 million yen from the end of the previous fiscal year. The result principally reflected a decrease of 7,292 million yen in notes and accounts receivable and unbilled receivables and an increase of 15,614 million yen in cash on hand and in banks.

Total liabilities at the end of the fiscal year under review were 161,199 million yen, a fall of 4,739 million yen year on year. Primary factors included a decrease of 4,679 million yen in income taxes payable.

Net assets at the end of the fiscal year under review were 142,340 million yen, an increase of 12,224 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 12,848 million yen in retained earnings.

(3) Cash flows

Cash and cash equivalents at the end of the fiscal year under review increased 15,706 million yen from the end of the previous fiscal year, to 64,790 million yen, compared with 49,084 million yen in the same period of the previous fiscal year.

Individual cash flows in the fiscal year under review and contributing factors were as follows:

**Cash flows from operating activities**

Cash provided by operating activities totaled 26,683 million yen, compared with cash provided of 7,206 million yen in the same period of the previous fiscal year. This primarily reflects income before income taxes of 23,942 million yen, depreciation of 4,202 million yen, and an increase of 4,038 million yen in advances received on uncompleted contracts, offsetting 11,373 million yen in income taxes paid.

**Cash flows from investing activities**

Cash used in investing activities was 5,393 million yen, compared with cash used of 2,099 million yen in the same period of the previous fiscal year. Major factors included 6,399 million yen for payments for the purchase of property, plant and equipment, outweighing proceeds of 1,121 million yen from sales of property, plant and equipment.

**Cash flows from financing activities**

Cash used in financing activities was 4,404 million yen, compared with cash used of 8,702 million yen in the same period of the previous fiscal year, mainly attributable to payment of cash dividends of 3,896 million yen.

<Reference> Changes in cash flow indicators

| | FY ended March 2013 | FY ended March 2014 | FY ended March 2015 | FY ended March 2016 | FY ended March 2017 |
|---|---|---|---|---|---|
| Equity ratio (%) | 40.4 | 38.8 | 39.8 | 42.9 | 45.8 |
| Equity ratio based on market capitalization (%) | 41.2 | 56.6 | 64.9 | 77.9 | 111.3 |
| Ratio of interest-bearing liabilities to cash flows (Year) | 3.4 | 2.8 | 9.6 | 5.7 | 1.5 |
| Interest coverage ratio (Times) | 17.6 | 23.9 | 12.9 | 14.4 | 64.8 |

Equity ratio: (Net assets − Non-controlling interests − Equity warrants)/Total assets

Equity ratio based on market capitalization: Market capitalization of shares/Total assets

Ratio of interest-bearing liabilities to cash flows: Interest-bearing liabilities/Operating cash flows

Instant coverage ratio: Cash flows/Interest paid

(Note 1) The above indicators are calculated based on the figures in the consolidated financial statements.

(Note 2) Market capitalization is calculated based on the following formula: Closing price of shares at the end of the period × Number of shares issued at the end of the period (excluding treasury stock)

(Note 3) Operating cash flows are used for cash flows.

(Note 4) Interest-bearing liabilities are all liabilities recorded in the consolidated balance sheets that pay interest.

(Note 5) Additionally, interest paid is the amount of interest paid in the consolidated statements of cash flows.

(4) Basic policy for dividends for the fiscal year under review and the following fiscal year

Daifuku regards the return of profits to shareholders as its most important management task and has adopted a performance-based policy for cash dividends based on consolidated net income, with the aim of achieving additional profit distribution to shareholders. We appropriate the remaining surplus to internal reserves for future growth.

Under its four-year business plan, Value Innovation 2020, Daifuku aims to achieve a dividend payout ratio of 30% and increase its corporate value through investment in growth.

For the fiscal year ended March 31, 2017, Daifuku paid an interim dividend of 12 yen per share, and the Board of Directors passed a resolution to pay a year-end dividend of 30 yen per share at a meeting held on May 11, 2017, making the annual dividend 42 yen per share. The year-end dividend includes a commemorative dividend of 5 yen per share, taking into account that the Company will celebrate the 80th anniversary of its founding in May 2017.

With respect to dividends for the fiscal year ending March 31, 2018, the Company plans to pay an annual dividend of 47 yen per share (an interim dividend of 15 yen per share and a year-end dividend of 32 yen), taking into consideration the earnings forecast for the fiscal year ending March 31, 2018 and the basic policy described above.

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

Given the initiatives above, Daifuku has made the following earnings forecasts for the fiscal year ending March 31, 2018, with the expectation of sustainable growth.

**Consolidated earnings forecast for the fiscal year ending March 31, 2018**

| | | |
|---|---|---|
| Orders received | 390 billion yen | (Up 9.4% year on year) |
| Net sales | 380 billion yen | (Up 18.4% year on year) |
| Operating income | 26.6 billion yen | (Up 15.2% year on year) |
| Ordinary income | 27.4 billion yen | (Up 15.3% year on year) |
| Net income attributable to shareholders of the parent company | 19.0 billion yen | (Up 13.5% year on year) |

This forecast is based on the following economy and business environments.

Exchange rate

The actual exchange rate of 109.45 yen per U.S. dollar was used for the results of the fiscal year under review. An estimated rate of 110 yen per dollar is used in preparing the plan for the next fiscal year.

