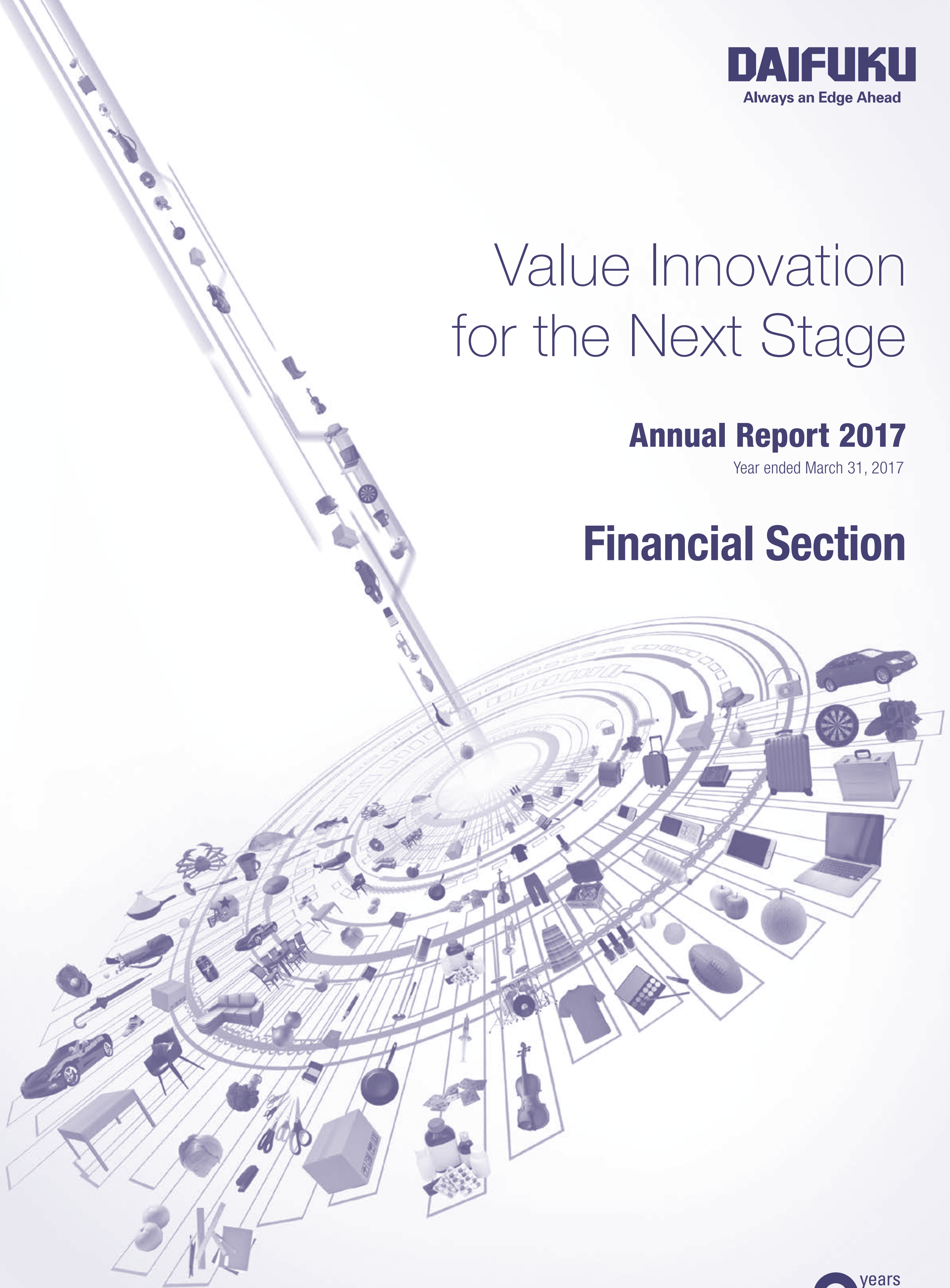
DAIFUKU
Always an Edge Ahead

Value Innovation for the Next Stage

Annual Report 2017

Year ended March 31, 2017

Financial Section



80 years

Eleven-Year Summary

Daifuku Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2007 to 2017

	2017	2016	2015
For the Year			
Net sales	**¥ 320,825**	¥ 336,184	¥267,284
Cost of sales	**256,417**	272,832	215,641
Gross profit	**64,407**	63,351	51,642
Selling, general and administrative expenses	**41,308**	42,472	36,759
Operating income	**23,099**	20,878	14,883
Income before income taxes	**23,942**	20,650	15,211
Net income attributable to shareholders of the parent company	**16,746**	13,652	9,810
Capital investment	**5,905**	4,210	7,532
Depreciation	**4,202**	4,587	4,157
R&D expenditures	**7,489**	7,009	6,945
Cash Flows			
Cash flows from operating activities	**¥ 26,683**	¥ 7,206	¥ 6,295
Cash flows from investing activities	**(5,393)**	(2,099)	(5,846)
Free cash flows	**21,289**	5,107	448
Cash flows from financing activities	**(4,404)**	(8,702)	(509)
At Year-End			
Total assets	**¥ 303,540**	¥ 296,055	¥271,011
Working capital	**96,401**	99,293	91,187
Interest-bearing liabilities	**39,770**	40,904	60,547
Net assets	**142,340**	130,116	111,521
Shareholders' equity	**136,694**	123,669	98,469
Number of employees	**8,689**	7,835	7,746
Amounts per Share of Common Stock			
Net income per share (Yen)	**¥ 137.58**	¥ 118.72	¥ 88.59
Net assets per share (Yen)	**1,142.14**	1,044.40	972.75
Cash dividends per share (Yen)	**42.00**	30.00	22.00
Ratios			
Operating income/net sales	**7.2%**	6.2%	5.6%
Income before income taxes/net sales	**7.5**	6.1	5.7
Net income/net sales	**5.2**	4.1	3.7
Return on shareholders' equity (ROE)	**12.6**	11.6	9.6
Total assets turnover (Times)	**1.1**	1.1	1.0
Shareholders' equity/total assets	**45.8**	42.9	39.8
D/E ratio	**0.29**	0.32	0.56

Notes: 1. The amount of "Capital investment" in the years ended March 31, 2015, 2014, and 2013 includes goodwill generated from acquisition of shares in overseas companies.
2. In the calculation of net assets per share, the amount of non-controlling interests is subtracted from the amount of net assets in accordance with the above guidelines.
3. In the calculation of shareholders' equity/total assets ratio and ROE, shareholders' equity represents the amount of net assets less non-controlling interests.
4. D/E ratio = Interest-bearing liabilities/(Net assets – Non-controlling interests – Bonds with stock acquisition rights)

(Million yen)

2014	2013	2012	2011	2010	2009	2008	2007
¥241,811	¥202,337	¥198,052	¥159,263	¥154,208	¥242,182	¥231,619	¥232,703
194,974	165,340	165,505	131,639	128,195	195,430	182,260	186,991
46,836	36,996	32,546	27,623	26,012	46,752	49,358	45,712
34,279	28,986	28,328	25,897	25,932	31,736	28,680	26,876
12,556	8,010	4,217	1,726	80	15,015	20,677	18,837
12,137	7,316	3,129	703	862	13,956	20,592	18,356
7,740	4,439	1,223	269	1,018	7,851	11,893	11,382
10,446	7,687	2,393	3,221	2,280	4,613	4,071	8,281
3,821	3,332	3,612	3,577	3,679	3,930	3,401	2,886
7,490	6,855	6,484	6,370	6,075	8,018	6,964	7,564
¥ 20,447	¥ 15,666	¥ (5,187)	¥ 11,417	¥ 20,921	¥ (8,425)	¥ 21,234	¥ 864
(7,372)	(13,649)	(4,039)	(3,616)	(7,303)	(6,900)	(6,340)	(10,257)
13,074	2,016	(9,227)	7,801	13,617	(15,325)	14,894	(9,392)
1,045	88	7,709	(6,056)	(11,321)	16,189	(3,531)	(2,328)
¥249,531	¥206,875	¥185,049	¥163,388	¥165,430	¥194,727	¥222,386	¥195,016
87,070	45,832	61,943	65,908	66,265	75,087	64,840	60,351
58,144	53,385	51,010	40,912	45,295	55,417	33,559	33,764
99,690	85,685	76,618	77,714	81,295	82,810	88,709	80,718
90,652	84,486	82,013	82,454	83,852	85,727	83,355	74,389
7,349	6,678	5,617	5,209	5,395	5,660	5,663	4,702
¥ 69.96	¥ 40.12	¥ 11.05	¥ 2.43	¥ 9.20	¥ 70.29	¥ 105.05	¥ 100.50
875.14	754.98	674.72	683.39	716.07	718.68	746.59	682.01
18.00	15.00	15.00	15.00	20.00	26.00	26.00	25.00
5.2%	4.0%	2.1%	1.1%	0.1%	6.2%	8.9%	8.1%
5.0	3.6	1.6	0.4	0.6	5.8	8.9	7.9
3.2	2.2	0.6	0.2	0.7	3.2	5.1	4.9
8.6	5.6	1.6	0.3	1.3	9.6	14.7	15.6
1.0	1.0	1.1	1.0	0.9	1.2	1.0	1.2
38.8	40.4	40.3	46.3	47.9	40.9	38.0	39.6
0.60	0.64	0.68	0.54	0.57	0.70	0.40	0.44

Contents

Consolidated Balance Sheets

Daifuku Co., Ltd. and consolidated subsidiaries
March 31, 2017 and 2016

	(Million yen)		(U.S. thousand dollars) (Note 6)
	March 31		March 31
ASSETS	**2017**	2016	**2017**
Current assets:			
Cash on hand and in banks (Notes 9 and 28)	**¥ 64,802**	¥ 49,187	**$ 577,559**
Notes and accounts receivable and unbilled receivables (Notes 4 and 9)	**124,005**	131,298	**1,105,222**
Merchandise and finished goods	**4,910**	3,629	**43,765**
Costs incurred on uncompleted construction contracts and other (Note 8)	**8,860**	7,092	**78,968**
Raw materials and supplies	**9,086**	11,370	**80,985**
Deferred tax assets (Notes 5 and 27)	**3,429**	4,501	**30,563**
Other current assets	**7,489**	7,390	**66,754**
Less: allowance for doubtful accounts	**(116)**	(146)	**(1,034)**
Total current assets	**222,468**	214,324	**1,982,784**
Non-current assets:			
Property, plant and equipment (Notes 7 and 13):			
Buildings and structures, net	**13,344**	13,954	**118,937**
Machinery and vehicles, net	**4,040**	3,336	**36,008**
Tools and fixtures, net	**1,455**	1,487	**12,969**
Land	**12,041**	11,881	**107,323**
Other, net	**2,704**	2,221	**24,102**
Total property, plant and equipment	**33,586**	32,881	**299,341**
Intangible assets:			
Software	**3,244**	3,152	**28,913**
Goodwill	**9,882**	11,181	**88,078**
Other	**2,304**	2,739	**20,537**
Total intangible assets	**15,430**	17,072	**137,530**
Investments and other assets:			
Investments in securities (Notes 9, 10, and 11)	**21,260**	19,571	**189,490**
Long-term loans	**147**	135	**1,315**
Assets for retirement benefits (Note 14)	**2,628**	1,600	**23,423**
Deferred tax assets (Notes 5 and 27)	**4,865**	6,642	**43,360**
Other	**3,285**	3,952	**29,285**
Less: allowance for doubtful accounts	**(132)**	(125)	**(1,182)**
Total investments and other assets	**32,054**	31,776	**285,692**
Total non-current assets	**81,071**	81,731	**722,563**
Total assets	**¥303,540**	¥296,055	**$2,705,348**

The accompanying notes are an integral part of these statements.

