DAIFUKU

Always an Edge Ahead

Integrating Sustainability & Innovation

Annual Report 2016

Year ended March 31, 2016

Financial Section

Eleven-Year Summary

Daifuku Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2006 to 2016

	2016	2016	2015	2014
For the Year				
Net sales	**¥ 336,184**	**$2,983,265**	¥267,284	¥241,811
Cost of sales	**272,832**	**2,421,092**	215,641	194,974
Selling, general and administrative expenses	**42,472**	**376,896**	36,759	34,279
Operating income	**20,878**	**185,275**	14,883	12,556
Income before income taxes	**20,650**	**183,248**	15,211	12,137
Net income attributable to shareholders of the parent company	**13,652**	**121,152**	9,810	7,740
Net income per share (Yen and U.S. dollars)	**¥ 118.72**	**$ 1.05**	¥ 88.59	¥ 69.96
Cash dividends per share (Yen and U.S. dollars)	**30.00**	**0.26**	22.00	18.00
Capital investment	**¥ 4,210**	**$ 37,364**	¥ 7,532	¥ 10,446
Depreciation	**4,587**	**40,708**	4,157	3,821
R&D expenditures	**7,009**	**62,199**	6,945	7,490
At Year-End				
Total assets	**¥ 296,055**	**$2,627,167**	¥271,011	¥249,531
Working capital	**99,293**	**881,117**	91,187	87,070
Interest-bearing liabilities	**40,904**	**362,980**	60,547	58,144
Net assets	**130,116**	**1,154,642**	111,521	99,690
Net assets per share (Yen and U.S. dollars)	**¥1,044.40**	**$ 9.26**	¥ 972.75	¥ 875.14
Number of employees	**7,835**		7,746	7,349
Ratios				
Operating income/net sales	**6.2%**		5.6%	5.2%
Income before income taxes/net sales	**6.1**		5.7	5.0
Net income/net sales	**4.1**		3.7	3.2
Return on shareholders' equity (ROE)	**11.6**		9.6	8.6
Shareholders' equity/total assets	**42.9**		39.8	38.8

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. The U.S. dollar amounts in this annual report are translated from Japanese yen for convenience only, at the rate of ¥112.69 = U.S.$1.00, on the Tokyo Foreign Exchange Market on March 31, 2016.
3. 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.
4. In the calculation of shareholders' equity/total assets ratio and ROE, shareholders' equity represents the amount of net assets less non-controlling interests.

(Million yen and U.S. thousand dollars)

2013	2012	2011	2010	2009	2008	2007	2006
¥202,337	¥198,052	¥159,263	¥154,208	¥242,182	¥231,619	¥232,703	¥198,811
165,340	165,505	131,639	128,195	195,430	182,260	186,991	159,312
28,986	28,328	25,897	25,932	31,736	28,680	26,876	22,982
8,010	4,217	1,726	80	15,015	20,677	18,837	16,517
7,316	3,129	703	862	13,956	20,592	18,356	16,741
4,439	1,223	269	1,018	7,851	11,893	11,382	10,253
¥ 40.12	¥ 11.05	¥ 2.43	¥ 9.20	¥ 70.29	¥ 105.05	¥ 100.50	¥ 92.20
15.00	15.00	15.00	20.00	26.00	26.00	25.00	18.00
¥ 7,687	¥ 2,393	¥ 3,221	¥ 2,280	¥ 4,613	¥ 4,071	¥ 8,281	¥ 5,236
3,332	3,612	3,577	3,679	3,930	3,401	2,886	2,271
6,855	6,484	6,370	6,075	8,018	6,964	7,564	7,629
¥206,875	¥185,049	¥163,388	¥165,430	¥194,727	¥222,386	¥195,016	¥181,990
45,832	61,943	65,908	66,265	75,087	64,840	60,351	52,249
53,385	51,010	40,912	45,295	55,417	33,559	33,764	33,856
85,685	76,618	77,714	81,295	82,810	88,709	80,718	68,882
¥ 754.98	¥ 674.72	¥ 683.39	¥ 716.07	¥ 718.68	¥ 746.59	¥ 682.01	¥ 608.12
6,678	5,617	5,209	5,395	5,660	5,663	4,702	4,109
4.0%	2.1%	1.1%	0.1%	6.2%	8.9%	8.1%	8.3%
3.6	1.6	0.4	0.6	5.8	8.9	7.9	8.4
2.2	0.6	0.2	0.7	3.2	5.1	4.9	5.2
5.6	1.6	0.3	1.3	9.6	14.7	15.6	16.8
40.4	40.3	46.3	47.9	40.9	38.0	39.6	37.8