Orders received

The distribution sector, including e-commerce and semiconductor and FPD factories, where systems are becoming more sophisticated and growing in size, is still highly motivated to make capital investments. Given that capital investments are also solid in automobile factories and airports, the environment for orders is expected to remain generally favorable.

Net sales

Orders received and sales recorded during the term are also likely to increase, given that orders remained high in the first half, in addition to the posting of sales for the abundant order backlog.

Operating income

This forecast takes into account factors such as the effect of higher sales and an expected improvement in profits at non-Japanese subsidiaries, as well as the unprecedented delivery of systems for large FPD factories, increases in projects overall and their size, and the resulting difficulty of managing project earnings.

This forecast represents the judgment of the Company based on information presently available. Actual results may differ materially from forecasts due to various uncertainties, including economic and competitive conditions worldwide as well as various risk factors.

## 2. Management Policy

(1) Basic management policy

Daifuku is seeking innovative ways to enhance its corporate value every day, as stated in its company creed (*Hini Arata*, or progressing every day). In addition, Daifuku has grown to become a manufacturer and systems integrator vying for the No. 1 or No. 2 positions within the material handling field, as a result of consistently seeking to achieve sustainable growth based on its medium-term business plans. For the fiscal year ended March 31, 2017, Daifuku maintained its top world ranking in sales in the material handling industry for the third year in a row, according to the May 9, 2017 issue of the U.S. magazine Modern Materials Handling.

Going forward, Daifuku aims to become the world's true No. 1 material handling company by further boosting sales of products for manufacturers and distributors, which is the largest market, and sales of products for airports, where growth potential is high, while building a high-quality track record that further strengthens customer confidence.

In Value Innovation 2017, the four-year medium-term business plan with the fiscal year ended March 31, 2017 as the final year, Daifuku almost achieved its management targets. While net sales were contracting due to the appreciation of the yen, it was a significant achievement that the operating margin topped the initial income target of 7%.

In the four-year medium-term business plan, Value Innovation 2020, which started in April 2017, the Company has set targets as a midway point, with its eyes on further growth, by discussing what the Company should be 10 years from now, as well as in the coming four years up to the fiscal year ending March 31, 2021.

The Group took on the following management philosophy in Value Innovation 2017.

1. Provide the best solutions to benefit the global markets and the development of society.
2. Focus on healthy, growth-driven global management under a diverse and positive corporate culture.

(2) Target management indicators

Targets for the fiscal year ending March 31, 2021 are as follows. The numbers in parentheses are results in the fiscal year ended March 31, 2017.

- Consolidated net sales: 420 billion yen (320.8 billion yen)

- Operating margin: 8% (7.2%)
- ROE: 10% or higher (12.6%)
- Non-Japan sales ratio: 70% (65%)

In the fiscal year ended March 31, 2017, all of net sales, total assets and market capitalization of the Group exceeded 300 billion yen. The Company was also incorporated in the JPX-Nikkei Index 400 in 2016. The Company is aiming to reach a higher stage by improving the rating for its bonds (currently "A minus") based on the awareness that its stage as a company has been elevated.

Regarding ROE (return on equity), the Company aims to consistently maintain 10% or more, primarily by increasing net income. With respect to shareholder return, the Company will reward shareholders with higher dividends based on the policy of a consolidated payout ratio of 30% and will strive to enhance corporate value through more growth investment and timely M&A. The production capacity will be increased in anticipation of the net sales target of 420 billion yen in the medium-term business plan and will be further strengthened from a medium- to long-term perspective. The Company will also proactively invest in the cultivation of global human resources.

(3) Medium- and long-term management strategies

The logistics systems offered by the Daifuku Group have become a vital part of the social infrastructure that is indispensable not only in business to consumer" (B-to-C) but also in consumer to business (C-to-B); that is, a logistics revolution in which companies provide consumers with products tailored to their needs in e-commerce.

In addition, how a business adapts to the digital revolution, including the Internet of Things (IoT) can determine its success or failure. In our medium-term business plan, we will achieve sound and sustainable growth by providing customers with the best solutions based on an awareness that we are assuming a heavy social responsibility.

The non-Japan sales ratio of the Group has already reached 65%, coming very close to 70%, the target in the medium-term business plan. With non-Japanese subsidiaries increasingly important, localization that promotes the locally oriented management of non-Japanese subsidiaries and globalization that increases benefits from collaboration and the brand power of the Group as a whole—in other words, Group governance that effectively balances a centrifugal force with a centripetal force—is becoming increasingly vital. In terms of the centrifugal force, non-Japanese subsidiaries will promote sales, production, installation, and service activities rooted in their respective areas from an independent standpoint. In terms of centripetal force, we will strive to build the Daifuku brand and foster a sense of unity in the Group, including non-Japanese subsidiaries that have joined the Group, particularly those through M&A.

(4) Challenges to address

1) Provision of smart logistics demanded by customers

As consumers and logistics have become directly linked, the level of service demanded of logistics by customers has dramatically increased. With the delivery frequency and the number of parcels delivered rising sharply and the lead time shortening, and with logistics centers becoming larger, faster, more precise and more complex, needs for automation are growing in all aspects. Today the demand is for a logistics system that is not only even faster and more accurate than before, but also does not stop and can be brought back online quickly even if it does stop.