LIABILITIES	(Million yen) March 31 2017	2016	(U.S. thousand dollars) (Note 6) March 31 2017
Current liabilities:			
Notes and accounts payable and construction contracts payable (Note 9)	¥ 40,311	¥ 40,696	$ 359,279
Electronically recorded obligations-operating (Note 9)	18,806	17,270	167,617
Short-term borrowings and current portion of long-term borrowings (Notes 9 and 12)	21,647	8,702	192,939
Income taxes payable	1,239	5,919	11,043
Advances received on uncompleted construction contracts and other (Note 4)	26,313	22,637	234,522
Provision for losses on construction contracts (Notes 8 and 20)	863	971	7,696
Other current liabilities (Note 12)	16,885	18,833	150,493
Total current liabilities	126,067	115,031	1,123,592
Non-current liabilities:			
Bonds (Notes 9 and 12)	2,700	2,700	24,064
Long-term borrowings (Notes 9 and 12)	15,422	29,501	137,459
Deferred tax liabilities (Notes 5 and 27)	619	1,048	5,521
Liabilities for retirement benefits (Note 14)	13,486	14,500	120,201
Negative goodwill	59	119	534
Other non-current liabilities (Note 12)	2,843	3,037	25,340
Total non-current liabilities	35,132	50,907	313,121
Total liabilities	161,199	165,938	1,436,713
Contingent liabilities (Note 16)			
NET ASSETS			
Shareholders' equity (Notes 5 and 18):			
Common stock:			
Authorized—250,000,000 shares			
Issued—123,610,077 shares	15,016	15,016	133,833
Capital surplus	15,915	15,794	141,845
Retained earnings	107,349	94,501	956,770
Less: treasury stock, at cost—March 31, 2017—1,827,904 shares March 31, 2016—1,958,836 shares	(1,586)	(1,642)	(14,137)
Total shareholders' equity	136,694	123,669	1,218,312
Accumulated other comprehensive income:			
Net unrealized gain (loss) on securities	4,290	3,206	38,241
Deferred gain (loss) on hedges	(5)	22	(49)
Foreign currency translation adjustments	5,102	7,730	45,475
Accumulated adjustments on retirement benefits (Note 14)	(6,989)	(7,576)	(62,293)
Total accumulated other comprehensive income	2,398	3,383	21,374
Non-controlling interests			
Non-controlling interests	3,247	3,063	28,947
Total net assets	142,340	130,116	1,268,634
Total liabilities and net assets	¥303,540	¥296,055	$2,705,348

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income and Comprehensive Income

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2017 and 2016

	(Million yen)		(U.S. thousand dollars) (Note 6)
	March 31		March 31
	2017	2016	2017
Net sales	¥320,825	¥336,184	$2,859,407
Cost of sales (Notes 20 and 21)	256,417	272,832	2,285,362
Gross profit	64,407	63,351	574,044
Selling expenses (Note 19)	16,652	18,812	148,420
General and administrative expenses (Notes 19 and 21)	24,655	23,660	219,746
Total selling, general and administrative expenses	41,308	42,472	368,166
Operating income	23,099	20,878	205,878
Other income:			
Interest income	158	189	1,409
Dividend income	376	363	3,357
Foreign exchange gain	—	101	—
Amortization of negative goodwill	59	59	534
Equity in earnings of affiliates	567	503	5,059
Land and house rental revenue	234	227	2,091
Miscellaneous income	270	329	2,406
Total other income	1,667	1,775	14,859
Other expenses:			
Interest expenses	415	498	3,703
Foreign exchange loss	456	—	4,068
Miscellaneous expenses	134	159	1,194
Total other expenses	1,006	658	8,966
Ordinary income	23,760	21,995	211,770
Extraordinary income:			
Gain on sales of property, plant and equipment (Note 23)	494	168	4,411
Gain on sales of investments in securities	—	374	—
Other	37	0	333
Total extraordinary income	532	542	4,744
Extraordinary loss:			
Loss on sales of property, plant and equipment (Note 24)	28	76	249
Loss on disposal of property, plant and equipment (Note 22)	94	590	845
Impairment loss (Note 26)	—	540	—
Loss on liquidation of subsidiaries and affiliates	198	—	1,769
Special retirement benefits	—	113	—
Environmental expenditures	—	528	—
Other	29	39	259
Total extraordinary loss	350	1,888	3,124
Income before income taxes	23,942	20,650	213,391
Income taxes (Note 27)			
Current	5,447	8,094	48,549
Deferred	1,459	(1,380)	13,008
Total income taxes	6,906	6,713	61,557
Net income	17,035	13,936	151,833
(Net income attributable to:)			
Shareholders of the parent company	16,746	13,652	149,258
Non-controlling interests	288	283	2,575
Other comprehensive income (Note 25)			
Net unrealized gain (loss) on securities	1,096	(1,487)	9,774
Deferred gain (loss) on hedges	(42)	85	(378)
Foreign currency translation adjustments	(2,290)	(2,710)	(20,410)
Retirement benefits reserves adjustment	641	(1,886)	5,714
Share of other comprehensive loss of affiliates accounted for using the equity method	(394)	(157)	(3,518)
Total other comprehensive income	(989)	(6,155)	(8,819)
Comprehensive income (Note 25)	¥ 16,046	¥ 7,780	$ 143,014
(Comprehensive income attributable to:)			
Shareholders of the parent company	¥ 15,761	¥ 7,708	$ 140,475
Non-controlling interests	284	72	2,538
		(Yen)	(U.S. dollars)
Net income per share (Note 32)	¥137.58	¥118.72	$1.22
Cash dividends per share	42.00	30.00	0.37

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2017 and 2016

	Number of shares of common stock	Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	(Thousands)					(Million yen)
Balance at March 31, 2015	113,671	¥ 8,024	¥ 9,239	¥ 83,626	¥(2,419)	¥ 98,469
Conversion of the convertible bonds with stock acquisition rights	9,938	6,992	7,455	—	621	15,069
Cash dividends	—	—	—	(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	—	—	—	—	—	—
Balance at March 31, 2016	123,610	¥15,016	¥15,794	¥ 94,501	¥(1,642)	¥123,669
Conversion of the convertible bonds with stock acquisition rights	—	—	—	—	—	—
Cash dividends	—	—	—	(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	—	—	—	—	—	—
Balance at March 31, 2017	**123,610**	**¥15,016**	**¥15,915**	**¥107,349**	**¥(1,586)**	**¥136,694**

	Accumulated other comprehensive income						
	Net unrealized gain (loss) on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Accumulated adjustments on retirement benefits	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
							(Million yen)
Balance at March 31, 2015	¥4,639	¥(72)	¥10,542	¥(5,781)	¥9,327	¥3,723	¥111,521
Conversion of the convertible bonds with stock acquisition rights	—	—	—	—	—	—	15,069
Cash dividends	—	—	—	—	—	—	(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)
Balance at March 31, 2016	¥3,206	¥ 22	¥ 7,730	¥(7,576)	¥3,383	¥3,063	¥130,116
Conversion of the convertible bonds with stock acquisition rights	—	—	—	—	—	—	—
Cash dividends	—	—	—	—	—	—	(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)
Balance at March 31, 2017	**¥4,290**	**¥ (5)**	**¥ 5,102**	**¥(6,989)**	**¥2,398**	**¥3,247**	**¥142,340**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets (Continued)

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2017 and 2016

	Number of shares of common stock	Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	(Thousands)	(U.S. thousand dollars) (Note 6)				
Balance at March 31, 2016	123,610	$133,833	$140,770	$842,255	$(14,638)	$1,102,220
Conversion of the convertible bonds with stock acquisition rights	—	—	—	—	—	—
Cash dividends	—	—	—	(34,743)	—	(34,743)
Net income attributable to shareholders of the parent company	—	—	—	149,258	—	149,258
Purchase of treasury stock	—	—	—	—	(1,657)	(1,657)
Disposal of treasury stock	—	—	961	—	2,158	3,120
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	113	—	—	113
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2017	**123,610**	**$133,833**	**$141,845**	**$956,770**	**$(14,137)**	**$1,218,312**

	Accumulated other comprehensive income						
	Net unrealized gain (loss) on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Accumulated adjustments on retirement benefits	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	(U.S. thousand dollars) (Note 6)						
Balance at March 31, 2016	$28,581	$200	$68,900	$(67,525)	$30,157	$27,306	$1,159,684
Conversion of the convertible bonds with stock acquisition rights	—	—	—	—	—	—	—
Cash dividends	—	—	—	—	—	—	(34,743)
Net income attributable to shareholders of the parent company	—	—	—	—	—	—	149,258
Purchase of treasury stock	—	—	—	—	—	—	(1,657)
Disposal of treasury stock	—	—	—	—	—	—	3,120
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	113
Net changes of items other than shareholders' equity	9,659	(250)	(23,425)	5,232	(8,782)	1,640	(7,142)
Balance at March 31, 2017	**$38,241**	**$ (49)**	**$45,475**	**$(62,293)**	**$21,374**	**$28,947**	**$1,268,634**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2017 and 2016

	(Million yen)		(U.S. thousand dollars) (Note 6)
	March 31		March 31
	2017	2016	2017
Cash flows from operating activities:			
Income before income taxes	¥23,942	¥20,650	$213,391
Adjustments for:			
Depreciation	4,202	4,587	37,451
Impairment loss	—	540	—
Amortization of goodwill	924	1,038	8,237
Amortization of negative goodwill	(59)	(59)	(534)
Interest and dividend income	(534)	(552)	(4,767)
Interest expenses	415	498	3,703
Loss (gain) on disposal or sales of property, plant and equipment	(371)	497	(3,315)
Decrease (increase) in notes and accounts receivable (Note 4)	3,984	(37,713)	35,516
Decrease (increase) in inventories	(1,147)	2,189	(10,230)
Increase (decrease) in notes and accounts payable	2,855	11,964	25,451
Increase (decrease) in advances received on uncompleted construction	4,038	349	35,994
Other, net	(473)	6,043	(4,223)
Subtotal	37,775	10,035	336,675
Interest and dividend received	532	554	4,747
Interest paid	(411)	(501)	(3,671)
Income taxes paid	(11,373)	(3,032)	(101,371)
Other, net	161	150	1,440
Net cash provided by (used in) operating activities	26,683	7,206	237,820
Cash flows from investing activities:			
Investments in time deposits	(3)	(96)	(27)
Proceeds from refund of time deposits	86	107	773
Payments for purchase of property, plant and equipment	(6,399)	(3,158)	(57,035)
Proceeds from sales of property, plant and equipment	1,121	280	9,998
Payments for purchase of investments in securities	(24)	(22)	(216)
Collection of loans receivable	5	4	49
Other, net	(180)	785	(1,612)
Net cash provided by (used in) investing activities	(5,393)	(2,099)	(48,070)
Cash flows from financing activities:			
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(35)	(1,556)	(320)
Increase (decrease) in short-term borrowings, net	67	(1,156)	597
Proceeds from long-term borrowings	928	1,841	8,272
Repayment of long-term borrowings	(1,363)	(4,917)	(12,151)
Proceeds from disposal of treasury stock	169	161	1,511
Payments for purchase of treasury stock	(5)	(6)	(48)
Payments of cash dividends	(3,896)	(2,794)	(34,724)
Other, net	(268)	(274)	(2,392)
Net cash provided by (used in) financing activities	(4,404)	(8,702)	(39,255)
Effect of exchange rate change on cash and cash equivalents	(1,179)	(1,401)	(10,509)
Net increase (decrease) in cash and cash equivalents	15,706	(4,996)	139,984
Cash and cash equivalents at beginning of year	49,084	54,081	437,471
Cash and cash equivalents at end of year (Note 28)	¥64,790	¥49,084	$577,455

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2017 and 2016

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Daifuku Co., Ltd. (hereinafter "the Company") and its consolidated subsidiaries.

The Company and its domestic subsidiaries have maintained their accounts and records in accordance with the provisions set forth in Japan's Companies Act and in conformity with generally accepted accounting principles prevailing in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

The accounts of its overseas consolidated subsidiaries are based on their accounting records, which are maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries in which the subsidiaries have been incorporated. Necessary adjustments to the accounts of the overseas consolidated subsidiaries have been reflected in the accompanying consolidated financial statements, in all material respects, to present them in conformity with International Financial Reporting Standards or accounting principles generally accepted in the United States of America.

The presentation of the accompanying consolidated financial statements is made in conformity with the "Regulations Concerning Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (ordinance promulgated by the Japanese Cabinet Office) and meets the requirements for disclosure of financial information of the Company on a consolidated basis.

Amounts less than ¥1 million and $1 thousand have been rounded down. As a result, the totals shown in the consolidated financial statements and notes thereto do not necessarily agree with the sum of the individual account balances.

2. Summary of significant accounting policies

(1) Principles of consolidation

The consolidated financial statements consist of the accounts of the parent company and 55 subsidiaries as of March 31, 2017.

BCS Group Limited established its subsidiary, Daifuku Airport Technologies Canada Inc., for the year ended March 31, 2017. On the other hand, Logan Telefex (France) S.A.S. was absorbed by Daifuku Logan Ltd. Moreover, Contec Co., Ltd. liquidated Beijing Contec Microelectronics Corporation, and Daifuku North America Holding Company liquidated American Conveyor and Equipment, Inc. and Jervis B. Webb GmbH. As a result, the number of consolidated subsidiaries increased by 1 and decreased by 4, from 58 as of March 31, 2016.

The consolidated subsidiaries adopt the same fiscal year as the Company, except for 46 overseas consolidated subsidiaries, as of March 31, 2017, with fiscal years ending December 31. For the consolidation of these overseas subsidiaries, the Company makes appropriate adjustments for any material transactions subsequent to December 31.

The Company has two affiliates, including Knapp AG, as of March 31, 2017, which are accounted for using the equity method. For equity-method affiliates that have a different fiscal year from the Company's, the financial statements for the fiscal year of these companies are used. The number of equity-method affiliates is the same as the year ended March 31, 2016.

The Company has one affiliate, IKS Co., Ltd., which is not accounted for using the equity method but using the cost method since total assets, net sales, net income or loss (the amount corresponding to equity interests), and retained earnings (the amount corresponding to equity interests), etc. of the affiliates are not deemed to have a significant impact on the Company's consolidated financial statements as a whole. The number of non-equity-method affiliates is the same as the year ended March 31, 2016.

All significant intercompany transactions, account balances and unrealized profit among the consolidated group have been eliminated.

(2) Translation of foreign currencies

Accounts receivable and payable denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are charged or credited to income for the period.

The balance sheet accounts of the overseas consolidated subsidiaries and affiliates are translated into Japanese yen at year-end exchange rates, except for shareholders' equity, which is translated at the historical exchange rates. Revenue and expense accounts of the overseas consolidated subsidiaries and affiliates are translated into Japanese yen at the average rate for the year.

The translation differences in Japanese yen arising from the use of different rates are recorded as "Foreign currency translation adjustments" and "Non-controlling interests" in the consolidated balance sheets.

The portion equivalent to the equity of non-controlling interests is included in "Non-controlling interests" and the Company's portion is presented as a separate component of net assets in the consolidated balance sheets.

(3) Cash and cash equivalents

Cash and cash equivalents include all liquid investments, generally with an original maturity date of three months or less, which are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value.

(4) Inventories

Inventories are stated at the lower of cost or market. The costs of components relating to material handling systems and "Raw materials and supplies" are determined using the moving-average method, while the specific identification method is used for other inventories.

(5) Financial instruments

(a) Derivatives

All derivatives are stated at fair value.

(b) Securities

Under the Japanese accounting standard for financial instruments, securities are classified into four categories: "Trading securities," "Held-to-maturity debt securities," "Investments in subsidiaries and affiliates" and "Other securities."