Contents

Consolidated Balance Sheets

Daifuku Co., Ltd. and consolidated subsidiaries
March 31, 2016 and 2015

	(Million yen)		(U.S. thousand dollars) (Note 6)
	March 31		March 31
ASSETS	**2016**	2015	**2016**
Current assets:			
Cash on hand and in banks (Notes 9 and 28)	**¥ 49,187**	¥ 54,202	**$ 436,487**
Notes and accounts receivable and unbilled receivables (Note 9)	**103,264**	76,645	**916,356**
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 9)	**28,033**	19,414	**248,769**
Merchandise and finished goods	**3,629**	3,561	**32,209**
Costs incurred on uncompleted construction contracts and other (Note 8)	**7,092**	8,990	**62,934**
Raw materials and supplies	**11,370**	11,980	**100,902**
Deferred tax assets (Note 27)	**4,501**	2,810	**39,947**
Other current assets	**7,390**	7,574	**65,586**
Less: allowance for doubtful accounts	**(146)**	(137)	**(1,300)**
Total current assets	**214,324**	185,041	**1,901,894**
Non-current assets:			
Property, plant and equipment (Notes 7 and 13):			
Buildings and structures, net	**13,954**	14,754	**123,826**
Machinery and vehicles, net	**3,336**	3,507	**29,608**
Tools and fixtures, net	**1,487**	1,830	**13,198**
Land	**11,881**	12,018	**105,436**
Other, net	**2,221**	2,562	**19,716**
Total property, plant and equipment	**32,881**	34,673	**291,786**
Intangible assets:			
Software	**3,152**	3,100	**27,971**
Goodwill	**11,181**	12,905	**99,219**
Other	**2,739**	3,040	**24,312**
Total intangible assets	**17,072**	19,045	**151,503**
Investments and other assets:			
Investments in securities (Notes 9, 10, and 11)	**19,571**	21,728	**173,672**
Long-term loans	**135**	125	**1,198**
Assets for retirement benefits (Note 14)	**1,600**	643	**14,204**
Deferred tax assets (Note 27)	**6,642**	6,130	**58,945**
Other	**3,952**	3,752	**35,073**
Less: allowance for doubtful accounts	**(125)**	(129)	**(1,111)**
Total investments and other assets	**31,776**	32,251	**281,983**
Total non-current assets	**81,731**	85,970	**725,273**
Total assets	**¥296,055**	¥271,011	**$2,627,167**

The accompanying notes are an integral part of these statements.

LIABILITIES	(Million yen) March 31 2016	2015	(U.S. thousand dollars) (Note 6) March 31 2016
Current liabilities:			
Notes and accounts payable and construction contracts payable (Note 9)	**¥ 40,696**	¥ 36,568	**$ 361,136**
Electronically recorded obligations-operating (Note 9)	**17,270**	10,827	**153,253**
Short-term borrowings and current portion of long-term borrowings (Notes 9 and 12)	**8,702**	12,904	**77,228**
Income taxes payable	**5,919**	1,210	**52,525**
Provision for losses on construction contracts (Notes 8 and 20)	**971**	505	**8,621**
Other current liabilities (Note 12)	**41,471**	31,837	**368,012**
Total current liabilities	**115,031**	93,853	**1,020,777**
Non-current liabilities:			
Bonds (Notes 9 and 12)	**2,700**	2,700	**23,959**
Bonds with stock acquisition rights (Notes 9 and 12)	**—**	15,093	**—**
Long-term borrowings (Notes 9 and 12)	**29,501**	29,849	**261,792**
Deferred tax liabilities (Note 27)	**1,048**	1,580	**9,301**
Liabilities for retirement benefits (Note 14)	**14,500**	12,142	**128,679**
Negative goodwill	**119**	179	**1,063**
Other non-current liabilities (Note 12)	**3,037**	4,091	**26,950**
Total non-current liabilities	**50,907**	65,636	**451,748**
Total liabilities	**165,938**	159,490	**1,472,525**
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**	8,024	**133,251**
Capital surplus	**15,794**	9,239	**140,158**
Retained earnings	**94,501**	83,626	**838,593**
Less: treasury stock, at cost—March 31, 2016—1,958,836 shares	**(1,642)**	(2,419)	**(14,575)**
March 31, 2015—2,853,707 shares			
Total shareholders' equity	**123,669**	98,469	**1,097,428**
Accumulated other comprehensive income:			
Net unrealized gain on securities	**3,206**	4,639	**28,457**
Deferred gain (loss) on hedges	**22**	(72)	**199**
Foreign currency translation adjustments	**7,730**	10,542	**68,600**
Accumulated adjustments on retirement benefits (Note 14)	**(7,576)**	(5,781)	**(67,232)**
Total accumulated other comprehensive income	**3,383**	9,327	**30,025**
Non-controlling interests			
Non-controlling interests	**3,063**	3,723	**27,188**
Total net assets	**130,116**	111,521	**1,154,642**
Total liabilities and net assets	**¥296,055**	¥271,011	**$2,627,167**