The Group will provide the smart logistics customers need by accelerating development speed and improving delivery quality through virtual inspection, using technologies such as the Internet of Things (IoT), information and communications technology (ICT) and artificial intelligence (AI). These technologies enable us to develop and inspect products without actually making them, monitor the situation without being on site, and make predictions and take preventive measures based on accumulated data. It will also become possible to enhance quality and shorten time in all processes from development to maintenance. We will achieve the visualization and optimization of logistics and provide solutions that will materialize the value and competitive edge that customers seek. We will reduce logistics costs, shorten the logistics time and increase logistics quality and the environment by working on quality improvement and shorter turnarounds in all processes from development to maintenance.

2) Establishment of Airport Technologies business as the fourth core business

Systems for airports are expected to grow further going forward against a backdrop of the forecast that the worldwide number of air passengers will reach 7 billion a year by 2035 (twice the number in 2015). We will expand the scale of the business by strengthening the software area covering passengers as well as baggage and enhancing collaboration with our subsidiaries and affiliates in the United States, Europe and New Zealand. We will establish a fourth source of revenue following the three core businesses for manufacturers and distributors, for semiconductor and FPD factories and for automobile production lines.

3) Launch of new businesses and a new business model

We will focus on the startup of the device business, as well as the plant business. With new buds are emerging, including "D-PAD," a wireless battery charging system based on the know-how of transport systems inside the clean rooms of semiconductor and FPD factories, we will continue to take on challenges to bear more fruit by using outside resources as well. We will also strive to expand into adjacent areas and processes.

4) Faster response to requests from society and customers

The material handling systems offered by the Group are becoming increasingly important as social and economic infrastructure. Along with this, the need to always be aware of "Daifuku seen by society and Daifuku from a customer's perspective" is increasing. We must live up to the evaluation and demand not only in terms of business performance, but also from the perspective of environmental, social and governance criteria and corporate social responsibility.

In corporate governance, we place emphasis on continuously increasing effectiveness by executing the PDCA cycle. In the fiscal year ended March 31, 2017, we revised the regulations of the Board of Directors, etc., which may be called the core element for this purpose.

In terms of our social responsibility, we established the Work-Style Reforms Committee in April 2017. We will develop a more pleasant working environment for employees and create a corporate climate that will place more importance on individual lifestyles by addressing specific issues such as the correction of long working hours. We will also build and operate a supply chain that will give greater consideration to compliance and human rights by establishing the CSR procurement standards.

In the environmental aspect, we will commit to compliance with laws and regulations concerning climate change (reducing CO2 emissions) for which urgent countermeasures are required. We will also focus on information disclosure and providing energy-saving products to customers.

On May 20, 2017, the Daifuku Group will celebrate the 80th anniversary of its founding. During this period, the trust that the Group has fostered by carefully responding to each of the diverse requests from its customers in a broad range of industries has built the Daifuku as we know it today. While expectations based on the track record, experience and knowledge of the Group and its corporate culture are growing day by day, we also have a very strong need to add the element of speed. The Group aims to achieve further sustainable growth by developing Daifuku’s own DNA.

## 3. Basic Stance on Selecting Accounting Standards

Daifuku has adopted Japan GAAP.

With regard to the adoption of IFRS, the Company will take into consideration the accounting standards adopted by other companies in Japan.

## 4. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

| | FY2015 (Year ended March 31, 2016) | FY2016 (Year ended March 31, 2017) |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash on hand and in banks | 49,187 | 64,802 |
| Notes and accounts receivable and unbilled receivables | 131,298 | 124,005 |
| Merchandise and finished goods | 3,629 | 4,910 |
| Costs incurred on uncompleted construction contracts and other | 7,092 | 8,860 |
| Raw materials and supplies | 11,370 | 9,086 |
| Deferred tax assets | 4,501 | 3,429 |
| Other current assets | 7,390 | 7,489 |
| Allowance for doubtful accounts | (146) | (116) |
| Total current assets | 214,324 | 222,468 |
| **Non-current assets:** | | |
| **Property, plant and equipment** | | |
| Net buildings and structures | 13,954 | 13,344 |
| Net machinery and vehicles | 3,336 | 4,040 |
| Net tools and fixtures | 1,487 | 1,455 |
| Land | 11,881 | 12,041 |
| Other, net | 2,221 | 2,704 |
| Total property, plant and equipment | 32,881 | 33,586 |
| **Intangible assets** | | |
| Software | 3,152 | 3,244 |
| Goodwill | 11,181 | 9,882 |
| Other | 2,739 | 2,304 |
| Total intangible assets | 17,072 | 15,430 |
| **Investments and other assets** | | |
| Investments in securities | 19,571 | 21,260 |
| Long-term loans | 135 | 147 |
| Assets for retirement benefits | 1,600 | 2,628 |
| Deferred tax assets | 6,642 | 4,865 |
| Other | 3,952 | 3,285 |
| Allowance for doubtful accounts | (125) | (132) |
| Total investments and other assets | 31,776 | 32,054 |
| Total property, plant and equipment | 81,731 | 81,071 |
| Total assets | 296,055 | 303,540 |