"Trading securities" are the securities that are held for the purpose of generating profits from short-term changes in prices. "Held-to-maturity debt securities" are debt securities the Company intends to hold to maturity.

The Company and its subsidiaries also have "Investments in non-consolidated subsidiaries and affiliates" and "Other securities."

"Investments in non-consolidated subsidiaries and affiliates" are stated at cost, and costs of securities sold are determined based on the moving average method.

"Other securities" for which market quotations are available are stated at fair value. Unrealized gain or loss on securities is included as a component of net assets in the consolidated balance sheets, and costs of securities sold are determined based on the moving average method.

"Other securities" for which market quotations are unavailable are stated at cost, and costs of securities sold are determined based on the moving average method.

(c) Hedge accounting

(i) Gains or losses arising from changes in fair value of the derivatives designated as "Hedging instruments" are deferred as assets or liabilities and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The interest rate swaps that qualify for the exceptional treatment in hedge accounting are not revalued to market value, but the differences paid or received under the swap agreements are recognized and included in interest expense or income.

The forward foreign exchange contracts and currency swaps that qualify for the exceptional treatment in hedge accounting are not revalued to market value, but the assets and liabilities denominated in foreign currencies hedged by the forward foreign exchange contracts are translated at the contractual rates of exchange.

(ii) The derivatives designated as hedging instruments by the Company are mainly forward exchange contracts, currency swap agreements and interest swap agreements. The corresponding hedged items are accounts receivable and payable, future transactions denominated in foreign currencies, borrowings denominated in foreign currencies and long-term bank borrowings.

The Company has a policy to utilize the above hedging instruments in order to reduce the Company's exposure to the risk of fluctuations in foreign exchange and interest rates. Thus, the Company's purchases of hedging instruments are limited to, at maximum, the amounts of the hedged items.

(iii) The execution and management of hedge transactions are carried out to hedge fluctuation risk of currency rates and interest rates in accordance with internal regulations that provide transaction and authorization limits.

(6) Depreciation and amortization

(a) Property, plant and equipment (excluding leased assets)

Property, plant and equipment are stated at cost. Depreciation of these assets of the Company and its domestic consolidated subsidiaries is computed principally on the declining-balance method, at rates based on the estimated useful lives of the assets. Depreciation of buildings, acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016 is computed on the straight-line method, at rates based on the estimated useful lives of the assets. The estimated useful life over which the asset is depreciated and the treatment of residual value of the Company and its domestic consolidated subsidiaries are principally determined according to the same standards set out in the Corporation Tax Act of Japan.

Depreciation of the assets of the overseas consolidated subsidiaries is computed principally on the straight-line method.

(b) Intangible assets (excluding leased assets)

Intangible assets are principally amortized by the straight-line method.

Amortization of software for internal use is computed using the straight-line method over the estimated in-house working life of five years.

(c) Leased assets

Finance lease transactions that transfer ownership:

The leased assets are depreciated using the same method as the assets in the Company's possession.

Finance lease transactions that do not transfer ownership:

The leased assets are fully depreciated using the straight-line method over the lease term, which represents the expected useful life. However, the leased assets with guaranteed residual value are depreciated to the amount of the residual value.

(7) Amortization of goodwill and negative goodwill

Goodwill is amortized on the straight-line basis over its estimated useful life, which is a period of investment effects expected. However, in case of immaterial goodwill, it is fully amortized when it arose. Furthermore, the negative goodwill recognized before March 31, 2010, is amortized on the straight-line basis over its estimated useful life.

(8) Allowance for doubtful accounts

To prepare for losses on uncollectible accounts receivable, the Company and its domestic consolidated subsidiaries provide allowances for doubtful accounts based on historical default rates with respect to receivables, and specific allowances for doubtful trade receivables and advances at estimated amounts considered to be uncollectible after reviewing individual collectability. In overseas consolidated subsidiaries, allowances are provided mainly for specific receivables at estimated amounts considered to be uncollectible after reviewing their collectability.

(9) Liabilities for retirement benefits

(a) Allocation method of projected retirement benefits to periods of services

In calculating the retirement benefit obligations, the benefit formula method is used to allocate projected retirement benefits for the year ended March 31, 2016.

(b) Amortization methods of prior service costs and actuarial gains and losses

Prior service costs are amortized on a straight-line basis over a certain period within the average remaining service years of the employees (five years) from the time such liability arose.

The actuarial gains and losses are amortized on a straight-line basis (except some consolidated subsidiaries adopting a declining-balance method) over a certain period within the average remaining service years of the employees (five years) from the next fiscal year after such gain or loss occurs.

(10) Provision for losses on construction contracts

Provision for losses on construction contracts is provided based on estimated amounts of losses from uncompleted construction contracts as of the end of the fiscal year.

(11) Accounting policy for significant revenues and expenses

Accounting policy for recognition of revenues and costs of construction work is as follows:

(a) Construction work, for which the outcome of the percentage completed at the balance sheet date is deemed certain:

Percentage-of-completion method (in which the percentage of completion is estimated based on the percentage of cost incurred relative to the estimated total cost)

(b) Other construction work:

Completed-contract method

(12) Japanese consumption taxes

Consumption taxes withheld by the Company and its domestic consolidated subsidiaries on sales of products are not included in the amount of “Net sales” in the accompanying consolidated statements of income and comprehensive income. Equally, any consumption taxes borne by the Company and its domestic consolidated subsidiaries on goods, services and expenses are not included in the accompanying consolidated statements of income and comprehensive income, but are recorded as an asset or liability in the consolidated balance sheets.

3. Changes in significant accounting policies

Following the revision of the Corporation Tax Act, the Company applies the Practical Solution on a change in depreciation method due to Tax Reform 2016 (ASBJ PITF No. 32; June 17, 2016) from the fiscal year ended March 31, 2017 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.

4. Changes in method of presentation

Consolidated Balance Sheets

“Costs and estimated earnings in excess of billings on uncompleted contracts,” which was previously presented as current assets as of March 31, 2016, is included in “Notes and accounts receivable and unbilled receivables” as of March 31, 2017 in order to improve the comparability of the consolidated financial statements. The consolidated financial statements as of March 31, 2016 is reclassified, reflecting the change in method of presentation. As a result, ¥28,033 million presented as “Costs and estimated earnings in excess of billings on uncompleted contracts” and ¥103,264 million presented as “Notes and accounts receivable and unbilled receivables,” both of which were presented as current assets in the consolidated balance sheets as of March 31, 2016 are reclassified to “Notes and accounts receivable and unbilled receivables” with ¥131,298 million.

“Advances received on uncompleted construction contracts and other,” which was previously included in “Other current liabilities” as of March 31, 2016, is presented as a separate item as of March 31, 2017 because its quantitative materiality increased. The consolidated financial statements for the fiscal year ended March 31, 2016 is reclassified, reflecting the change in method of presentation. As a result, ¥41,471 million presented as “Other current liabilities” as of March 31, 2016 is reclassified to “Advances received on uncompleted construction contracts and other” with ¥22,637 million and “Other current liabilities” with ¥18,833 million.

Consolidated Statements of Cash Flow

Following the change in method of presentation of the consolidated balance sheet, “Increase or decrease in costs and estimated earnings in excess of billings on uncompleted contracts,” which was previously included in “Other, net” of cash flows from operating activities for the year ended March 31, 2016, is included in “Decrease (increase) in notes and accounts receivable” for the fiscal year ended March 31, 2017. The consolidated financial statements for the fiscal year ended March 31, 2016 is reclassified, reflecting this change in method of presentation. As a result, the increase of ¥9,652 million included in “Other, net” of cash flows from operating activities for the fiscal year ended March 31, 2016 is reclassified to “Decrease (increase) in notes and accounts receivable.”

5. Additional information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

The Company applies the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26; March 28, 2016) from the fiscal year ended March 31, 2017.

Board Benefit Trust (BBT)

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

The system further clarifies the linkage of the remuneration for Directors, etc. with the Company's business performance as well as its stock value, which enables Directors, etc. to share not only the benefit of increase in stock value but also the risk of decrease in stock value with shareholders. It is expected to motivate Directors, etc. to contribute to improving the Company's business performance in the medium and long terms and boosting corporate value.

1) Outline of the transaction

The system is a stock compensation plan linked directly to the Company's business performance, under which the Company's shares are acquired through the trust using the funds that the Company contributes (hereinafter "the Trust") and remuneration is provided to the Directors, etc. through the Trust, in accordance with the stock compensation regulation for officers stipulated by the Company. The remuneration is the Company's shares (equivalent to points accrued based on titles and target achievement) and the monetary payment (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, the shares are provided to the 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, as treasury stock in net assets, at its carrying amounts (excluding incidental expenses) in the Trust. The carrying amount and the number of the treasury stock were ¥180 million ($1,609 thousand) and 90 thousand shares, respectively, as of March 31, 2017.

6. United States dollar amounts

The Company prepares its consolidated financial statements in Japanese yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetical results of translating yen into dollars at the rate of ¥112.20 to U.S. $1, being the effective rate of exchange at March 31, 2017.

The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in dollars at a rate of ¥112.20 to U.S. $1 or at any other rate.

7. Accumulated depreciation of property, plant and equipment

Accumulated depreciation of property, plant and equipment was ¥52,300 million ($466,136 thousand) and ¥52,895 million as of March 31, 2017 and 2016, respectively.

8. Inventories related to construction contracts with probable loss and provision for losses on construction contracts

Inventories related to construction contracts with probable loss and provision for losses on construction contracts are both presented without being offset.

The amount of inventories related to construction contracts with probable loss, for which provision for losses on construction contracts is provided, totaled ¥43 million ($391 thousand) and ¥29 million as of March 31, 2017 and 2016, respectively.

9. Financial instruments

(1) Status of financial instruments

(a) Policy for financial instruments

In consideration of capital investment plans to operate the manufacturing and sales activities principally of material handling systems and equipment, the Company and its consolidated subsidiaries (collectively, "the Group") raise necessary funds mainly through bank borrowings or issuance of bonds, while short-term operating capital is raised by bank borrowings. Temporary cash surpluses, if any, are invested in low risk short-term financial instruments. The Group uses derivatives for the purpose of hedging the risk of foreign currency exchange rate fluctuations related to foreign currency-denominated trade receivables and payables and the interest rate fluctuation risk associated with interest expenses on borrowings, and does not engage in speculative transactions as its policy.

(b) Types of financial instruments, related risks and management thereof

Trade receivables ("Notes and accounts receivable and unbilled receivables") are exposed to customer credit risks. The Group manages such risks by following its credit control regulations. As a rule, when entering a transaction with a new customer, the Group carefully makes credit decisions, after which the sales administration of each operating division monitors the customer's condition periodically. The Group is then able to identify at an early stage and mitigate the risks resulting from a downturn of the financial situations, by managing each customer's due dates and outstanding balances. Trade receivables denominated in foreign currencies are exposed to the risk of foreign currency exchange rate fluctuations, but such risk is hedged principally by using forward foreign exchange contracts. Investment securities ("Investments in securities"), mainly consisting of equity securities of customers and suppliers with whom the Group has business relationships, are exposed to the risk of market price fluctuations. With respect to such risk, the Group periodically monitors market prices of the securities and financial conditions of the issuers.

Trade payables ("Notes and accounts payable and construction contracts payable") are mostly due within one year. Trade payables include amounts related to overseas construction work and are denominated in foreign currencies and, as such, are exposed to currency exchange rate fluctuation risk. However, the balance of these accounts consistently stays within the outstanding total amount of foreign currency-denominated trade accounts receivable. Short-term borrowings are used for raising funds mainly for working capital, while long-term borrowings and corporate bonds are funding primarily for capital investment (investments in property, plant and equipment). Borrowings with variable interest rates (floating-rate borrowings) are exposed to the interest rate fluctuation risk. However, with regard to the long-term floating-rate borrowings, the Company uses interest rate swap transactions to fix the rate of future interest expenses as a hedge against the interest rate fluctuation risk. Trade payables, borrowings and corporate bonds are all exposed to liquidity risk at the time of debt settlement. The Group manages such risk through active cash management, including the use of lending commitment lines from several financial institutions.

Derivative transactions are executed in accordance with the Company's internal derivative control regulations, which include transaction authorization, administrative structure and minimum credit ratings for counterparties. For information regarding hedging instruments, hedged items, policy on hedging, evaluation methods for hedge effectiveness, refer to "Hedge accounting" described under the previously specified "Summary of significant accounting policies."

(c) Supplementary explanation concerning fair values of financial instruments

The fair values of financial instruments include values based on the market price, and rationally calculated values in cases where market price is not readily available. In the calculation of such values, variable factors are also taken into consideration and, therefore, the values calculated may vary if different factors or assumptions are employed. The contract amounts and other information provided in Note 17 "Derivatives and hedging activities" are not necessarily indicative of the amounts of the actual market risk involved in derivative transactions.