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, 2016 and 2015

	(Million yen)		(U.S. thousand dollars) (Note 6)
	March 31		March 31
	2016	2015	2016
Net sales	**¥336,184**	¥267,284	**$2,983,265**
Cost of sales (Notes 20 and 21)	**272,832**	215,641	**2,421,092**
Gross profit	**63,351**	51,642	**562,172**
Selling expenses (Note 19)	**18,812**	17,729	**166,939**
General and administrative expenses (Notes 19 and 21)	**23,660**	19,029	**209,957**
Total selling, general and administrative expenses	**42,472**	36,759	**376,896**
Operating income	**20,878**	14,883	**185,275**
Other income:			
Interest income	**189**	169	**1,680**
Dividend income	**363**	304	**3,224**
Foreign exchange gain	**101**	177	**903**
Amortization of negative goodwill	**59**	59	**531**
Equity in earnings of affiliates (Note 4)	**503**	113	**4,470**
Land and house rental revenue	**227**	173	**2,019**
Refunded foreign taxes	**—**	168	**—**
Miscellaneous income	**329**	303	**2,926**
Total other income	**1,775**	1,470	**15,756**
Other expenses:			
Interest expenses	**498**	463	**4,426**
Miscellaneous expenses	**159**	107	**1,418**
Total other expenses	**658**	570	**5,845**
Ordinary income	**21,995**	15,783	**195,187**
Extraordinary income:			
Gain on sales of property, plant and equipment (Note 23)	**168**	167	**1,495**
Gain on sales of investments in securities	**374**	300	**3,321**
Other	**0**	9	**0**
Total extraordinary income	**542**	477	**4,818**
Extraordinary loss:			
Loss on sales of property, plant and equipment (Note 24)	**76**	36	**676**
Loss on disposal of property, plant and equipment (Note 22)	**590**	138	**5,238**
Impairment loss (Note 26)	**540**	457	**4,797**
Loss on liquidation of subsidiaries and affiliates	**—**	160	**—**
Special retirement benefits	**113**	125	**1,008**
Environmental expenditures	**528**	—	**4,685**
Other	**39**	130	**350**
Total extraordinary loss	**1,888**	1,049	**16,757**
Income before income taxes	**20,650**	15,211	**183,248**
Income taxes (Note 27)			
Current	**8,094**	3,139	**71,826**
Deferred	**(1,380)**	1,904	**(12,248)**
Total income taxes	**6,713**	5,043	**59,578**
Net income	**13,936**	10,168	**123,670**
(Net income attributable to:)			
Shareholders of the parent company	**13,652**	9,810	**121,152**
Non-controlling interests	**283**	357	**2,518**
Other comprehensive income (Note 25)			
Net unrealized gain (loss) on securities	**(1,487)**	1,541	**(13,198)**
Deferred gain (loss) on hedges	**85**	(6)	**758**
Foreign currency translation adjustments	**(2,710)**	5,959	**(24,053)**
Retirement benefits reserves adjustment	**(1,886)**	(3,500)	**(16,736)**
Share of other comprehensive loss of affiliates accounted for using the equity method	**(157)**	(562)	**(1,397)**
Total other comprehensive income	**(6,155)**	3,431	**(54,627)**
Comprehensive income (Note 25)	**¥ 7,780**	¥ 13,599	**$ 69,042**
(Comprehensive income attributable to:)			
Shareholders of the parent company	**¥ 7,708**	¥ 12,948	**$ 68,403**
Non-controlling interests	**72**	650	**639**
	(Yen)		(U.S. dollars)
Net income per share (Note 32)	**¥118.72**	¥88.59	**$1.05**
Cash dividends per share	**30.00**	22.00	**0.26**

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, 2016 and 2015

	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, 2014	113,671	¥ 8,024	¥ 9,239	¥76,009	¥(2,620)	¥ 90,652
Cumulative effects of changes in accounting policies	—	—	—	28	—	28
Restated balance	113,671	¥ 8,024	¥ 9,239	¥76,038	¥(2,620)	¥ 90,680
Conversion of the convertible bonds with stock acquisition rights	—	—	—	—	—	—
Cash dividends	—	—	—	(2,221)	—	(2,221)
Net income attributable to shareholders of the parent company	—	—	—	9,810	—	9,810
Purchase of treasury stock	—	—	—	—	(5)	(5)
Disposal of treasury stock	—	—	0	—	206	206
Decrease due to acquisition of shares in subsidiaries and affiliates	—	—	—	(1)	—	(1)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2015	113,671	¥ 8,024	¥ 9,239	¥83,626	¥(2,419)	¥ 98,469
Cumulative effects of changes in accounting policies	—	—	—	—	—	—
Restated balance	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
Decrease due to acquisition of shares in subsidiaries and affiliates	—	—	—	—	—	—
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**

	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, 2014	¥3,102	¥(29)	¥ 5,310	¥(2,194)	¥6,189	¥2,848	¥ 99,690
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	28
Restated balance	¥3,102	¥(29)	¥ 5,310	¥(2,194)	¥6,189	¥2,848	¥ 99,718
Conversion of the convertible bonds with stock acquisition rights	—	—	—	—	—	—	—
Cash dividends	—	—	—	—	—	—	(2,221)
Net income attributable to shareholders of the parent company	—	—	—	—	—	—	9,810
Purchase of treasury stock	—	—	—	—	—	—	(5)
Disposal of treasury stock	—	—	—	—	—	—	206
Decrease due to acquisition of shares in subsidiaries and affiliates	—	—	—	—	—	—	(1)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	1,536	(42)	5,231	(3,587)	3,138	875	4,013
Balance at March 31, 2015	¥4,639	¥(72)	¥10,542	¥(5,781)	¥9,327	¥3,723	¥111,521
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—
Restated balance	¥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
Decrease due to acquisition of shares in subsidiaries and affiliates	—	—	—	—	—	—	—
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**