(Million yen)

| | FY2015 (Year ended March 31, 2016) | FY2016 (Year ended March 31, 2017) |
|---|---|---|
| **LIABILITIES** | | |
| **Current liabilities:** | | |
| Notes and accounts payable and construction contracts payable | 40,696 | 40,311 |
| Electronically recorded obligations - operating | 17,270 | 18,806 |
| Short-term borrowings | 8,702 | 21,647 |
| Income taxes payable | 5,919 | 1,239 |
| Advances received on uncompleted construction contracts and other | 22,637 | 26,313 |
| Provision for losses on construction contracts | 971 | 863 |
| Other current liabilities | 18,833 | 16,885 |
| Total current liabilities | 115,031 | 126,067 |
| **Non-current liabilities:** | | |
| Bonds | 2,700 | 2,700 |
| Long-term borrowings | 29,501 | 15,422 |
| Deferred tax liabilities | 1,048 | 619 |
| Liabilities for retirement benefits | 14,500 | 13,486 |
| Negative goodwill | 119 | 59 |
| Other non-current liabilities | 3,037 | 2,843 |
| Total non-current liabilities | 50,907 | 35,132 |
| Total liabilities | 165,938 | 161,199 |
| **NET ASSETS** | | |
| **Shareholders' equity:** | | |
| Common stock | 15,016 | 15,016 |
| Capital surplus | 15,794 | 15,915 |
| Retained earnings | 94,501 | 107,349 |
| Treasury stock | (1,642) | (1,586) |
| Total shareholders' equity | 123,669 | 136,694 |
| **Accumulated other comprehensive income:** | | |
| Net unrealized gain on securities | 3,206 | 4,290 |
| Deferred gain (loss) on hedges | 22 | (5) |
| Foreign currency translation adjustments | 7,730 | 5,102 |
| Retirement benefits reserves adjustment, net of tax | (7,576) | (6,989) |
| Total accumulated other comprehensive income | 3,383 | 2,398 |
| **Non-controlling interests:** | 3,063 | 3,247 |
| Total net assets | 130,116 | 142,340 |
| Total liabilities and net assets | 296,055 | 303,540 |

(2) Consolidated statements of income and comprehensive income

(Million yen)

| | FY2015 (April 1, 2015 - March 31, 2016) | FY2016 (April 1, 2016 - March 31, 2017) |
|---|---|---|
| **Net sales** | 336,184 | 320,825 |
| **Cost of sales** | 272,832 | 256,417 |
| Gross profit | 63,351 | 64,407 |
| **Selling, general and administrative expenses:** | | |
| Selling expenses | 18,812 | 16,652 |
| General and administrative expenses | 23,660 | 24,655 |
| Total selling, general and administrative expenses | 42,472 | 41,308 |
| Operating income | 20,878 | 23,099 |
| **Other income:** | | |
| Interest income | 189 | 158 |
| Dividend income | 363 | 376 |
| Foreign exchange gain | 101 | – |
| Amortization of negative goodwill | 59 | 59 |
| Equity in earnings of affiliates | 503 | 567 |
| Land and house rental revenue | 227 | 234 |
| Miscellaneous income | 329 | 270 |
| Total other income | 1,775 | 1,667 |
| **Other expenses:** | | |
| Interest expenses | 498 | 415 |
| Foreign exchange loss | – | 456 |
| Other | 159 | 134 |
| Total other expenses | 658 | 1,006 |
| Ordinary income | 21,995 | 23,760 |
| **Extraordinary income:** | | |
| Gain on sales of property, plant and equipment | 168 | 494 |
| Gain on sales of investments in securities | 374 | – |
| Other | 0 | 37 |
| Total extraordinary income | 542 | 532 |
| **Extraordinary loss:** | | |
| Loss on sales of property, plant and equipment | 76 | 28 |
| Loss on disposal of property, plant and equipment | 590 | 94 |
| Impairment loss | 540 | – |
| Loss on liquidation of subsidiaries and affiliates | – | 198 |
| Special retirement benefit | 113 | – |
| Environmental expenditures | 528 | – |
| Other | 39 | 29 |
| Total extraordinary loss | 1,888 | 350 |
| Income before income taxes | 20,650 | 23,942 |
| Income taxes - current | 8,094 | 5,447 |
| Income taxes - deferred | (1,380) | 1,459 |
| **Total income taxes** | 6,713 | 6,906 |
| Net income | 13,936 | 17,035 |
| Net income attributable to: | | |
| Shareholders of the parent company | 13,652 | 16,746 |
| Non-controlling interests | 283 | 288 |

(Million yen)

| | FY2015 (April 1, 2015 - March 31, 2016) | FY2016 (April 1, 2016 - March 31, 2017) |
|---|---|---|
| **Other comprehensive income** | | |
| Net unrealized gain (loss) on securities | (1,487) | 1,096 |
| Deferred gain (loss) on hedges | 85 | (42) |
| Foreign currency translation adjustments | (2,710) | (2,290) |
| Retirement benefits reserves adjustment, net of tax | (1,886) | 641 |
| Share of other comprehensive loss of affiliates accounted for by the equity method | (157) | (394) |
| Total other comprehensive income | (6,155) | (989) |
| **Comprehensive income:** | 7,780 | 16,046 |
| Comprehensive income attributable to: | | |
| Shareholders of the parent company | 7,708 | 15,761 |
| Non-controlling interests | 72 | 284 |