(2) Fair values of financial instruments

The balance sheet carrying amounts, fair values and unrealized gains/losses of the financial instruments as of March 31, 2017 and 2016 are as presented below. However, the financial instruments whose fair values are not readily determinable are excluded from these tables (see [Note 2] below):

For the year ended March 31, 2017:

(Million yen)

	Carrying amount on consolidated balance sheets	Fair value	Variance
(1) Cash on hand and in banks	**¥ 64,802**	**¥ 64,802**	**¥—**
(2) Notes and accounts receivable and unbilled receivables	**124,005**	**124,005**	**—**
(3) Investments in securities			
"Other securities"	**13,802**	**13,802**	**—**
Total assets	**¥202,610**	**¥202,610**	**¥—**
(1) Notes and accounts payable and construction contracts payable	**¥ 40,311**	**¥ 40,311**	**¥—**
(2) Electronically recorded obligations - operating	**18,806**	**18,806**	**—**
(3) Short-term borrowings and current portion of long-term borrowings	**21,647**	**21,647**	**—**
(4) Bonds	**2,700**	**2,711**	**11**
(5) Long-term borrowings	**15,422**	**15,461**	**38**
Total liabilities	**¥ 98,888**	**¥ 98,938**	**¥50**
Derivative transactions (*)	**¥ (32)**	**¥ (32)**	**¥—**

For the year ended March 31, 2016:

(Million yen)

	Carrying amount on consolidated balance sheets	Fair value	Variance
(1) Cash on hand and in banks	¥ 49,187	¥ 49,187	¥ —
(2) Notes and accounts receivable and unbilled receivables	131,298	131,298	—
(3) Investments in securities			
"Other securities"	12,281	12,281	—
Total assets	¥192,767	¥192,767	¥ —
(1) Notes and accounts payable and construction contracts payable	¥ 40,696	¥ 40,696	¥ —
(2) Electronically recorded obligations - operating	17,270	17,270	—
(3) Short-term borrowings and current portion of long-term borrowings	8,702	8,702	—
(4) Bonds	2,700	2,723	23
(5) Long-term borrowings	29,501	29,640	138
Total liabilities	¥ 98,870	¥ 99,032	¥161
Derivative transactions (*)	¥ (11)	¥ (11)	¥ —

For the year ended March 31, 2017:

	(U.S. thousand dollars)		
	Carrying amount on consolidated balance sheets	Fair value	Variance
(1) Cash on hand and in banks	$ 577,559	$ 577,559	$ —
(2) Notes and accounts receivable and unbilled receivables	1,105,222	1,105,222	—
(3) Investments in securities			
"Other securities"	123,013	123,013	—
Total assets	$1,805,795	$1,805,795	$ —
(1) Notes and accounts payable and construction contracts payable	$ 359,279	$ 359,279	$ —
(2) Electronically recorded obligations - operating	167,617	167,617	—
(3) Short-term borrowings and current portion of long-term borrowings	192,939	192,939	—
(4) Bonds	24,064	24,167	103
(5) Long-term borrowings	137,459	137,805	346
Total liabilities	$ 881,360	$ 881,809	$449
Derivative transactions (*)	$ (291)	$ (291)	$ —

(*) Receivables and payables resulted from derivative transactions are presented in net amount. Therefore, the amounts in parentheses indicate net payables.

[Note 1] Calculation methods of fair values of financial instruments and related information concerning investment in securities and derivative transactions:

Assets

(1) Cash on hand and in banks, (2) Notes and accounts receivable and unbilled receivables

These assets are recorded at their carrying amounts because their fair values approximate the carrying amounts reflective of their short-term maturity nature.

(3) Investments in securities

The fair values of equity securities are determined using the quoted prices at the stock exchange. For information concerning securities classified by holding purposes, see Note 10 "Investments in securities."

Liabilities

(1) Notes and accounts payable and construction contracts payable, (2) Electronically recorded obligations - operating, (3) Short-term borrowings and current portion of long-term borrowings

These liabilities are recorded at their carrying amounts because their fair values approximate the carrying amounts reflective of their short-term maturity nature.

(4) Bonds, (5) Long-term borrowings

The fair values of these items are determined by discounting the aggregate amounts of the principal and interests using estimated interest rates assuming that the similar bonds and borrowings are newly made. Long-term borrowings bearing variable interest rates (floating-rate borrowings) are subject to the exceptional treatment applicable to interest rate swap transactions or currency swap transactions (see Note 17 "Derivatives and hedging activities") and, therefore, their fair values are determined by discounting the aggregate amounts of the principal and interests (that are accounted for together with the relevant interest rate swap transactions or currency swap transactions) in the same manner.

Derivative transactions

Please refer to Note 17 "Derivatives and hedging activities."

[Note 2] Financial instruments, of which fair values are not readily determinable as of March 31, 2017 and 2016:

For the year ended March 31, 2017:

	(Million yen)
Category	Carrying amount on consolidated balance sheets
Unlisted securities	¥7,458

For the year ended March 31, 2016:

	(Million yen)
Category	Carrying amount on consolidated balance sheets
Unlisted securities	¥7,289

For the year ended March 31, 2017:

	(U.S. thousand dollars)
Category	Carrying amount on consolidated balance sheets
Unlisted securities	$66,476

These securities have no quoted market prices, and the future cash flows thereof are not estimable. As their fair values are not readily determinable, they are excluded from "Assets (3) Investments in securities." The unlisted securities include the investments in non-consolidated subsidiaries and affiliates, amounting to ¥6,873 million ($61,262 thousand) and ¥6,704 million as of March 31, 2017 and 2016, respectively.

[Note 3] The expected settlement subsequent to the balance sheet date for monetary assets and investments in securities with maturity dates:

For the year ended March 31, 2017:

	(Million yen)			
	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Cash on hand and in banks	¥ 64,802	¥—	¥—	¥—
Notes and accounts receivable and unbilled receivables	124,005	—	—	—
Total	¥188,808	¥—	¥—	¥—

For the year ended March 31, 2016:

				(Million yen)
	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Cash on hand and in banks	¥ 49,187	¥—	¥—	¥—
Notes and accounts receivable and unbilled receivables	131,298	—	—	—
Total	¥180,485	¥—	¥—	¥—

For the year ended March 31, 2017:

				(U.S. thousand dollars)
	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Cash on hand and in banks	**$ 577,559**	**$—**	**$—**	**$—**
Notes and accounts receivable and unbilled receivables	**1,105,222**	**—**	**—**	**—**
Total	**$1,682,781**	**$—**	**$—**	**$—**

[Note 4] The expected redemption subsequent to the balance sheet date for bonds, long-term borrowings and other interest-bearing liabilities:
For the year ended March 31, 2017:

						(Million yen)
	Due within one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Short-term borrowings and current portion of long-term borrowings	**¥21,647**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥—**
Bonds	**—**	**2,700**	**—**	**—**	**—**	**—**
Long-term borrowings	**—**	**12,522**	**2,500**	**200**	**200**	**—**
Total	**¥21,647**	**¥15,222**	**¥2,500**	**¥200**	**¥200**	**¥—**

For the year ended March 31, 2016:

						(Million yen)
	Due within one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Short-term borrowings and current portion of long-term borrowings	¥8,702	¥ —	¥ —	¥ —	¥ —	¥—
Bonds	—	—	2,700	—	—	—
Long-term borrowings	—	15,560	12,041	1,700	200	—
Total	¥8,702	¥15,560	¥14,741	¥1,700	¥200	¥—

For the year ended March 31, 2017:

						(U.S. thousand dollars)
	Due within one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Short-term borrowings and current portion of long-term borrowings	**$192,939**	**$ —**	**$ —**	**$ —**	**$ —**	**$—**
Bonds	**—**	**24,064**	**—**	**—**	**—**	**—**
Long-term borrowings	**—**	**111,612**	**22,281**	**1,782**	**1,782**	**—**
Total	**$192,939**	**$135,676**	**$22,281**	**$1,782**	**$1,782**	**$—**

10. Investments in securities

"Other securities" with carrying amounts on the consolidated balance sheets that exceed their acquisition costs were as follows:

			(Million yen)
			March 31, 2017
	Acquisition cost	Carrying amount on consolidated balance sheets	Difference
Investments in securities:			
Equity securities	**¥7,379**	**¥13,555**	**¥6,175**

			(Million yen)
			March 31, 2016
	Acquisition cost	Carrying amount on consolidated balance sheets	Difference
Investments in securities:			
Equity securities	¥6,621	¥11,347	¥4,725

			(U.S. thousand dollars)
			March 31, 2017
	Acquisition cost	Carrying amount on consolidated balance sheets	Difference
Investments in securities:			
Equity securities	**$65,775**	**$120,812**	**$55,036**

"Other securities" with carrying amounts on the consolidated balance sheets that do not exceed their acquisition costs were as follows:

			(Million yen)
			March 31, 2017
	Acquisition cost	Carrying amount on consolidated balance sheets	Difference
Investments in securities:			
Equity securities	**¥299**	**¥247**	**¥(52)**

			(Million yen)
			March 31, 2016
	Acquisition cost	Carrying amount on consolidated balance sheets	Difference
Investments in securities:			
Equity securities	¥1,035	¥933	¥(101)

			(U.S. thousand dollars)
			March 31, 2017
	Acquisition cost	Carrying amount on consolidated balance sheets	Difference
Investments in securities:			
Equity securities	**$2,673**	**$2,201**	**$(471)**

The acquisition costs in the above tables are representative of carrying amounts after impairment adjustment.

No impairment loss was recorded for the year ended March 31, 2017.

In general, the Company recognizes an impairment loss when the fair value of the security decreases by 50% or more from its acquisition cost as it is deemed as a significant decline. Furthermore, the Company recognizes an impairment loss when the fair value of the security continuously decreases for two years by 40% or more and below 50% from the acquisition cost.

"Held-to-maturity debt securities" as of March 31, 2017 and 2016:
Omitted due to no material securities being held

"Held-to-maturity debt securities" sold during the years ended March 31, 2017 and 2016:
Not applicable

"Other securities" sold during the years ended March 31, 2017 and 2016 were as follows:
For the year ended March 31, 2017:

		(Million yen)
	Sale value	Gain on sales
Investments in securities:		
Equity securities	**¥2**	**¥0**

For the year ended March 31, 2016:

	(Million yen)	
	Sale value	Gain on sales
Investments in securities:		
Equity securities	¥425	¥374

For the year ended March 31, 2017:

	(U.S. thousand dollars)	
	Sale value	Gain on sales
Investments in securities:		
Equity securities	**$21**	**$5**

[Note] Although other securities were sold during the year ended March 31, 2017, the gain is included in "miscellaneous income" of other income because its quantitative materiality is small.

11. Investments in non-consolidated subsidiaries and affiliates

Investments in non-consolidated subsidiaries and affiliates that are included in "Investments in securities" were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	**2017**	2016	**2017**
Investments in securities:			
Equity securities	**¥6,873**	¥6,704	**$61,262**

12. Short-term borrowings, long-term borrowings, bonds and lease obligations

Short-term borrowings are principally bank borrowings.

The weighted average interest rate applicable to the short-term borrowings outstanding as of March 31, 2017 was 2.2%.

Short-term borrowings outstanding as of March 31, 2017 and 2016 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	**2017**	2016	**2017**
Borrowings from banks:			
Unsecured	**¥6,042**	¥6,771	**$53,852**

Long-term borrowings are principally bank borrowings.

The weighted average interest rate applicable to the portion due within one year of long-term borrowings outstanding as of March 31, 2017 was 0.6%. The weighted average interest rate applicable to the long-term borrowings outstanding as of March 31, 2017 was 0.8%.

Long-term borrowings and bonds outstanding as of March 31, 2017 and 2016 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	**2017**	2016	**2017**
Borrowings, principally from banks:			
Secured and unsecured	**¥31,028**	¥31,432	**$276,546**
Less: portion due within one year	**15,605**	1,930	**139,087**
Subtotal	**15,422**	29,501	**137,459**
Bonds			
0.50% yen unsecured bonds, due 2019	**700**	700	**6,238**
0.73% yen unsecured bonds, due 2019	**2,000**	2,000	**17,825**
Subtotal	**2,700**	2,700	**24,064**
Total	**¥18,122**	¥32,201	**$161,523**

The 0.50% unsecured bonds in the principal amount of ¥700 million, due 2019, issued on March 25, 2014 were issued in Japan at their face value.

The 0.73% unsecured bonds in the principal amount of ¥2,000 million, due 2019, issued on March 25, 2014 were issued in Japan at their face value.

Borrowings details

The analysis of long-term borrowings with maturity within five years after March 31, 2017, other than the portion due within one year was as follows:

	(Million yen)	(U.S. thousand dollars)
Due after one year and within two years	¥12,522	$111,612
Due after two years and within three years	2,500	22,281
Due after three years and within four years	200	1,782
Due after four years and within five years	200	1,782
Total	¥15,422	$137,459

Lease obligations details

Lease obligations outstanding as of March 31, 2017 and 2016 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	**2017**	2016	**2017**
Lease obligations	**¥1,540**	¥1,690	**$13,726**
Less: portion due within one year	**200**	278	**1,782**
Total	**¥1,340**	¥1,411	**$11,944**

[Note 1] Average interest rates of lease obligations are not provided herein because, on the consolidated balance sheets, the amounts of lease obligations are presented inclusive of interest expenses as part of the total lease payments.

[Note 2] The analysis of lease obligations with maturity within five years after March 31, 2017, other than the portion due within one year was as follows:

	(Million yen)	(U.S. thousand dollars)
Due after one year and within two years	¥306	$2,729
Due after two years and within three years	200	1,783
Due after three years and within four years	114	1,018
Due after four years and within five years	108	965
Total	¥729	$6,498

[Note 3] To secure timely and efficient financing of working capital, the Company entered into and maintains lending commitments with six banks that provide lines of credit up to ¥20,000 million in total.

13. Asset retirement obligations details

Since the amounts of asset retirement obligations as of March 31, 2017 and 2016 were less than 1% of the total liabilities and net assets as of March 31, 2017 and 2016, asset retirement obligations details have been omitted.

14. Retirement benefit plans

Employees who terminate their services with the Company or its domestic consolidated subsidiaries are, under most circumstances, entitled to lump-sum severance indemnities determined by reference to current basic rates of pay, length of service and conditions under which the terminations occur. The Company and its domestic consolidated subsidiaries have defined contribution plans and hybrid type of pension plans (cash balance plans).

In addition, the Company contributed certain marketable equity securities to an employee retirement benefit trust, which is included in the plan assets.

Certain of the overseas consolidated subsidiaries have defined contribution plans as well as defined benefit plans.