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, 2016 and 2015

	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, 2015	113,671	$ 71,204	$ 81,988	$742,089	$(21,469)	$ 873,812
Cumulative effects of changes in accounting policies	—	—	—	—	—	—
Restated balance	113,671	$ 71,204	$ 81,988	$742,089	$(21,469)	$ 873,812
Conversion of the convertible bonds with stock acquisition rights	9,938	62,047	66,158	—	5,516	133,722
Cash dividends	—	—	—	(24,648)	—	(24,648)
Net income attributable to shareholders of the parent company	—	—	—	121,152	—	121,152
Purchase of treasury stock	—	—	—	—	(57)	(57)
Disposal of treasury stock	—	—	0	—	1,435	1,436
Decrease due to acquisition of shares in subsidiaries and affiliates	—	—	—	—	—	—
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	(7,989)	—	—	(7,989)
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2016	**123,610**	**$133,251**	**$140,158**	**$838,593**	**$(14,575)**	**$1,097,428**

	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, 2015	$41,169	$(639)	$93,551	$(51,306)	$82,774	$33,046	$ 989,633
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—
Restated balance	$41,169	$(639)	$93,551	$(51,306)	$82,774	$33,046	$ 989,633
Conversion of the convertible bonds with stock acquisition rights	—	—	—	—	—	—	133,722
Cash dividends	—	—	—	—	—	—	(24,648)
Net income attributable to shareholders of the parent company	—	—	—	—	—	—	121,152
Purchase of treasury stock	—	—	—	—	—	—	(57)
Disposal of treasury stock	—	—	—	—	—	—	1,436
Decrease due to acquisition of shares in subsidiaries and affiliates	—	—	—	—	—	—	—
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	(7,989)
Net changes of items other than shareholders' equity	(12,711)	839	(24,950)	(15,925)	(52,748)	(5,857)	(58,606)
Balance at March 31, 2016	**$28,457**	**$ 199**	**$68,600**	**$(67,232)**	**$30,025**	**$27,188**	**$1,154,642**

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, 2016 and 2015

	(Million yen)		(U.S. thousand dollars) (Note 6)
	March 31		March 31
	2016	2015	**2016**
Cash flows from operating activities:			
Income before income taxes	**¥20,650**	¥15,211	**$183,248**
Adjustments for:			
Depreciation	**4,587**	4,157	**40,708**
Impairment loss	**540**	457	**4,797**
Amortization of goodwill	**1,038**	914	**9,215**
Amortization of negative goodwill	**(59)**	(59)	**(531)**
Interest and dividend income	**(552)**	(474)	**(4,905)**
Interest expenses	**498**	463	**4,426**
Loss on disposal or sales of property, plant and equipment	**497**	7	**4,416**
(Increase) decrease in notes and accounts receivable	**(28,060)**	2,624	**(249,006)**
Decrease (increase) in inventories	**2,189**	(2,686)	**19,432**
Increase (decrease) in notes and accounts payable	**11,964**	(3,657)	**106,168**
Increase (decrease) in advances received on uncompleted construction	**349**	(645)	**3,105**
Other, net	**(3,608)**	(3,185)	**(32,024)**
Subtotal	**10,035**	13,127	**89,052**
Interest and dividend received	**554**	473	**4,921**
Interest paid	**(501)**	(486)	**(4,446)**
Income taxes paid	**(3,032)**	(7,021)	**(26,912)**
Other, net	**150**	202	**1,337**
Net cash provided by operating activities	**7,206**	6,295	**63,952**
Cash flows from investing activities:			
Acquisition of shares in newly consolidated subsidiaries	**—**	(3,140)	**—**
Investments in time deposits	**(96)**	(91)	**(852)**
Proceeds from refund of time deposits	**107**	263	**954**
Payments for purchase of property, plant and equipment	**(3,158)**	(3,666)	**(28,025)**
Proceeds from sales of property, plant and equipment	**280**	253	**2,485**
Payments for purchase of investments in securities	**(22)**	(227)	**(199)**
Payments for acquisition of shares in subsidiaries and affiliates	**—**	(121)	**—**
Collection of loans receivable	**4**	4	**37**
Other, net	**785**	878	**6,971**
Net cash used in investing activities	**(2,099)**	(5,846)	**(18,628)**
Cash flows from financing activities:			
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(1,556)**	—	**(13,810)**
(Decrease) increase in short-term borrowings, net	**(1,156)**	834	**(10,264)**
Proceeds from long-term borrowings	**1,841**	1,512	**16,342**
Repayment of long-term borrowings	**(4,917)**	(592)	**(43,637)**
Proceeds from disposal of treasury stock	**161**	206	**1,436**
Payments for purchase of treasury stock	**(6)**	(5)	**(57)**
Payments of cash dividends	**(2,794)**	(2,218)	**(24,799)**
Other, net	**(274)**	(245)	**(2,433)**
Net cash used in financing activities	**(8,702)**	(509)	**(77,224)**
Effect of exchange rate change on cash and cash equivalents	**(1,401)**	2,170	**(12,439)**
Net (decrease) increase in cash and cash equivalents	**(4,996)**	2,109	**(44,340)**
Cash and cash equivalents at beginning of year	**54,081**	51,852	**479,909**
Increase in cash and cash equivalents resulting from change of scope of consolidation	**—**	119	**—**
Cash and cash equivalents at end of year (Note 28)	**¥49,084**	¥54,081	**$435,569**

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, 2016 and 2015

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Daifuku Co., Ltd. ("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 total 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 58 subsidiaries as of March 31, 2016.