(3) Consolidated statements of changes in net assets

FY2015 (April 1, 2015 - March 31, 2016)

(Million yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of the period | 8,024 | 9,239 | 83,626 | (2,419) | 98,469 |
| Changes of items during the period | | | | | |
| Conversion of the convertible bonds with stock acquisition rights | 6,992 | 7,455 | | 621 | 15,069 |
| Dividends from surplus | | | (2,777) | | (2,777) |
| Net income attributable to shareholders of the parent company | | | 13,652 | | 13,652 |
| Purchase of treasury stock | | | | (6) | (6) |
| Disposal of treasury stock | | 0 | | 161 | 161 |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders | | (900) | | | (900) |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | 6,992 | 6,555 | 10,874 | 776 | 25,199 |
| Balance at the end of the period | 15,016 | 15,794 | 94,501 | (1,642) | 123,669 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|---|
| | Net unrealized gain (loss) on securities | Deferred gain (loss) on hedges | Foreign currency translation adjustments | Retirement benefits reserves adjustment, net of tax | Total accumulated other comprehensive income | | |
| Balance at the beginning of the period | 4,639 | (72) | 10,542 | (5,781) | 9,327 | 3,723 | 111,521 |
| Changes of items during the period | | | | | | | |
| Conversion of the convertible bonds with stock acquisition rights | | | | | | | 15,069 |
| Dividends from surplus | | | | | | | (2,777) |
| Net income attributable to shareholders of the parent company | | | | | | | 13,652 |
| Purchase of treasury stock | | | | | | | (6) |
| Disposal of treasury stock | | | | | | | 161 |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders | | | | | | | (900) |
| Net changes of items other than shareholders' equity | (1,432) | 94 | (2,811) | (1,794) | (5,944) | (660) | (6,604) |
| Total changes of items during the period | (1,432) | 94 | (2,811) | (1,794) | (5,944) | (660) | 18,594 |
| Balance at the end of the period | 3,206 | 22 | 7,730 | (7,576) | 3,383 | 3,063 | 130,116 |

FY2016 (April 1, 2016 - March 31, 2017)

(Million yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of the period | 15,016 | 15,794 | 94,501 | (1,642) | 123,669 |
| Changes of items during the period | | | | | |
| Conversion of the convertible bonds with stock acquisition rights | | | | | – |
| Dividends from surplus | | | (3,898) | | (3,898) |
| Net income attributable to shareholders of the parent company | | | 16,746 | | 16,746 |
| Purchase of treasury stock | | | | (185) | (185) |
| Disposal of treasury stock | | 107 | | 242 | 350 |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders | | 12 | | | 12 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | – | 120 | 12,848 | 56 | 13,025 |
| Balance at the end of the period | 15,016 | 15,915 | 107,349 | (1,586) | 136,694 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|---|
| | Net unrealized gain (loss) on securities | Deferred gain (loss) on hedges | Foreign currency translation adjustments | Retirement benefits reserves adjustment, net of tax | Total accumulated other comprehensive income | | |
| Balance at the beginning of the period | 3,206 | 22 | 7,730 | (7,576) | 3,383 | 3,063 | 130,116 |
| Changes of items during the period | | | | | | | |
| Conversion of the convertible bonds with stock acquisition rights | | | | | | | – |
| Dividends from surplus | | | | | | | (3,898) |
| Net income attributable to shareholders of the parent company | | | | | | | 16,746 |
| Purchase of treasury stock | | | | | | | (185) |
| Disposal of treasury stock | | | | | | | 350 |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders | | | | | | | 12 |
| Net changes of items other than shareholders' equity | 1,083 | (28) | (2,628) | 587 | (985) | 184 | (801) |
| Total changes of items during the period | 1,083 | (28) | (2,628) | 587 | (985) | 184 | 12,224 |
| Balance at the end of the period | 4,290 | (5) | 5,102 | (6,989) | 2,398 | 3,247 | 142,340 |

(4) Consolidated statements of cash flows

(Million yen)

| | FY2015 (April 1, 2015 - March 31, 2016) | FY2016 (April 1, 2016 - March 31, 2017) |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Income before income taxes | 20,650 | 23,942 |
| Depreciation | 4,587 | 4,202 |
| Impairment loss | 540 | – |
| Amortization of goodwill | 1,038 | 924 |
| Amortization of negative goodwill | (59) | (59) |
| Interest and dividend income | (552) | (534) |
| Interest expenses | 498 | 415 |
| Loss (gain) on disposal or sales of property, plant and equipment | 497 | (371) |
| Decrease (increase) in notes and accounts receivable | (37,713) | 3,984 |
| Decrease (increase) in inventories | 2,189 | (1,147) |
| Increase (decrease) in notes and accounts payable | 11,964 | 2,855 |
| Increase (decrease) in advances received on uncompleted contracts | 349 | 4,038 |
| Other | 6,043 | (473) |
| Subtotal | 10,035 | 37,775 |
| Interest and dividend income received | 554 | 532 |
| Interest expenses paid | (501) | (411) |
| Income taxes refund (paid) | (3,032) | (11,373) |
| Other | 150 | 161 |
| Net cash provided by operating activities | 7,206 | 26,683 |
| **Cash flows from investing activities:** | | |
| Investments in time deposits | (96) | (3) |
| Proceeds from refund of time deposits | 107 | 86 |
| Payments for purchase of property, plant and equipment | (3,158) | (6,399) |
| Proceeds from sales of property, plant and equipment | 280 | 1,121 |
| Payments for purchase of investments in securities | (22) | (24) |
| Collection of loans receivable | 4 | 5 |
| Other | 785 | (180) |
| Net cash used in investing activities | (2,099) | (5,393) |