In defined contribution plans in certain consolidated subsidiaries, liabilities for retirement benefits and retirement benefit expenses are calculated using the simplified method.

The cash balance plan is a defined benefit pension plan, which was established by the Company and its domestic consolidated subsidiaries. This plan is a multiple employer plan. Notes for the retirement benefits based on the multiple employer plan are included in the notes for the retirement benefits based on defined contribution plans below.

(1) Movements in retirement benefit obligations (excluding the plans using the simplified method) for the year were as follows:

March 31	(Million yen) 2017	2016	(U.S. thousand dollars) 2017
Balance at beginning of year	¥60,973	¥62,263	$543,439
Service cost	1,365	1,198	12,169
Interest cost	1,079	1,635	9,622
Accrued actuarial gains and losses	(130)	(347)	(1,165)
Payments for retirement benefits	(2,701)	(2,784)	(24,073)
Prior service cost	—	33	—
Foreign currency translation adjustments	(1,647)	(936)	(14,686)
Other	(103)	(87)	(919)
Balance at end of year	¥58,836	¥60,973	$524,386

(2) Movements in plan assets (excluding the plans using the simplified method) for the year were as follows:

March 31	(Million yen) 2017	2016	(U.S. thousand dollars) 2017
Balance at beginning of year	¥48,829	¥51,531	$435,202
Expected return on plan assets	2,422	3,242	21,588
Accrued actuarial gains and losses	(473)	(3,703)	(4,220)
Employer contributions	1,545	1,278	13,771
Payments for retirement benefits	(2,315)	(2,545)	(20,634)
Foreign currency translation adjustments	(1,209)	(878)	(10,783)
Other	(103)	(94)	(919)
Balance at end of year	¥48,695	¥48,829	$434,003

(3) Movements in liabilities for retirement benefits in the plans using the simplified method for the year were as follows:

March 31	(Million yen) 2017	2016	(U.S. thousand dollars) 2017
Balance at beginning of year	¥720	¥730	$6,422
Retirement benefit expenses	384	405	3,428
Payments for retirement benefits	(86)	(33)	(768)
Employer contributions	(276)	(356)	(2,467)
Foreign currency translation adjustments	(8)	(11)	(71)
Other	(20)	(14)	(181)
Balance at end of year	¥713	¥720	$6,360

(4) Reconciliation of retirement benefit obligations and plan assets at the end of the year to liabilities for retirement benefits and assets for retirement benefits on the consolidated balance sheet were as follows (including the plans using the simplified method):

March 31	(Million yen) 2017	2016	(U.S. thousand dollars) 2017
Retirement benefit obligations in funded plans	¥60,026	¥62,043	$534,995
Plan assets	(49,991)	(49,946)	(445,554)
	10,035	12,097	89,441
Retirement benefit obligations in unfunded plans	832	769	7,419
Other	(9)	33	(83)
Net liabilities and assets on consolidated balance sheets	10,858	12,900	96,777
Liabilities for retirement benefits	13,486	14,500	120,201
Assets for retirement benefits	(2,628)	(1,600)	(23,423)
Net liabilities and assets on consolidated balance sheets	¥10,858	¥12,900	$ 96,777

(5) Details of retirement benefit expenses were as follows:

March 31	(Million yen) 2017	2016	(U.S. thousand dollars) 2017
Service cost	**¥1,365**	¥1,198	**$12,169**
Interest cost	**1,079**	1,635	**9,622**
Expected return on plan assets	**(2,422)**	(3,242)	**(21,588)**
Amortization of actuarial gains and losses	**1,021**	582	**9,107**
Retirement benefit expenses using the simplified method	**384**	405	**3,428**
Other	**—**	41	**—**
Retirement benefit expenses on defined benefit plans	**¥1,429**	¥ 621	**$12,739**

[Note] Other than the retirement benefit expenses above, certain consolidated subsidiaries recognized special retirement benefits of ¥113 million as extraordinary loss for the years ended March 31, 2016, respectively.

(6) Details of adjustments to retirement benefits before tax were as follows:

March 31	(Million yen) 2017	2016	(U.S. thousand dollars) 2017
Actuarial gains and losses	**¥(1,111)**	¥2,732	**$(9,909)**
Total	**¥(1,111)**	¥2,732	**$(9,909)**

(7) Details of accumulated adjustments to retirement benefits before tax were as follows:

March 31	(Million yen) 2017	2016	(U.S. thousand dollars) 2017
Unrecognized actuarial gains and losses	**¥10,574**	¥11,686	**$94,245**
Total	**¥10,574**	¥11,686	**$94,245**

(8) Matters regarding plan assets

Percentages of each category of the plan assets were as follows:

March 31	2017	(%) 2016
Equity securities	**44%**	45%
Debt securities	**38**	38
General accounts at life insurance	**10**	10
Cash on hand and in banks	**5**	4
Other	**3**	3
Total	**100%**	100%

[Note] The retirement benefit trust set up for the corporate pension plans consists of 12% and 13% of the total plan assets as of March 31, 2017 and 2016, respectively.

To determine the expected long-term rate of return on plan assets, the Company considers the current and forecast allocation of plan assets and the current and expected long-term rates of return on the diverse assets that compose the plan assets.

(9) Assumption for actuarial calculations as of March 31, 2017 and 2016 were as follows:

March 31	2017	(%) 2016
Discount rate	**0.075 - 8.5%**	0.075 – 9.0%
Expected long-term rate of return on plan assets	**1.5 - 8.0%**	1.5 – 8.0%

[Note] The Group does not use the salary increase rate for calculating retirement benefit obligation, mainly attributable to the adoption of a point-based plan.

Defined contribution plans

The amount of contributions required under the defined contribution plans of the Company and its consolidated subsidiaries as of March 31, 2017 and 2016 was ¥1,042 million ($9,292 thousand) and ¥956 million, respectively.

15. Lease commitments

The finance lease transactions, which do not transfer the ownership of the leased assets and commenced prior to the fiscal year when "Accounting Standard for Lease Transactions" was initially applied, were summarized as follows:

(1) Acquisition cost equivalent, accumulated depreciation equivalent and net carrying amount equivalent of leased assets as of March 31, 2017 and 2016 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	**2017**	2016	**2017**
Acquisition cost equivalent			
—Machinery and vehicles	**¥—**	¥607	**$—**
Accumulated depreciation equivalent	**—**	607	**—**
Net carrying amount equivalent	**¥—**	¥ —	**$—**

The acquisition cost equivalent of leased assets is calculated using the interest-inclusive method because future minimum lease payments account for only a small proportion of property, plant and equipment at the end of the year.

(2) Lease payments and depreciation equivalent

	(Million yen)		(U.S. thousand dollars)
March 31	**2017**	2016	**2017**
Lease payments	**¥—**	¥36	**$—**
Depreciation equivalent	**¥—**	¥36	**$—**

(3) Method of calculating depreciation equivalent and interest equivalent of leases

The leased assets are fully depreciated using the straight-line method over the lease term, which represents the expected useful life. However, the leased assets with guaranteed residual value are depreciated to the amount of the residual value.

Operating leases

The future minimum lease payments for non-cancellable leases as of March 31, 2017 and 2016 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	**2017**	2016	**2017**
Due within one year	**¥ 583**	¥ 765	**$5,201**
Due after one year	**474**	1,037	**4,225**
Total	**¥1,057**	¥1,802	**$9,426**

Impairment loss on leased assets

For the years ended March 31, 2017 and 2016, there was no impairment loss on leased assets.

16. Contingent liabilities

The contingent liabilities as of March 31, 2017 and 2016 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	**2017**	2016	**2017**
Guarantee for bank borrowings of IKS Co., Ltd.	**¥15**	¥30	**$133**
Total	**¥15**	¥30	**$133**

17. Derivatives and hedging activities

(1) Derivative transactions to which the Group did not apply hedge accounting

For the year ended March 31, 2017:

					(Million yen)
	Category of derivative transaction	Contract amount	Of which due after one year	Fair value	Appraisal profit and loss
Contracts except market transactions	Forward exchange contracts			**(*1)**	
	Sell				
	Euro	**¥989**	**¥—**	**¥(60)**	**¥(60)**
Total		**¥989**	**¥—**	**¥(60)**	**¥(60)**

For the year ended March 31, 2016:

					(Million yen)
	Category of derivative transaction	Contract amount	Of which due after one year	Fair value	Appraisal profit and loss
Contracts except market transactions	Forward exchange contracts			(*1)	
	Sell				
	U.S. dollar	¥ 199	¥—	¥ (1)	¥ (1)
	Canadian dollar	166	—	8	8
	Euro	1,256	—	(90)	(90)
Total		¥1,622	¥—	¥(84)	¥(84)

For the year ended March 31, 2017:

					(U.S. thousand dollars)
	Category of derivative transaction	Contract amount	Of which due after one year	Fair value	Appraisal profit and loss
Contracts except market transactions	Forward exchange contracts			**(*1)**	
	Sell				
	Euro	**$8,818**	**$—**	**$(538)**	**$(538)**
Total		**$8,818**	**$—**	**$(538)**	**$(538)**

(*1) The fair value is determined at the quoted prices at the forward exchange rates market.

(2) Derivative transactions subject to hedge accounting

(a) Currency-related

For the year ended March 31, 2017:

(Million yen)

Method of hedge accounting	Category of derivative transaction	Principal hedged item	Contract amount	Of which due after one year	Fair value	Method of calculating the fair value
Principal method	Forward exchange contracts					Determined at the quoted prices at the forward exchange rates market
	Sell					
	U.S. dollar	Accounts receivable (future transactions)	¥5,302	¥ —	¥78	
	Canadian dollar		59	—	0	
	Korean won		2,668	—	(39)	
	Thai baht		64	—	(0)	
	Chinese yuan		481	—	(4)	
	New Taiwan dollar		187	—	(9)	
	Malaysian ringgit		205	—	(2)	
	Buy					
	Korean won	Accounts payable (future transactions)	(108)	—	0	
	New Taiwan dollar		(697)	—	8	
	Chinese yuan		(200)	—	2	
	U.S. dollar		(375)	—	(6)	
Exceptional treatment of forward exchange contracts	Forward exchange contracts					
	Sell					
	U.S. dollar	Accounts receivable	2,240	—	(*1)	
	Korean won		287	—		
	New Taiwan dollar		41	—		
	Chinese yuan		608	—		
	Thai baht		81	—		
	Buy					
	Korean won	Accounts payable	(57)	—		
	British pound		(14)	—		
	U.S. dollar		(66)	—		
	New Taiwan dollar		(36)	—		
	Currency swaps					
	U.S. dollar	Long-term borrowings	6,000	2,000	(*2)	
Total			¥16,671	¥2,000	¥27	

For the year ended March 31, 2016:

						(Million yen)
Method of hedge accounting	Category of derivative transaction	Principal hedged item	Contract amount	Of which due after one year	Fair value	Method of calculating the fair value
Principal method	Forward exchange contracts					Determined at the quoted prices at the forward exchange rates market
	Sell					
	U.S. dollar	Accounts receivable (future transactions)	¥ 1,398	¥ —	¥72	
	Euro		11	—	0	
	Korean won		264	—	14	
	British pound		4	—	0	
	Thai baht		35	—	0	
	Chinese yuan		7	—	0	
	Buy					
	British pound	Accounts payable (future transactions)	(404)	—	(1)	
	Thai baht		(130)	—	(3)	
	Korean won		(91)	—	(2)	
	New Taiwan dollar		(11)	—	0	
	Chinese yuan		(158)	—	(8)	
Exceptional treatment of forward exchange contracts	Forward exchange contracts					
	Sell					
	U.S. dollar	Accounts receivable	2,556	—	(*1)	
	Euro		6	—		
	Korean won		1,143	—		
	British pound		13	—		
	Buy					
	Thai baht	Accounts payable	(84)	—		
	Korean won		(69)	—		
	Currency swaps					
	U.S. dollar	Long-term borrowings	6,000	6,000	(*2)	
Total			¥10,491	¥6,000	¥72	

For the year ended March 31, 2017:

						(U.S. thousand dollars)
Method of hedge accounting	Category of derivative transaction	Principal hedged item	Contract amount	Of which due after one year	Fair value	Method of calculating the fair value
Principal method	Forward exchange contracts					Determined at the quoted prices at the forward exchange rates market
	Sell					
	U.S. dollar	Accounts receivable (future transactions)	**$47,257**	**$ —**	**$702**	
	Canadian dollar		**531**	**—**	**8**	
	Korean won		**23,781**	**—**	**(349)**	
	Thai baht		**577**	**—**	**(4)**	
	Chinese yuan		**4,290**	**—**	**(41)**	
	New Taiwan dollar		**1,673**	**—**	**(83)**	
	Malaysian ringgit		**1,830**	**—**	**(22)**	
	Buy					
	Korean won	Accounts payable (future transactions)	**(964)**	**—**	**0**	
	New Taiwan dollar		**(6,212)**	**—**	**73**	
	Chinese yuan		**(1,788)**	**—**	**22**	
	U.S. dollar		**(3,349)**	**—**	**(59)**	
Exceptional treatment of forward exchange contracts	Forward exchange contracts					
	Sell					
	U.S. dollar	Accounts receivable	**19,965**	**—**	**(*1)**	
	Korean won		**2,564**	**—**		
	New Taiwan dollar		**373**	**—**		
	Chinese yuan		**5,421**	**—**		
	Thai baht		**727**	**—**		
	Buy					
	Korean won	Accounts payable	**(512)**	**—**		
	British pound		**(131)**	**—**		
	U.S. dollar		**(595)**	**—**		
	New Taiwan dollar		**(327)**	**—**		
	Currency swaps					
	U.S. dollar	Long-term borrowings	**53,475**	**17,825**	**(*2)**	
Total			**$14,859**	**$17,825**	**$247**	

(*1) Forward exchange contracts with exceptional treatment are accounted for together with the principal hedged items of notes and accounts receivable and unbilled receivables; therefore, the fair values of notes and accounts receivable and unbilled receivables include those of the forward exchange contracts.
(*2) Currency swaps with exceptional treatment are accounted for together with the principal hedged item of long-term borrowings; therefore, the fair value of long-term borrowings includes those of the currency swaps.