Contec EMS Co., Ltd. and Automotion, Inc., which were consolidated subsidiaries for the year ended March 31, 2015, were absorbed by Contec Co., Ltd. and Wynright Corporation, respectively. Moreover, Jervis B. Webb-China Company, Ltd. was liquidated. As a result, the number of consolidated subsidiaries decreased by 3, from 61 as of March 31, 2015.

The consolidated subsidiaries adopt the same fiscal year as the Company, except for 49 overseas consolidated subsidiaries, as of March 31, 2016, 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, 2016, 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, 2015.

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, 2015.

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 is 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, 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.

Finance lease transactions that do not transfer ownership and commenced prior to April 1, 2008, are accounted for in a manner similar to accounting for an ordinary rental transaction.

(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

(Application of Accounting Standard for Business Combination, etc.)

The Company applied the Accounting Standard for Business Combination (ASBJ Statement No. 21; September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22; September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7; September 13, 2013) and others from the fiscal year ended March 31, 2016. Differences from the changes in the Company’s interests in its subsidiaries that remain under its control are recorded as capital surplus, and expenses related to acquisition are now recorded as expenses for the fiscal year in which they occurred. Regarding business combinations that occurred after the beginning of the fiscal year ended March 31, 2016, revisions to the purchase price allocation following the determination of provisional accounting methods are now reflected in the consolidated financial statements for the fiscal year in which the business combination occurred. Accordingly, the presentation of net income and other was changed, and minority interests were changed to non-controlling interests. To reflect these changes, the consolidated financial statements for the previous fiscal year have been reclassified.

The Accounting Standard for Business Combination and other standards were applied prospectively from the beginning of the fiscal year ended March 31, 2016, in accordance with the transitional treatment provided in Article 58-2 (4) of the Accounting Standard for Business Combination, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Article 57-4 (4) of the Accounting Standard for Business Divestitures.

In the consolidated statements of cash flows for the fiscal year ended March 31, 2016, cash flow related to the acquisition or sale of shares in subsidiaries unaccompanied by a change in the scope of consolidation is classified as the “Cash flows from financing activities.” Cash flow related to the acquisition costs of shares in subsidiaries accompanied by a change in the scope of consolidation and cash flows related to the cost of acquiring or selling shares in subsidiaries unaccompanied by a change in the scope of consolidation are classified as “Cash flows from operating activities.”

As a result of this change, capital surplus on the consolidated statements of changes in net assets at the end of the fiscal year ended March 31, 2016 declined ¥900 million. The effects on per share information are described in the per share information section.

(Application of Practical Solution on Accounting for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements)

The Company applied the Practical Solution on Accounting for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (PITF No. 18; March 26, 2015) from the fiscal year ended March 31, 2016. In accordance with the transitional treatment provided in the PITF, the goodwill that the Company’s overseas subsidiary Daifuku North America Holding Company group elected to amortize in accordance with the FASB Accounting Standards Codification Topic 350 Intangibles—Goodwill and other as amended in January 2014 was amortized based on the remaining useful life of the goodwill stated in the consolidated financial statements.

The application has no effect on the consolidated financial statements or per-share information for the fiscal year ended March 31, 2016.

4. Changes in method of presentation

(Consolidated statements of income)

"Equity in earnings of affiliates" (¥113 million as of March 31, 2015), which was previously included in "miscellaneous income" of other income for the year ended March 31, 2015 is presented as a separate item for the fiscal year ended March 31, 2016 because its quantitative materiality increased.

5. Additional information

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

The Company delivers its own stock through a trust to the employee shareholding association for the purpose of enhancing employee benefits and welfare.

(1) Overview

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; "the Plan"). The purpose of the Plan is to provide an incentive for the Company's employees to help enhance the Company's enterprise value in the medium to long term, to expand employee benefits and welfare, and to encourage the continuous development of the Company by boosting employees' morale through their capital participation as shareholders.

The Plan is an incentive plan for all employees who are members of the Daifuku Employee Shareholding Association ("the Shareholding Association"). In the plan, the Company has set up a trust exclusively for the Shareholding Association ("the E-Ship Trust") at a trust bank. The E-Ship Trust acquires shares of the Company that it anticipates the Shareholding Association will acquire during the trust period from December 13, 2013 to November 30, 2016 through a private placement by the Company, using borrowed money. Subsequently, the E-Ship Trust regularly sells shares of the Company to the Shareholding Association. If the equivalent of gains on sale of shares is accumulated in the E-Ship Trust upon termination of the trust, the equivalent of gains will be distributed to qualified beneficiaries as residual assets. Since the Company provides loan guarantees for the E-Ship's borrowings to purchase shares of the Company, the Company will repay the debt under the guarantee agreement, if the equivalent of losses on sale of shares is accumulated in the E-Ship Trust due to falls in the Company's stock price, and if the E-Ship still has outstanding debts equivalent to losses on sale of shares at its termination.