(Million yen)

| | FY2015 (April 1, 2015 - March 31, 2016) | FY2016 (April 1, 2016 - March 31, 2017) |
|---|---|---|
| **Cash flows from financing activities:** | | |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (1,556) | (35) |
| Increase (decrease) in short-term borrowings, net | (1,156) | 67 |
| Proceeds from long-term borrowings | 1,841 | 928 |
| Repayment of long-term borrowings | (4,917) | (1,363) |
| Proceeds from disposal of treasury stock | 161 | 169 |
| Payments for purchase of treasury stock | (6) | (5) |
| Payments of cash dividends | (2,794) | (3,896) |
| Other | (274) | (268) |
| Net cash provided by financing activities | (8,702) | (4,404) |
| **Effect of exchange rate change on cash and cash equivalents** | (1,401) | (1,179) |
| **Net increase (decrease) in cash and cash equivalents** | (4,996) | 15,706 |
| **Cash and cash equivalents, beginning of the year** | 54,081 | 49,084 |
| **Cash and cash equivalents, end of the year** | 49,084 | 64,790 |

(5) Notes on consolidated financial statements

**Note on going concern assumption**

Not applicable

**Changes in significant accounting policies**

Following the revision of the Corporation Tax Act, the Group applies the Practical Solution on Accounting for Changes in Depreciation Method related to the 2016 Tax Law Changes (ASBJ PITF No. 32; June 17, 2016) in the first quarter of the fiscal year under review and has changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method. The impact of this change is immaterial.

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

Starting the fiscal year under review, the Group is applying the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26; March 28, 2016). Board Benefit Trust (BBT)

**Additional information**

(Transactions of delivering the Company's own stock to employees etc. through a trust)

Starting the first quarter of the fiscal year under review, the Group is applying the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26; March 28, 2016).

The Company has introduced the board benefit trust (BBT) system for its directors and corporate officers (hereinafter "Directors, etc.")

By introduction of the plan, we aim to further clarify the relativity of the remuneration for our directors, etc., our business performance, and the stock value and to enhance their motivation to contribute to improvement of our business performance in the medium and long term and to boosting corporate value by sharing not only the benefit of rising stock value but also the risks of a decline in stock prices with our shareholders.

1) Outline of the transaction

   The plan is a stock compensation plan linked directly to its business performance by acquiring its stock through the trust using the funds that the Company contributes (hereinafter referred to as "the trust") and providing remuneration for the Directors, etc. through the trust, in accordance with the stock compensation regulations for its officers. The remuneration is the Company's shares and the monies equivalent to the amount obtained by converting the Company's shares at a market price as of the retirement date. The Company's shares to be acquired by the trust this time are treasury shares held by the Company that are allotted through private placement. As a general rule, our stocks are provided for our directors, etc., upon retirement.

   The Company follows the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts (ASBJ PITF No. 30, March 26, 2015) with respect to accounting for the trust agreement.

2) The Company’s shares still held by the Trust

The Company records the shares of the Company, which are held by the Trust and yet to be sold to the Shareholding Association, as treasury stock in net assets, using the book value (excluding incidental expenses) in the Trust. The book value and the number of the treasury stock were ¥180 million and 90 thousand shares, respectively, for the year ended March 31, 2017.

**Segment information**

1. Overview of reportable segments

   Reportable segments comprise components for which discrete financial information is available, which the Board of Directors review regularly to determine the allocation of management resources and assess operating results.

   The Daifuku Group manufactures and sells material handling systems, car wash machines, industrial personal computers, interface boards, and other equipment in Japan and overseas. Each company within the Group conducts manufacturing and sales activities based on its roles as an independent management unit.

   There are four reportable segments: Daifuku Co., Ltd., the core company dealing in material handling systems and equipment, and car wash machines; the Contec group (Contec Co., Ltd. and its subsidiaries), the core company group engaging in the manufacture and sale of industrial personal computers, interface boards, and other equipment in Japan and overseas; the Daifuku North America group (Daifuku North America Holding Company and its subsidiaries and affiliates), and Daifuku Plusmore Co., Ltd.

   In addition to the manufacture and sale of material handling systems and equipment and car wash machines in Japan as the core company of the Daifuku Group, Daifuku Co., Ltd. develops and supplies key components to companies around the world. Overseas subsidiaries assemble material handling system components supplied by Daifuku Co., Ltd. with locally manufactured or purchased materials, sell the products, and perform installation work as well as after-sales services. Daifuku North America Holding Company is a U.S. subsidiary that is responsible for key business activities, primarily in North America, with a significant volume of sales. It manufactures and sells leading airport baggage handling systems on its own as part of its material handling systems.