(b) Interest-related

For the year ended March 31, 2017:

						(Million yen)
Method of hedge accounting	Category of derivative transaction	Principal hedged item	Contract amount	Of which due after one year	Fair value	Method of calculating the fair value
Exceptional treatment of interest rate swaps	Interest rate swaps Fixed payment/ Variable receipt	Long-term borrowings	**¥24,412**	**¥11,780**	**(*)**	
Total			**¥24,412**	**¥11,780**	**¥—**	

For the year ended March 31, 2016:

						(Million yen)
Method of hedge accounting	Category of derivative transaction	Principal hedged item	Contract amount	Of which due after one year	Fair value	Method of calculating the fair value
Exceptional treatment of interest rate swaps	Interest rate swaps Fixed payment/ Variable receipt	Long-term borrowings	¥25,200	¥23,940	(*)	
Total			¥25,200	¥23,940	¥—	

For the year ended March 31, 2017:

						(U.S. thousand dollars)
Method of hedge accounting	Category of derivative transaction	Principal hedged item	Contract amount	Of which due after one year	Fair value	Method of calculating the fair value
Exceptional treatment of interest rate swaps	Interest rate swaps Fixed payment/ Variable receipt	Long-term borrowings	**$217,579**	**$104,991**	**(*)**	
Total			**$217,579**	**$104,991**	**$—**	

(*) Interest rate swaps with exceptional treatment are accounted for together with the principal hedged item of long-term borrowings; therefore, the fair value of long-term borrowings includes those of the interest rate swaps.

18. Consolidated statements of changes in net assets

(1) Matters regarding issued shares:

For the year ended March 31, 2017:

				(Thousand shares)
Class of shares	As of April 1, 2016	Increase	Decrease	As of March 31, 2017
Common stock	**123,610**	**—**	**—**	**123,610**

For the year ended March 31, 2016:

				(Thousand shares)
Class of shares	As of April 1, 2015	Increase	Decrease	As of March 31, 2016
Common stock	113,671	9,938	—	123,610

[Note] The increase is due to the exercise of stock acquisition rights related to Japanese yen convertible bonds with stock acquisition rights, due 2017.

(2) Matters regarding treasury stock:

For the year ended March 31, 2017:

				(Shares)
Class of shares	As of April 1, 2016	Increase	Decrease	As of March 31, 2017
Common stock	**1,958,836**	**92,475**	**223,407**	**1,827,904**

[Note 1] Details of increases in the number of treasury stock were as follows:
- Increased by 2,475 shares due to the purchase of less-than-a-unit shares
- Increased by 90,000 shares due to the purchase of the Company's shares by Trust & Custody Services Bank, Ltd. (trust account E) for the Board Benefit Trust (BBT)

Details of decreases in the number of treasury stock were as follows:
- Decreased by 7 shares due to the sale of less-than-a-unit shares
- Decreased by 133,400 shares due to the sale to the Daifuku Employee Shareholding Association from the E-Ship Trust in The Nomura Trust and Banking Co., Ltd. under the E-Ship program
- Decreased by 90,000 shares due to the disposal to Trust & Custody Services Bank, Ltd. (trust account E) for the BBT

[Note 2] Under the resolution adopted at the Board of Directors' meeting on December 12, 2013, the Company introduced an employee shareholding incentive plan through a trust (E-Ship). At the same time, the Company resolved to dispose 451,000 shares of treasury stock to the Trust in The Nomura Trust and Banking Co., Ltd. as a private placement, which was implemented on January 9, 2014.

Under a resolution adopted at the general meeting of shareholders held on June 24, 2016 and a decision at the Board of Directors based on that resolution, the Company has decided to introduce the BBT and to conduct a private placement of 90,000 shares of treasury stock to Trust & Custody Services Bank, Ltd. (trust account E). On August 26, 2016, the treasury stock was allocated to the trust account.

The number of treasury stock includes the number of the Company's common stock held by the E-Ship Trust (Trust period of E-Ship ended at November 30, 2016, and all were disposed of on December 1, 2016.) and Trust & Custody Services Bank, Ltd. (trust account E); the details were as follows:

The Company's common stock held by The Nomura Trust and Banking Co., Ltd. (E-Ship Trust)
- 133,400 shares as of April 1, 2016 and 0 shares as of March 31, 2017.

The Company's common stock held by Trust & Custody Services Bank, Ltd. (trust account E)
- 0 shares as of April 1, 2016 and 90,000 shares as of March 31, 2017

For the year ended March 31, 2016:

Class of shares	As of April 1, 2015	Increase	Decrease	As of March 31, 2016
				(Shares)
Common stock	2,853,707	3,531	898,402	1,958,836

[Note 1] Details of increases in the number of treasury stock were as follows:
- Increased by 3,531 shares due to the purchase of less-than-a-unit shares

Details of decreases in the number of treasury stock were as follows:
- Decreased by 106 shares due to the sale of less-than-a-unit shares
- Decreased by 127,200 shares due to the sale to the Daifuku Employee Shareholding Association from the E-Ship Trust in The Nomura Trust and Banking Co., Ltd. under the E-Ship program
- Decreased by 771,096 shares due to appropriation of treasury stocks by exercising of stock acquisition rights related to Japanese yen convertible bonds with stock acquisition rights, due 2017.

[Note 2] Under the resolution adopted at the Board of Directors' meeting on December 12, 2013, the Company introduced an employee shareholding incentive plan through a trust (E-Ship). At the same time, the Company resolved to dispose 451,000 shares of treasury stock to the Trust in The Nomura Trust and Banking Co., Ltd. as a private placement, which was implemented on January 9, 2014. The number of treasury stock includes the number of the Company's common stock held by the E-Ship Trust, and the details were as follows:
- As of April 1, 2015, the number of the common stock held by the Trust was 260,600 shares.
- As of March 31, 2016, the number of the common stock held by the Trust was 133,400 shares.

(3) Matters regarding stock acquisition rights:

For the year ended March 31, 2017:

Not applicable

For the year ended March 31, 2016:

	Class of shares	Number of shares (Thousand shares) As of April 1, 2015	Increase	Decrease	As of March 31, 2016	Outstanding amount (Million yen) As of March 31, 2016
Stock acquisition rights for Japanese yen convertible bonds, due 2017	Common stock	10,680	28	10,709	—	¥—
Total		10,680	28	10,709	—	¥—

[Note 1] The number of shares is based on the assumption that the stock acquisition rights were exercised.

[Note 2] The number of shares increased because the conversion price was adjusted to ¥1,400.6 from ¥1,404.4 under the terms for adjustment to the conversion price as a result of an increase in cash dividends in accordance with the resolution of the Board of Directors' meeting on May 14, 2015.

[Note 3] The number of shares decreased because stock acquisition rights were exercised. All the stock acquisition rights were exercised as of December 17, 2015.

(4) Matters regarding dividends:

(a) Dividends paid during the years ended March 31, 2017 and 2016 were as follows:

For the year ended March 31, 2017:

Resolution adopted	Class of shares	Aggregate dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 12, 2016	Common stock	**¥2,435**	**¥20**	March 31, 2016	June 27, 2016
Board of Directors' meeting on November 10, 2016	Common stock	**1,462**	**12**	September 30, 2016	December 6, 2016

[Note 1] Aggregate dividends resolved at the Board of Directors' meeting on May 12, 2016, includes dividends of ¥2 million on the Company's shares (treasury stock) held by the E-Ship Trust in The Nomura Trust and Banking Co., Ltd. under the E-Ship program.

[Note 2] Aggregate dividends resolved at the Board of Directors' meeting on November 10, 2016, includes dividends of ¥1 million on the Company's shares (treasury stock) held by the E-Ship Trust in The Nomura Trust and Banking Co., Ltd. under the E-Ship program and Trust & Custody Services Bank, Ltd. (trust account E) for the BBT.

For the year ended March 31, 2016:

Resolution adopted	Class of shares	Aggregate dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 14, 2015	Common stock	¥1,666	¥15	March 31, 2015	June 29, 2015
Board of Directors' meeting on November 10, 2015	Common stock	1,111	10	September 30, 2015	December 4, 2015

[Note 1] Aggregate dividends resolved at the Board of Directors' meeting on May 14, 2015, includes dividends of ¥3 million on the Company's shares (treasury stock) held by the E-Ship Trust in The Nomura Trust and Banking Co., Ltd. under the E-Ship program.

[Note 2] Aggregate dividends resolved at the Board of Directors' meeting on November 10, 2015, includes dividends of ¥1 million on the Company's shares (treasury stock) held by the E-Ship Trust in The Nomura Trust and Banking Co., Ltd. under the E-Ship program.

For the year ended March 31, 2017:

Resolution adopted	Class of shares	Aggregate dividends (U.S. thousand dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
Board of Directors' meeting on May 12, 2016	Common stock	**$21,708**	**$0.17**	March 31, 2016	June 27, 2016
Board of Directors' meeting on November 10, 2016	Common stock	**13,034**	**0.10**	September 30, 2016	December 6, 2016

(b) Dividends with a record date during the years ended March 31, 2017 and 2016, payable in the following fiscal year were as follows:

For the year ended March 31, 2017:

Resolution adopted	Class of shares	Source of dividends	Aggregate dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 11, 2017	Common stock	Retained earnings	**¥3,656**	**¥30**	March 31, 2017	June 26, 2017

[Note] Aggregate dividends include dividends of ¥2 million on the Company's shares (treasury stock) held by the BBT in the Trust & Custody Services Bank, Ltd. (trust account E) under the BBT program.

For the year ended March 31, 2016:

Resolution adopted	Class of shares	Source of dividends	Aggregate dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 12, 2016	Common stock	Retained earnings	¥2,435	¥20	March 31, 2016	June 27, 2016

[Note] Aggregate dividends include dividends of ¥2 million on the Company's shares (treasury stock) held by the E-Ship Trust in The Nomura Trust and Banking Co., Ltd. under the E-Ship program.

For the year ended March 31, 2017:

Resolution adopted	Class of shares	Source of dividends	Aggregate dividends (U.S. thousand dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
Board of Directors' meeting on May 11, 2017	Common stock	Retained earnings	**$32,586**	**$0.26**	March 31, 2017	June 26, 2017

19. Major items of selling, general and administrative expenses

Major items of selling, general and administrative expenses for the years ended March 31, 2017 and 2016 were as follows:

Selling expenses

	(Million yen)		(U.S. thousand dollars)
March 31	**2017**	2016	**2017**
Sales commissions	**¥ 915**	¥1,155	**$ 8,155**
Advertising	**236**	325	**2,108**
Outsourcing	**697**	749	**6,218**
Salaries and bonuses	**8,012**	8,985	**71,416**
Retirement benefit expenses	**332**	186	**2,961**
Welfare	**1,494**	1,724	**13,323**
Travel and transportation	**1,519**	1,655	**13,546**
Rent	**481**	525	**4,295**
Depreciation	**159**	215	**1,421**

General and administrative expenses

	(Million yen)		(U.S. thousand dollars)
March 31	**2017**	2016	**2017**
Outsourcing	**¥2,723**	¥3,158	**$24,274**
Directors' compensation	**1,013**	887	**9,029**
Salaries and bonuses	**9,440**	9,349	**84,141**
Retirement benefit expenses	**796**	824	**7,094**
Welfare	**1,428**	1,338	**12,735**
Depreciation	**1,837**	2,004	**16,374**
Research and development	**2,461**	2,103	**21,934**

20. Provision for losses on construction contracts included in cost of sales

For the years ended March 31, 2017 and 2016 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	**2017**	2016	**2017**
Provision for losses on construction contracts included in cost of sales	**¥(104)**	¥473	**$(928)**

21. Research and development

Research and development expenditures included in general and administrative expenses and manufacturing costs were ¥7,489 million ($66,748 thousand) and ¥7,009 million for the years ended March 31, 2017 and 2016, respectively.