(2) The Company's shares still held by the Trust

The Company records the shares of the Company, which are held by the Trust and yet to be sold to the Shareholding Association, as treasury stock in net assets, using the carrying amount (excluding incidental expenses) in the Trust.

The carrying amount and the number of the treasury stock as of March 31, 2016 and 2015 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	**2016**	2015	**2016**
Carrying amount of treasury stock still held by the E-Ship Trust	**¥169**	¥331	**$1,504**
Number of treasury stock still held by the E-Ship Trust	**133 thousand shares**	260 thousand shares	**—**

(3) The carrying amount of borrowings recorded using the gross method

The carrying amount of borrowings recorded using the gross method was ¥70 million ($628 thousand) and ¥311 million as of March 31, 2016 and 2015, respectively.

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 ¥112.69 to U.S. $1, being the effective rate of exchange at March 31, 2016.

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 ¥112.69 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 ¥52,895 million ($469,390 thousand) and ¥53,325 million as of March 31, 2016 and 2015, 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 ¥29 million ($258 thousand) and ¥35 million as of March 31, 2016 and 2015, 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, 2016 and 2015 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, 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	103,264	103,264	—
(3) Costs and estimated earnings in excess of billings on uncompleted contracts	28,033	28,033	—
(4) 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, 2015:

(Million yen)

	Carrying amount on consolidated balance sheets	Fair value	Variance
(1) Cash on hand and in banks	¥ 54,202	¥ 54,202	¥ —
(2) Notes and accounts receivable and unbilled receivables	76,645	76,645	—
(3) Costs and estimated earnings in excess of billings on uncompleted contracts	19,414	19,414	—
(4) Investments in securities			
"Other securities"	14,317	14,317	—
Total assets	¥164,580	¥164,580	¥ —
(1) Notes and accounts payable and construction contracts payable	¥ 36,568	¥ 36,568	¥ —
(2) Electronically recorded obligations - operating	10,827	10,827	—
(3) Short-term borrowings and current portion of long-term borrowings	12,904	12,904	—
(4) Bonds	2,700	2,702	2
(5) Bonds with stock acquisition rights	15,093	15,037	(56)
(6) Long-term borrowings	29,849	29,843	(5)
Total liabilities	¥107,943	¥107,883	¥(59)
Derivative transactions (*)	¥ (52)	¥ (52)	¥ —

For the year ended March 31, 2016:

	Carrying amount on consolidated balance sheets	Fair value	Variance
			(U.S. thousand dollars)
(1) Cash on hand and in banks	**$ 436,487**	**$ 436,487**	**$ —**
(2) Notes and accounts receivable and unbilled receivables	**916,356**	**916,356**	**—**
(3) Costs and estimated earnings in excess of billings on uncompleted contracts	**248,769**	**248,769**	**—**
(4) Investments in securities			
"Other securities"	**108,984**	**108,984**	**—**
Total assets	**$1,710,598**	**$1,710,598**	**$ —**
(1) Notes and accounts payable and construction contracts payable	**$ 361,136**	**$ 361,136**	**$ —**
(2) Electronically recorded obligations - operating	**153,253**	**153,253**	**—**
(3) Short-term borrowings and current portion of long-term borrowings	**77,228**	**77,228**	**—**
(4) Bonds	**23,959**	**24,164**	**205**
(5) Long-term borrowings	**261,792**	**263,024**	**1,232**
Total liabilities	**$ 877,369**	**$ 878,806**	**$1,437**
Derivative transactions (*)	**$ (102)**	**$ (102)**	**$ —**

(*) 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, (3) Costs and estimated earnings in excess of billings on uncompleted contracts

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

(4) 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) Bonds with stock acquisition rights, (6) 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, 2016 and 2015:

For the year ended March 31, 2016:

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

For the year ended March 31, 2015:

Category	Carrying amount on consolidated balance sheets
	(Million yen)
Unlisted securities	¥7,411

For the year ended March 31, 2016:

Category	Carrying amount on consolidated balance sheets
	(U.S. thousand dollars)
Unlisted securities	**$64,688**

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 (4) Investments in securities." The unlisted securities include the investments in non-consolidated subsidiaries and affiliates, amounting to ¥6,704 million ($59,496 thousand) and ¥6,826 million as of March 31, 2016 and 2015, 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, 2016:

	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
				(Million yen)
Cash on hand and in banks	**¥ 49,187**	**¥—**	**¥—**	**¥—**
Notes and accounts receivable and unbilled receivables	**103,264**	**—**	**—**	**—**
Costs and estimated earnings in excess of billings on uncompleted contracts	**28,033**	**—**	**—**	**—**
Total	**¥180,485**	**¥—**	**¥—**	**¥—**

For the year ended March 31, 2015:

	(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	¥ 54,202	¥—	¥—	¥—
Notes and accounts receivable and unbilled receivables	76,645	—	—	—
Costs and estimated earnings in excess of billings on uncompleted contracts	19,414	—	—	—
Total	¥150,262	¥—	¥—	¥—