2. Methods of calculating the amount of net sales, income or losses, assets, liabilities and other items by reportable segment

   The method of accounting for the reported business segments is based on the principles and procedures of accounting policies adopted for preparing consolidated financial statements.

3. Information on the amount of net sales, income or losses, assets, liabilities and other items by reportable segment

Fiscal year under review (April 1, 2016 - March 31, 2017)

(Million yen)

| | Reportable segment | | | | | Other* | Total |
|---|---|---|---|---|---|---|---|
| | Daifuku | Contec | Daifuku North America | Daifuku Plusmore | Total | | |
| Net sales | | | | | | | |
| Sales to outside customers | 145,860 | 15,456 | 79,063 | 11,466 | 251,846 | 68,785 | 320,632 |
| Intersegment sales or transfers | 29,832 | 7,910 | 386 | 24 | 38,155 | 14,796 | 52,952 |
| Total | 175,693 | 23,366 | 79,450 | 11,491 | 290,002 | 83,582 | 373,584 |
| Segment income | 13,316 | 722 | 3,535 | 113 | 17,687 | 2,287 | 19,975 |
| Segment assets | 203,208 | 19,818 | 53,760 | 3,807 | 280,595 | 66,581 | 347,177 |
| Segment liabilities | 88,906 | 11,490 | 32,201 | 2,465 | 135,063 | 37,467 | 172,530 |
| Other | | | | | | | |
| Depreciation | 2,439 | 277 | 724 | 48 | 3,489 | 712 | 4,202 |
| Amortization of goodwill | 109 | 132 | 581 | 106 | 930 | – | 930 |
| Interest income | 19 | 2 | 22 | 21 | 66 | 146 | 212 |
| Interest expenses | 246 | 46 | 17 | – | 309 | 160 | 470 |
| Extraordinary income | 450 | 27 | 238 | 2 | 719 | 16 | 735 |
| (Gain on sales of property, plant and equipment) | (450) | (0) | (238) | (2) | (692) | (6) | (698) |
| Extraordinary loss | 184 | 1 | 206 | 0 | 391 | 317 | 709 |
| (Loss on sales of property, plant and equipment) | (–) | (–) | (7) | (–) | (7) | (178) | (186) |
| (Loss on disposal of property, plant and equipment) | (85) | (1) | (0) | (0) | (87) | (7) | (94) |
| (Impairment loss) | (–) | (–) | (–) | (–) | (–) | (105) | (105) |
| (Loss on liquidation of subsidiaries and affiliates) | (–) | (–) | (198) | (–) | (198) | (–) | (198) |
| Income tax expenses | 4,258 | 297 | 1,368 | 73 | 5,998 | 829 | 6,827 |
| Investments in equity-method affiliates | 5,193 | – | – | – | 5,193 | 166 | 5,359 |
| Increase in property, plant and equipment and intangible assets | 3,243 | 337 | 1,144 | 3 | 4,729 | 1,176 | 5,905 |

* "Other" represents an operating segment comprising subsidiaries that are not in reportable segments.

4. Differences between total amounts for reportable segments and the reported amount in the consolidated financial statements and main details of the differences (matters relating to difference reconsideration)

(Million yen)

| Net sales | Fiscal year ended March 31, 2017 |
|---|---|
| Reportable segment total | 290,002 |
| Segment net sales classified in “Other” | 83,582 |
| Elimination of intersegment transactions | -52,952 |
| Adjustment for consolidation of sales on the percentage-of-completion basis | 1,131 |
| Other adjustment for consolidation | -938 |
| Net sales in consolidated financial statements | 320,825 |

(Million yen)

| Segment income | Fiscal year ended March 31, 2017 |
|---|---|
| Reportable segment total | 17,687 |
| Segment income classified in “Other” | 2,287 |
| Elimination of dividends from affiliates | -3,112 |
| Other adjustment for consolidation | -116 |
| Net income in consolidated financial statements | 16,746 |

(Million yen)

| Segment assets | Fiscal year ended March 31, 2017 |
|---|---|
| Reportable segment total | 280,595 |
| Segment assets classified in “Other” | 66,581 |
| Elimination of investment securities in affiliates in consolidation process | -34,379 |
| Elimination of intercompany receivables | -21,736 |
| Other adjustment for consolidation | 12,479 |
| Total assets in consolidated financial statements | 303,540 |

(Million yen)

| Segment liabilities | Fiscal year ended March 31, 2017 |
|---|---|
| Reportable segment total | 135,063 |
| Segment liabilities classified in “Other” | 37,467 |
| Elimination of intercompany payables | -21,736 |
| Other adjustments for consolidation | 10,405 |
| Total liabilities in consolidated financial statements | 161,199 |