22. Loss on disposal of property, plant and equipment

Details of loss on disposal of property, plant and equipment for the years ended March 31, 2017 and 2016 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	**2017**	2016	**2017**
Buildings and structures	**¥44**	¥207	**$393**
Machinery	**39**	371	**352**
Tools and fixtures	**7**	7	**69**
Software	**—**	0	**—**
Other	**—**	2	**—**

23. Gain on sales of property, plant and equipment

Major items of gain on sales of property, plant and equipment for the years ended March 31, 2017 and 2016 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	**2017**	2016	**2017**
Buildings and structures	**¥ —**	¥163	**$ —**
Machinery and vehicles	**12**	3	**109**
Tools and fixtures	**—**	0	**—**
Land	**477**	—	**4,259**

24. Loss on sales of property, plant and equipment

Major items of loss on sales of property, plant and equipment for the years ended March 31, 2017 and 2016 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	**2017**	2016	**2017**
Buildings and structures	**¥19**	¥21	**$176**
Machinery and vehicles	**0**	47	**4**
Tools and fixtures	**7**	3	**67**

25. Consolidated statements of comprehensive income

Reclassification adjustment and deferred tax related to other comprehensive income for the years ended March 31, 2017 and 2016 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	**2017**	2016	**2017**
Net unrealized gain (loss) on securities:			
Amount arising during the period	**¥ 1,498**	¥(1,704)	**$ 13,359**
Reclassification adjustment	**(0)**	(341)	**(5)**
Pretax amount	**1,498**	(2,045)	**13,353**
Tax effect	**(401)**	558	**(3,579)**
Net unrealized gain (loss) on securities	**¥ 1,096**	¥(1,487)	**$ 9,774**
Deferred gain (loss) on hedges:			
Amount arising during the period	**¥ 16**	¥ 72	**$ 144**
Reclassification adjustment	**(72)**	54	**(646)**
Pretax amount	**(56)**	126	**(501)**
Tax effect	**13**	(41)	**122**
Deferred gain (loss) on hedges	**¥ (42)**	¥ 85	**$ (378)**
Foreign currency translation adjustments:			
Amount arising during the period	**¥(2,460)**	¥(2,702)	**$(21,934)**
Reclassification adjustment	**170**	(7)	**1,523**
Foreign currency translation adjustments	**¥(2,290)**	¥(2,710)	**$(20,410)**
Adjustments to retirement benefits:			
Amount arising during the period	**¥ 91**	¥(3,314)	**$ 817**
Reclassification adjustment	**1,020**	582	**9,091**
Pretax amount	**1,111**	(2,732)	**9,909**
Tax effect	**(470)**	846	**(4,194)**
Adjustments to retirement benefits	**¥ 641**	¥(1,886)	**$ 5,714**
Share of other comprehensive income of affiliates accounted for using the equity method:			
Amount arising during the period	**¥ (399)**	¥ (157)	**$ (3,560)**
Reclassification adjustment	**4**	—	**41**
Share of other comprehensive income of affiliates accounted for using the equity method	**¥ (394)**	¥ (157)	**$ (3,518)**
Total other comprehensive income	**¥ (989)**	¥(6,155)	**$ (8,819)**

26. Impairment losses

Impairment losses on property, plant and equipment and intangible assets for the years ended March 31, 2017 and 2016 were as follows:

For the year ended March 31, 2017:

Not applicable

For the year ended March 31, 2016:

The Group categorizes property, plant and equipment and intangible assets into groups based on the business units for making investment decisions. However, goodwill of some overseas subsidiaries is grouped into the units used for an impairment test in accordance with the International Financial Reporting Standards or the generally accepted accounting principles in the United States (U.S. GAAP).

The Group reviewed recoverability of investment in its ABH business based on the performance and future business plan. As a result, the recoverable amount of property, plant and equipment and intangible assets of the ABH business was lower than their carrying amount. Accordingly, the Group reduced the carrying amount of the assets to their recoverable amount, and recognized the decreased amount of ¥450 million related to the ABH business as an impairment loss under extraordinary losses. The breakdown of the impairment loss of ¥450 million from the ABH business was “Buildings and structures” of ¥96 million, “Tools and fixtures” of ¥18 million, “Goodwill” of ¥270 million, and other intangible assets of ¥64 million.

The Group reviewed recoverability of investment in its Renece business (house-related business) based on the deteriorated market environment surrounding the business. As a result, the recoverable amount of property, plant and equipment and intangible assets of the Renece business was lower than their carrying amount. Accordingly, the Group reduced the carrying amount of the assets to their recoverable amount, and recognized the decreased amount of ¥89 million related to the Renece business as an impairment loss under extraordinary losses. The breakdown of the impairment loss of ¥89 million from the Renece business was “Buildings and structures” of ¥25 million, “Tools and fixtures” of ¥0 million, “Land” of ¥15 million, “Goodwill” of ¥5 million, and other intangible assets of ¥42 million.

The recoverable amount of each business is measured based on respective value in use and net selling price, and calculated by discounting the future cash flows at a discount rate of 5.1%.

27. Income taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2017 and 2016 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	**2017**	2016	**2017**
Deferred tax assets:			
Current assets			
Research and development	**¥ 590**	¥ 1,767	**$ 5,262**
Accrued expenses	**1,565**	1,225	**13,955**
Provision for losses on construction contracts	**187**	169	**1,674**
Unrealized profit on inventories	**145**	241	**1,296**
Other	**943**	1,154	**8,407**
Subtotal	**3,432**	4,559	**30,596**
Less: Valuation allowance	**(0)**	(53)	**(4)**
Offset against deferred tax liabilities (current)	**(3)**	(4)	**(29)**
Total deferred tax assets (current)	**¥3,429**	¥ 4,501	**$30,563**
Non-current assets			
Liabilities for retirement benefits	**¥5,740**	¥ 6,521	**$51,159**
Loss carried forward	**1,514**	2,075	**13,501**
Unrealized gain on sales of property, plant and equipment	**597**	597	**5,323**
Loss on valuation of investments in securities	**970**	446	**8,653**
Excess depreciation	**232**	214	**2,071**
Trademarks	**—**	57	**—**
Asset adjustment accounts	**—**	32	**—**
Other	**469**	842	**4,188**
Subtotal	**9,525**	10,788	**84,898**
Less: Valuation allowance	**(2,215)**	(2,187)	**(19,747)**
Offset against deferred tax liabilities (non-current)	**(2,444)**	(1,958)	**(21,790)**
Total deferred tax assets (non-current)	**¥4,865**	¥ 6,642	**$43,360**
Deferred tax liabilities:			
Current liabilities			
Other	**¥ 27**	¥ 4	**$ 242**
Offset against deferred tax assets (current)	**(3)**	(4)	**(29)**
Total deferred tax liabilities (current)	**¥ 23**	¥ —	**$ 213**
Non-current liabilities			
Net unrealized gain on assets of consolidated subsidiaries	**¥ 841**	¥ 1,002	**$ 7,503**
Liabilities for retirement benefits	**296**	226	**2,646**
Reserve for deferred gains on sales of property, plant and equipment	**140**	175	**1,253**
Net unrealized gain on securities	**1,729**	1,327	**15,412**
Other	**55**	275	**496**
Offset against deferred tax assets (non-current)	**(2,444)**	(1,958)	**(21,790)**
Total deferred tax liabilities (non-current)	**¥ 619**	¥ 1,048	**$ 5,521**

Changes in method of presentation

"Asset retirement obligations" in non-current assets, which was previously presented separately as of March 31, 2016, is included in "Other" in non-current assets as of March 31, 2017, because its quantitative materiality decreased. The notes to consolidated financial statements as of March 31, 2016 are reclassified, reflecting the change in method of presentation. As a result, ¥101 million presented as "Asset retirement obligations" in non-current assets in the notes to consolidated financial statements as of March 31, 2016 are reclassified to "Other" in non-current assets with ¥842 million.

(2) Reconciliation of the difference between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2017 and 2016 were as follows:

		(%)
March 31	**2017**	2016
Statutory tax rate	**30.8%**	—%
Permanent difference arising from non-deductible expenses	**0.8**	—
Taxation on per capita basis	**0.4**	—
Increase in valuation allowance	**0.5**	—
Tax rate difference applied to overseas subsidiaries	**0.2**	—
Amortization of goodwill and negative goodwill	**0.7**	—
Tax effects on retained earnings of overseas subsidiaries	**(0.1)**	—
Adjustments to deferred tax assets and deferred tax liabilities due to changes in tax rate	**(4.6)**	—
Other	**0.1**	—
Effective tax rate	**28.8%**	—%

[Note] A reconciliation of the difference between the statutory income tax rate and the effective income tax rate for the year ended March 31, 2016 is omitted as the difference is 5% or below the statutory income tax rate.

28. Consolidated statements of cash flows

[Note 1] The components of cash and cash equivalents as of March 31, 2017 and 2016 were as follows:

		(Million yen)	(U.S. thousand dollars)
March 31	**2017**	2016	**2017**
Cash on hand and in banks	**¥64,802**	¥49,187	**$577,559**
Time deposits with original maturities exceeding three months	**(11)**	(103)	**(103)**
Total	**¥64,790**	¥49,084	**$577,455**

[Note 2] Details of important non-cash transactions

The increase or decrease in Shareholders' equity by exercising of stock acquisition rights related to convertible bonds with stock acquisition rights as of March 31, 2017 and 2016 was as follows:

		(Million yen)	(U.S. thousand dollars)
March 31	**2017**	2016	**2017**
Increase in common stock	**¥—**	¥ 6,992	**$—**
Increase in capital surplus	**—**	7,455	**—**
Decrease in treasury stock	**—**	621	**—**
Decrease in convertible bonds with stock acquisition rights	**—**	15,069	**—**

29. Stock options

For the years ended March 31, 2017 and 2016:

Not applicable

30. Related party transactions

For the years ended March 31, 2017 and 2016:

Not applicable

31. Segment information

(1) Overview of reportable segments

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

The 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 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 Group, Daifuku develops and supplies key components to companies around the world. Overseas subsidiaries assemble material handling system components supplied by Daifuku 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 a part of its material handling systems. Daifuku Plusmore mainly sells car wash machines and bowling-related products and provides rental roll box pallets in Japan. It withdrew from sales of bowling-related products and the rental business of roll box pallets on April 1, 2017.

(2) Methods of calculating the amounts of net sales, income or loss, assets, liabilities and other items by reportable segments

The accounting methods of reported business segments are the same as those stated in Note 1 “Basis of presenting consolidated financial statements.” Intersegment sales or transfers are determined based on the prevailing market price.

(3) Information on net sales, income or loss, assets, liabilities and other items by reportable segments for the years ended March 31, 2017 and 2016 was as follows:

For the year ended March 31, 2017:

(Million yen)

	Reportable segments						
	Daifuku	Contec	Daifuku North America	Daifuku Plusmore	Subtotal	Other (*)	Total
Net sales:							
Net 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 taxes	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

For the year ended March 31, 2016:

(Million yen)

	Reportable segments						
	Daifuku	Contec	Daifuku North America	Daifuku Plusmore	Subtotal	Other (*)	Total
Net sales:							
Net sales to outside customers	¥144,989	¥15,155	¥77,066	¥12,284	¥249,494	¥ 81,792	¥331,287
Intersegment sales or transfers	27,043	8,914	504	27	36,489	20,724	57,213
Total	172,033	24,069	77,570	12,311	285,984	102,516	388,501
Segment income	8,462	589	1,503	143	10,699	3,233	13,932
Segment assets	190,882	19,048	51,692	4,816	266,439	73,375	339,815
Segment liabilities	87,203	11,271	33,717	3,553	135,745	43,707	179,453
Other							
Depreciation	2,498	275	825	55	3,655	937	4,593
Amortization of goodwill	109	146	642	106	1,006	0	1,006
Interest income	22	2	20	29	74	169	243
Interest expenses	290	47	44	0	381	170	552
Extraordinary income	186	341	194	—	722	2	725
Gain on sales of property, plant and equipment	*163*	—	*184*	—	*347*	*2*	*350*
Gain on sales of investments in securities	*23*	*341*	*10*	—	*374*	—	*374*
Extraordinary loss	3,266	3	19	1	3,290	356	3,647
Loss on disposal of property, plant and equipment	*573*	*1*	—	*1*	*576*	*13*	*590*
Loss on valuation of shares in subsidiaries and affiliates	*2,164*	—	—	—	*2,164*	—	*2,164*
Special retirement benefits	—	—	—	—	—	*113*	*113*
Environmental expenditures	*528*	—	—	—	*528*	—	*528*
Income taxes	4,005	383	898	120	5,408	1,318	6,727
Investments in equity-method affiliates	5,193	—	—	—	5,193	208	5,401
Increase in property, plant and equipment and intangible assets	2,709	242	678	50	3,680	529	4,210

For the year ended March 31, 2017:

(U.S. thousand dollars)

	Reportable segments						
	Daifuku	Contec	Daifuku North America	Daifuku Plusmore	Subtotal	Other (*)	Total
Net sales:							
Net sales to outside customers	**$1,300,007**	**$137,754**	**$704,662**	**$102,197**	**$2,244,621**	**$613,065**	**$2,857,686**
Intersegment sales or transfers	**265,889**	**70,507**	**3,449**	**222**	**340,068**	**131,874**	**471,943**
Total	**1,565,896**	**208,261**	**708,111**	**102,420**	**2,584,689**	**744,939**	**3,329,629**
Segment income	**118,686**	**6,440**	**31,509**	**1,008**	**157,645**	**20,391**	**178,037**
Segment assets	**1,811,124**	**176,635**	**479,151**	**33,938**	**2,500,849**	**593,419**	**3,094,269**
Segment liabilities	**792,390**	**102,408**	**286,997**	**21,974**	**1,203,771**	**333,934**	**1,537,706**
Other							
Depreciation	**21,738**	**2,477**	**6,459**	**428**	**31,104**	**6,346**	**37,451**
Amortization of goodwill	**979**	**1,181**	**5,181**	**952**	**8,295**	**—**	**8,295**
Interest income	**169**	**22**	**202**	**194**	**588**	**1,307**	**1,895**
Interest expenses	**2,194**	**411**	**155**	**—**	**2,760**	**1,428**	**4,189**
Extraordinary income	**4,017**	**247**	**2,126**	**23**	**6,415**	**143**	**6,558**
Gain on sales of property, plant and equipment	***4,017***	***0***	***2,126***	***23***	***6,169***	***55***	***6,224***
Extraordinary loss	**1,643**	**11**	**1,836**	**2**	**3,493**	**2,826**	**6,319**
Loss on sales of property, plant and equipment	***—***	***—***	***66***	***—***	***66***	***1,591***	***1,657***
Loss on disposal of property, plant and equipment	***765***	***11***	***0***	***2***	***779***	***66***	***845***
Impairment loss	***—***	***—***	***—***	***—***	***—***	***940***	***940***
Loss on liquidation of subsidiaries and affiliates	***—***	***—***	***1,769***	***—***	***1,769***	***—***	***1,769***
Income taxes	**37,952**	**2,652**	**12,198**	**655**	**53,458**	**7,391**	**60,850**
Investments in equity-method affiliates	**46,285**	**—**	**—**	**—**	**46,285**	**1,484**	**47,770**
Increase in property, plant and equipment and intangible assets	**28,911**	**3,003**	**10,202**	**31**	**42,149**	**10,484**	**52,634**

(*) "Other" represents an operating segment comprising domestic and overseas subsidiaries that are not included in reportable segments.