For the year ended March 31, 2016:

	(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	**$ 436,487**	**$—**	**$—**	**$—**
Notes and accounts receivable and unbilled receivables	**916,356**	**—**	**—**	**—**
Costs and estimated earnings in excess of billings on uncompleted contracts	**248,769**	**—**	**—**	**—**
Total	**$1,601,614**	**$—**	**$—**	**$—**

[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, 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	**¥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, 2015:

	(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	¥12,904	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	—	—	—	2,700	—	—
Bonds with stock acquisition rights	—	—	15,000	—	—	—
Long-term borrowings	—	2,189	14,960	10,800	1,700	200
Total	¥12,904	¥2,189	¥29,960	¥13,500	¥1,700	¥200

For the year ended March 31, 2016:

	(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	**$77,228**	**$ —**	**$ —**	**$ —**	**$ —**	**$—**
Bonds	**—**	**—**	**23,959**	**—**	**—**	**—**
Long-term borrowings	**—**	**138,077**	**106,854**	**15,085**	**1,774**	**—**
Total	**$77,228**	**$138,077**	**$130,813**	**$15,085**	**$1,774**	**$—**

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, 2016		
	Acquisition cost	Carrying amount on consolidated balance sheets	Difference
Investments in securities:			
Equity securities	**¥6,621**	**¥11,347**	**¥4,725**

	(Million yen)		
	March 31, 2015		
	Acquisition cost	Carrying amount on consolidated balance sheets	Difference
Investments in securities:			
Equity securities	¥7,333	¥14,033	¥6,700

	(U.S. thousand dollars)		
	March 31, 2016		
	Acquisition cost	Carrying amount on consolidated balance sheets	Difference
Investments in securities:			
Equity securities	**$58,760**	**$100,697**	**$41,936**

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

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

	(Million yen)		
	March 31, 2015		
	Acquisition cost	Carrying amount on consolidated balance sheets	Difference
Investments in securities:			
Equity securities	¥314	¥283	¥(30)

	(U.S. thousand dollars)		
	March 31, 2016		
	Acquisition cost	Carrying amount on consolidated balance sheets	Difference
Investments in securities:			
Equity securities	**$9,190**	**$8,287**	**$(903)**

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, 2016. The Company recorded an impairment loss of ¥2 million for the year ended March 31, 2015.

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, 2016 and 2015:

Omitted due to no material securities being held

"Held-to-maturity debt securities" sold during the years ended March 31, 2016 and 2015:

Not applicable

"Other securities" sold during the years ended March 31, 2016 and 2015 were as follows:

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, 2015:

	(Million yen)	
	Sale value	Gain on sales
Investments in securities:		
Equity securities	¥467	¥300

For the year ended March 31, 2016:

	(U.S. thousand dollars)	
	Sale value	Gain on sales
Investments in securities:		
Equity securities	**$3,780**	**$3,321**

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	**2016**	2015	**2016**
Investments in securities:			
Equity securities	**¥6,704**	¥6,826	**$59,496**

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, 2016 was 2.3%.

Short-term borrowings outstanding as of March 31, 2016 and 2015 were as follows:

		(Million yen)	(U.S. thousand dollars)
March 31	**2016**	2015	**2016**
Borrowings from banks:			
Unsecured	**¥6,771**	¥8,244	**$60,094**

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, 2016 was 1.0%. The weighted average interest rate applicable to the long-term borrowings outstanding as of March 31, 2016 was 0.7%.

Long-term borrowings and bonds outstanding as of March 31, 2016 and 2015 were as follows:

		(Million yen)	(U.S. thousand dollars)
March 31	**2016**	2015	**2016**
Borrowings, principally from banks:			
Secured and unsecured	**¥31,432**	¥34,509	**$278,926**
Less: portion due within one year	**1,930**	4,660	**17,133**
Subtotal	**29,501**	29,849	**261,792**
Bonds			
0.50% yen unsecured bonds, due 2019	**700**	700	**6,211**
0.73% yen unsecured bonds, due 2019	**2,000**	2,000	**17,747**
Japanese yen convertible bonds with stock acquisition rights, due 2017	**—**	15,093	**—**
Subtotal	**2,700**	17,793	**23,959**
Total	**¥32,201**	¥47,643	**$285,752**

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, 2016, 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	¥15,560	$138,077
Due after two years and within three years	12,041	106,854
Due after three years and within four years	1,700	15,085
Due after four years and within five years	200	1,774
Total	¥29,501	$261,792

Lease obligations details

Lease obligations outstanding as of March 31, 2016 and 2015 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	**2016**	2015	**2016**
Lease obligations	**¥1,690**	¥1,804	**$14,998**
Less: portion due within one year	**278**	381	**2,471**
Total	**¥1,411**	¥1,422	**$12,526**

[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, 2016, 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	¥180	$1,600
Due after two years and within three years	286	2,543
Due after three years and within four years	123	1,093
Due after four years and within five years	107	950
Total	¥697	$6,188