(Million yen)

| Other | Reportable segment total | Other | Adjustment | Consolidated total |
|---|---|---|---|---|
| Depreciation | 3,489 | 712 | – | 4,202 |
| Amortization of goodwill | 930 | – | -6 | 924 |
| Interest income | 66 | 146 | -54 | 158 |
| Amortization of negative goodwill | – | – | 59 | 59 |
| Interest expenses | 309 | 160 | -54 | 415 |
| Equity in earnings of non-consolidated subsidiaries and affiliates | – | – | 567 | 567 |
| Extraordinary income | 719 | 16 | -203 | 532 |
| (Gain on sales of property, plant and equipment) | (692) | (6) | (-203) | (494) |
| Extraordinary loss | 391 | 317 | -358 | 350 |
| (Loss on sales of property, plant and equipment) | (7) | (178) | (-157) | (28) |
| (Loss on disposal of property, plant and equipment) | (87) | (7) | (–) | (94) |
| (Impairment loss) | (–) | (105) | (-105) | (–) |
| (Loss on liquidation of subsidiaries and affiliates) | (198) | (–) | (–) | (198) |
| Income tax expenses | 5,998 | 829 | 79 | 6,906 |
| Investments in equity-method affiliates | 5,193 | 166 | 1,508 | 6,868 |
| Increase in property, plant and equipment and intangible assets | 4,729 | 1,176 | – | 5,905 |

Note: The main items in the adjustment above are as follows.

An adjustment of 1,508 million yen in investments in equity-method affiliates during the fiscal year under review was mainly due to foreign currency translation adjustments included in shares in affiliates.

**Related Information**

Fiscal year under review (April 1, 2016 - March 31, 2017)

1. Information by product and service

(Million yen)

| | Logistics Systems | Electronics | Other | Total |
|---|---|---|---|---|
| Sales to outside customers | 288,408 | 15,427 | 16,989 | 320,825 |

2. Information by region

Sales

(Million yen)

| Japan | U. S. A. | China | South Korea | Other | Total |
|---|---|---|---|---|---|
| 110,678 | 71,470 | 36,863 | 32,275 | 69,537 | 320,825 |

Note: Sales are classified into countries or regions based on the location of customers.

**Per Share Information**

(Yen)

| | Fiscal year ended March 31, 2016 | Fiscal year ended March 31, 2017 |
|---|---|---|
| Net assets per share | 1,044.40 | 1,142.14 |
| Net income per share | 118.72 | 137.58 |
| Diluted net income per share | 112.14 | – |

Notes:

1. The shares of Daifuku remaining in the employee shareholding incentive plan through a trust ("E-Ship"), which are recorded as treasury stock under equity capital, are included in the treasury stock to be deducted in the calculation of the average number of shares during the year for the purpose of calculation of net income per share, and are also included in the number of treasury stock to be deducted from the aggregate number of issued shares as of the end of the year for the purpose of calculation of net assets per share. The average number of shares of treasury stock deducted during the year for the purpose of calculation of net income per share is 191,000 shares for the year ended March 31, 2016 and 57,000 shares for the year ended March 31, 2017. The Company's employee shareholding incentive plan through a trust ("E-Ship") ended in December 2016.

2. The shares of Daifuku remaining in the BBT trust which are recorded as treasury stock under equity capital are included in the treasury stock to be deducted in the calculation of the average number of shares during the year for the purpose of calculation of net income per share, and are also included in the number of treasury stock to be deducted from the aggregate number of issued shares as of the end of the year for the purpose of calculation of net assets per share. The average number of shares of treasury stock deducted during the year for the purpose of calculation of net income per share is 60,000 shares for the year ended March 31, 2017. The number of shares of treasury stock deducted as of the end of the year for calculation of net assets per share is 90,000 shares for the year ended March 31, 2017.

3. The basis for the calculation of net income per share and diluted net income per share for the years ended March 31, 2017 and 2016, were as follows:

| | Fiscal year ended March 31, 2016 | Fiscal year ended March 31, 2017 |
|---|---|---|
| Net income per share | | |
| Net income (million yen) | 13,652 | 16,746 |
| Amount not attributable to common shareholders (million yen) | – | – |
| Net income attributable to common stock (million yen) | 13,652 | 16,746 |
| Average number of common shares during the period (thousand shares) | 114,994 | 121,726 |
| | | |
| Diluted net income per share[*1] | | |
| Adjusted amount of net income (million yen) | -16 | – |
| (Of which, amortization of bond premiums (after tax) (million yen))[*2] | (-16) | (–) |
| Number of common shares increased (thousand shares) | 6,600 | – |
| (Of which, convertible bonds with stock acquisition rights (thousand shares)) | (6,600) | (–) |
| Dilutive shares not included in the calculation of diluted net income per share because absence of dilutive effect | – | – |

[*1] Dilutive shares do not exist at the end of the fiscal year under review, as the stock acquisition rights of Japanese yen convertible bonds due 2017 were all exercised on December 17, 2015.

[*2] The amount of amortization of the difference in the fiscal year under review due to the issuance of bonds at a price that exceeded the face value (after subtracting the amount equivalent to taxes)

4. The basis for the calculation of net assets per share is as shown in the table below.

| | Fiscal year ended March 31, 2016 | Fiscal year ended March 31, 2017 |
|---|---|---|
| Total net assets (million yen) | 130,116 | 142,340 |
| Amount to subtract from total net assets (million yen) | 3,063 | 3,247 |
| (Of which, non-controlling interests) (million yen) | (3,063) | (3,247) |
| Net assets at the end of the period attributable to common stock (million yen) | 127,052 | 139,092 |
| Number of common shares at the end of the period used for the calculation of net assets per share (thousand shares) | 121,651 | 121,782 |

**Major subsequent events**

Not applicable