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

(a) Net sales

	(Million yen)		(U.S. thousand dollars)
March 31	**2017**	2016	**2017**
Reportable segments total	**¥290,002**	¥285,984	**$2,584,689**
Net sales classified in "Other"	**83,582**	102,516	**744,939**
Elimination of intersegment transactions	**(52,952)**	(57,213)	**(471,943)**
Consolidation adjustments to net sales under the percentage-of-completion method	**1,131**	5,078	**10,081**
Other adjustments for consolidation	**(938)**	(182)	**(8,361)**
Net sales in consolidated financial statements	**¥320,825**	¥336,184	**$2,859,407**

(b) Segment income

March 31	2017	2016	2017
	(Million yen)		(U.S. thousand dollars)
Reportable segments total	**¥17,687**	¥10,699	**$157,645**
Segment income classified in “Other”	**2,287**	3,233	**20,391**
Elimination of cash dividends from affiliates	**(3,112)**	(2,010)	**(27,741)**
Other adjustments for consolidation	**(116)**	1,729	**(1,037)**
Net income attributable to shareholders of the parent company in consolidated financial statements	**¥16,746**	¥13,652	**$149,258**

(c) Segment assets

March 31	2017	2016	2017
	(Million yen)		(U.S. thousand dollars)
Reportable segments total	**¥280,595**	¥266,439	**$2,500,849**
Segment assets classified in “Other”	**66,581**	73,375	**593,419**
Elimination of investment securities in subsidiaries in consolidation process	**(34,379)**	(32,022)	**(306,415)**
Elimination of intercompany receivables	**(21,736)**	(22,675)	**(193,729)**
Other adjustments for consolidation	**12,479**	10,938	**111,224**
Total assets in consolidated financial statements	**¥303,540**	¥296,055	**$2,705,348**

(d) Segment liabilities

March 31	2017	2016	2017
	(Million yen)		(U.S. thousand dollars)
Reportable segments total	**¥135,063**	¥135,745	**$1,203,771**
Segment liabilities classified in “Other”	**37,467**	43,707	**333,934**
Elimination of intercompany payables	**(21,736)**	(22,675)	**(193,729)**
Other adjustments for consolidation	**10,405**	9,161	**92,737**
Total liabilities in consolidated financial statements	**¥161,199**	¥165,938	**$1,436,713**

For the year ended March 31, 2017:

Other items	Reportable segments total	Other	Adjustments	Consolidated total
				(Million yen)
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**
Gain (loss) on investments accounted for under equity method	**—**	**—**	**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 taxes	**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**

For the year ended March 31, 2016:

Other items	Reportable segments total	Other	Adjustments	Consolidated total
				(Million yen)
Depreciation	¥3,655	¥ 937	¥ (5)	¥4,587
Amortization of goodwill	1,006	0	31	1,038
Interest income	74	169	(53)	189
Amortization of negative goodwill	—	—	59	59
Interest expenses	381	170	(53)	498
Gain (loss) on investments accounted for under equity method	—	—	503	503
Extraordinary income	722	2	(182)	542
Gain on sales of property, plant and equipment	*347*	*2*	*(182)*	*168*
Gain on sales of investments in securities	*374*	—	—	*374*
Extraordinary loss	3,290	356	(1,759)	1,888
Loss on sales of property, plant and equipment	*19*	*35*	*21*	*76*
Loss on disposal of property, plant and equipment	*576*	*13*	—	*590*
Impairment loss	—	—	*540*	*540*
Loss on valuation of shares in subsidiaries and affiliates	*2,164*	—	*(2,164)*	—
Special retirement benefits	—	*113*	—	*113*
Environmental expenditures	*528*	—	—	*528*
Income taxes	5,408	1,318	(13)	6,713
Investments in equity-method affiliates	5,193	208	1,298	6,699
Increase in property, plant and equipment and intangible assets	3,680	529	—	4,210

For the year ended March 31, 2017:

Other items	Reportable segments total	Other	Adjustments	Consolidated total
				(U.S. thousand dollars)
Depreciation	**$31,104**	**$ 6,346**	**$ —**	**$37,451**
Amortization of goodwill	**8,295**	**—**	**(57)**	**8,237**
Interest income	**588**	**1,307**	**(485)**	**1,409**
Amortization of negative goodwill	**—**	**—**	**534**	**534**
Interest expenses	**2,760**	**1,428**	**(485)**	**3,703**
Gain (loss) on investments accounted for under equity method	**—**	**—**	**5,059**	**5,059**
Extraordinary income	**6,415**	**143**	**(1,813)**	**4,744**
Gain on sales of property, plant and equipment	***6,169***	***55***	***(1,813)***	***4,411***
Extraordinary loss	**3,493**	**2,826**	**(3,195)**	**3,124**
Loss on sales of property, plant and equipment	***66***	***1,591***	***(1,407)***	***249***
Loss on disposal of property, plant and equipment	***779***	***66***	**—**	***845***
Impairment loss	**—**	***940***	***(940)***	**—**
Loss on valuation of shares in subsidiaries and affiliates	***1,769***	**—**	**—**	***1,769***
Income taxes	**53,458**	**7,391**	**707**	**61,557**
Investments in equity-method affiliates	**46,285**	**1,484**	**13,447**	**61,217**
Increase in property, plant and equipment and intangible assets	**42,149**	**10,484**	**—**	**52,634**

[Note] The main items in Adjustments above are as follows:

1. Adjustments of ¥2,164 million in "Loss on valuation of shares in subsidiaries and affiliates" for the year ended March 31, 2016 is mainly due to elimination in consolidated financial statements.
2. Adjustments of ¥1,508 million ($13,447 thousand) and ¥1,298 million in "Investments in equity-method affiliates" for the years ended March 31, 2017 and 2016, respectively, are mainly due to foreign currency translation adjustments included in shares in affiliates.

[Related information]

1. Information by product and service

For the year ended March 31, 2017:

(Million yen)

	Logistics systems	Electronics	Other	Consolidated total
Net sales to outside customers	**¥288,408**	**¥15,427**	**¥16,989**	**¥320,825**

For the year ended March 31, 2016:

(Million yen)

	Logistics systems	Electronics	Other	Consolidated total
Net sales to outside customers	¥301,736	¥15,154	¥19,293	¥336,184

For the year ended March 31, 2017:

(U.S. thousand dollars)

	Logistics systems	Electronics	Other	Consolidated total
Net sales to outside customers	**$2,570,482**	**$137,501**	**$151,423**	**$2,859,407**

2. Information by geographic area

(1) Net sales

For the year ended March 31, 2017:

(Million yen)

	Japan	U.S.A.	China	S. Korea	Other	Consolidated total
Net sales to outside customers	**¥110,678**	**¥71,470**	**¥36,863**	**¥32,275**	**¥69,537**	**¥320,825**

For the year ended March 31, 2016:

(Million yen)

	Japan	U.S.A.	China	S. Korea	Other	Consolidated total
Net sales to outside customers	¥114,217	¥75,501	¥39,589	¥34,457	¥72,418	¥336,184

For the year ended March 31, 2017:

(U.S. thousand dollars)

	Japan	U.S.A.	China	S. Korea	Other	Consolidated total
Net sales to outside customers	**$986,439**	**$636,994**	**$328,547**	**$287,661**	**$619,763**	**$2,859,407**

[Note] Net sales are classified by country or area where customers are located.

(2) Property, plant and equipment

For the year ended March 31, 2017:

(Million yen)

	Japan	U.S.A.	Other	Consolidated total
Property, plant and equipment	**¥23,938**	**¥3,814**	**¥5,833**	**¥33,586**

For the year ended March 31, 2016:

(Million yen)

	Japan	U.S.A.	Other	Consolidated total
Property, plant and equipment	¥23,927	¥3,287	¥5,666	¥32,881

For the year ended March 31, 2017:

(U.S. thousand dollars)

	Japan	U.S.A.	Other	Consolidated total
Property, plant and equipment	**$213,354**	**$33,998**	**$51,988**	**$299,341**

3. Information by customer

It is omitted because no single outside customer represents 10% or more of the net sales reported in the consolidated statements of income and comprehensive income.

[Information about impairment loss of property, plant and equipment and intangible assets by reportable segment]

For the year ended March 31, 2017:

(Million yen)

	Reportable segments							
	Daifuku	Contec	Daifuku North America	Daifuku Plusmore	Total	Other	Elimination or corporate	Consolidated total
Impairment loss	**¥—**	**¥—**	**¥—**	**¥—**	**¥—**	**¥105**	**¥(105)**	**¥—**

For the year ended March 31, 2016:

(Million yen)

	Reportable segments							
	Daifuku	Contec	Daifuku North America	Daifuku Plusmore	Total	Other	Elimination or corporate	Consolidated total
Impairment loss	¥—	¥—	¥—	¥—	¥—	¥—	¥540	¥540

For the year ended March 31, 2017:

(U.S. thousand dollars)

	Reportable segments							
	Daifuku	Contec	Daifuku North America	Daifuku Plusmore	Total	Other	Elimination or corporate	Consolidated total
Impairment loss	**$—**	**$—**	**$—**	**$—**	**$—**	**$940**	**$(940)**	**$—**

[Information about the amount of amortization and unamortized balance of goodwill and negative goodwill by reportable segment]

For the year ended March 31, 2017:

(Million yen)

	Reportable segments							
	Daifuku	Contec	Daifuku North America	Daifuku Plusmore	Total	Other	Elimination or corporate	Consolidated total
Ending balance of goodwill	**¥320**	**¥1,553**	**¥4,951**	**¥400**	**¥7,226**	**¥514**	**¥2,141**	**¥9,882**
Ending balance of negative goodwill	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ 59**	**¥ 59**

For the year ended March 31, 2016:

(Million yen)

	Reportable segments							
	Daifuku	Contec	Daifuku North America	Daifuku Plusmore	Total	Other	Elimination or corporate	Consolidated total
Ending balance of goodwill	¥430	¥1,752	¥5,762	¥507	¥8,453	¥649	¥2,078	¥11,181
Ending balance of negative goodwill	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 119	¥ 119

For the year ended March 31, 2017:

	Reportable segments							(U.S. thousand dollars)
	Daifuku	Contec	Daifuku North America	Daifuku Plusmore	Total	Other	Elimination or corporate	Consolidated total
Ending balance of goodwill	$2,858	$13,841	$44,134	$3,572	$64,407	$4,586	$19,085	$88,078
Ending balance of negative goodwill	$ —	$ —	$ —	$ —	$ —	$ —	$ 534	$ 534

[Note] Information about amortization of goodwill and negative goodwill is omitted because such information is disclosed in segment information.

[Information about gain on new negative goodwill by reportable segment]

Not applicable

32. Per share information

The amounts of basic and diluted net income per share and net assets per share for the years ended March 31, 2017 and 2016 were as follows:

		(Yen)	(U.S. dollars)
March 31	2017	2016	2017
Net assets per share	¥1,142.14	¥1,044.40	$10.17
Net income per share			
—Basic	137.58	118.72	1.22
Diluted net income per share	—	112.14	—

[Note 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 the E-Ship Trust ended in December 2016.

[Note 2] The shares of Daifuku remaining in the Board Benefit 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.

[Note 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 was as follows:

Net income per share

		(Million yen)	(U.S. thousand dollars)
March 31	2017	2016	2017
Net income attributable to shareholders of the parent company	¥16,746	¥13,652	$149,258
Amount not attributable to holders of common stock	—	—	—
Net income attributable to shareholders of the parent company	¥16,746	¥13,652	$149,258

		(Thousand shares)
	2017	2016
Weighted average number of common stock issued and outstanding during the year	121,726	114,994

Diluted net income per share

March 31	2017 (Million yen)	2016 (Million yen)	2017 (U.S. thousand dollars)
Adjustments to net income attributable to shareholders of the parent company	**¥—**	¥(16)	**$—**
*Of which: amortization of bond issue premium (net of tax effect)**	***¥—***	*¥(16)*	***$—***

*1 Diluted net income per share is not shown herein as dilutive shares did not exist during the fiscal year ended March 31, 2017.
*2 The amortization of the premium in the year ended of March 31, 2016, due to the issuance of bonds at a higher price than the face value (net of tax effect).

March 31	2017 (Thousand shares)	2016 (Thousand shares)
Effect of dilutive securities	**—**	6,600
Of which: convertible bonds with stock acquisition rights	***—***	*6,600*

[Note 3] The basis for the calculation of net assets per share as of March 31, 2017 and 2016 was as follows:

March 31	2017 (Million yen)	2016 (Million yen)	2017 (U.S. thousand dollars)
Total net assets	**¥142,340**	¥130,116	**$1,268,634**
Amount deducted from total net assets	**3,247**	3,063	**28,947**
Of which: non-controlling interests	***3,247***	*3,063*	***28,947***
Total net assets attributable to common stock	**¥139,092**	¥127,052	**$1,239,686**

March 31	2017 (Thousand shares)	2016 (Thousand shares)
Number of common stock issued and outstanding at fiscal year-end for the purpose of calculation of net assets per share	**121,782**	121,651

33. Subsequent events

Not applicable

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Independent Auditor's Report

To the Board of Directors of
Daifuku Co., Ltd.

We have audited the accompanying consolidated financial statements of Daifuku Co., Ltd. ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statement of income and comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2017, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 6 to the consolidated financial statements.

PricewaterhouseCoopers Aarata LLC

July 31, 2017

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