[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, 2016 and 2015 were less than 1% of the total liabilities and net assets as of March 31, 2016 and 2015, 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	2016 (Million yen)	2015 (Million yen)	2016 (U.S. thousand dollars)
Balance at beginning of year	**¥62,263**	¥52,395	**$552,520**
Cumulative effects of changes in accounting policies	**—**	(48)	**—**
Restated balance at beginning of year	**¥62,263**	¥52,347	**$552,520**
Service cost	**1,198**	1,188	**10,634**
Interest cost	**1,635**	1,562	**14,512**
Accrued actuarial gains and losses	**(347)**	5,395	**(3,081)**
Payments for retirement benefits	**(2,784)**	(1,965)	**(24,711)**
Prior service cost	**33**	—	**294**
Foreign currency translation adjustments	**(936)**	3,828	**(8,312)**
Other	**(87)**	(92)	**(780)**
Balance at end of year	**¥60,973**	¥62,263	**$541,076**

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

March 31	2016 (Million yen)	2015 (Million yen)	2016 (U.S. thousand dollars)
Balance at beginning of year	**¥51,531**	¥44,728	**$457,287**
Expected return on plan assets	**3,242**	2,855	**28,771**
Accrued actuarial gains and losses	**(3,703)**	571	**(32,868)**
Employer contributions	**1,278**	1,964	**11,344**
Payments for retirement benefits	**(2,545)**	(1,662)	**(22,587)**
Foreign currency translation adjustments	**(878)**	3,169	**(7,798)**
Other	**(94)**	(95)	**(838)**
Balance at end of year	**¥48,829**	¥51,531	**$433,310**

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

March 31	2016 (Million yen)	2015 (Million yen)	2016 (U.S. thousand dollars)
Balance at beginning of year	**¥730**	¥716	**$6,482**
Retirement benefit expenses	**405**	371	**3,598**
Payments for retirement benefits	**(33)**	(114)	**(297)**
Employer contributions	**(356)**	(250)	**(3,169)**
Foreign currency translation adjustments	**(11)**	20	**(102)**
Other	**(14)**	(12)	**(125)**
Balance at end of year	**¥720**	¥730	**$6,394**

(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	2016 (Million yen)	2015 (Million yen)	2016 (U.S. thousand dollars)
Retirement benefit obligations in funded plans	**¥62,043**	¥63,180	**$550,565**
Plan assets	**(49,946)**	(52,387)	**(443,216)**
	12,097	10,792	**107,349**
Retirement benefit obligations in unfunded plans	**769**	669	**6,826**
Other	**33**	36	**299**
Net liabilities and assets on consolidated balance sheets	**12,900**	11,498	**114,475**
Liabilities for retirement benefits	**14,500**	12,142	**128,679**
Assets for retirement benefits	**(1,600)**	(643)	**(14,204)**
Net liabilities and assets on consolidated balance sheets	**¥12,900**	¥11,498	**$114,475**

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

March 31	2016 (Million yen)	2015 (Million yen)	2016 (U.S. thousand dollars)
Service cost	**¥1,198**	¥1,188	**$10,634**
Interest cost	**1,635**	1,562	**14,512**
Expected return on plan assets	**(3,242)**	(2,855)	**(28,771)**
Amortization of actuarial gains and losses	**582**	195	**5,168**
Retirement benefit expenses using the simplified method	**405**	371	**3,598**
Other	**41**	(0)	**370**
Retirement benefit expenses on defined benefit plans	**¥ 621**	¥ 462	**$ 5,513**

[Note] Other than the retirement benefit expenses above, certain consolidated subsidiaries recognized special retirement benefits of ¥113 million ($1,008 thousand) and ¥125 million as extraordinary loss for the years ended March 31, 2016 and 2015, respectively.

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

March 31	2016 (Million yen)	2015 (Million yen)	2016 (U.S. thousand dollars)
Actuarial gains and losses	**¥2,732**	¥5,346	**$24,243**
Total	**¥2,732**	¥5,346	**$24,243**

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

March 31	2016 (Million yen)	2015 (Million yen)	2016 (U.S. thousand dollars)
Unrecognized actuarial gains and losses	**¥11,686**	¥8,953	**$103,706**
Total	**¥11,686**	¥8,953	**$103,706**

(8) Matters regarding plan assets

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

March 31	2016 (%)	2015 (%)
Equity securities	**45%**	46%
Debt securities	**38**	35
General accounts at life insurance	**10**	9
Cash on hand and in banks	**4**	4
Other	**3**	6
Total	**100%**	100%

[Note] The retirement benefit trust set up for the corporate pension plans consists of 13% and 11% of the total plan assets as of March 31, 2016 and 2015, 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, 2016 and 2015 were as follows:

March 31	2016 (%)	2015 (%)
Discount rate	**0.075 – 9.0%**	0.9 – 8.5%
Expected long-term rate of return on plan assets	**1.5 – 8.0%**	2.0 – 8.0%

[Note] As the Group provides mainly a point based plan, the Group does not use the salary increase rate in order to calculate retirement benefit obligation.

Defined contribution plans

The amount of contributions required under the defined contribution plans of the Company and its consolidated subsidiaries as of March 31, 2016 and 2015 were ¥956 million ($8,492 thousand) and ¥1,379 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, 2016 and 2015 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	**2016**	2015	**2016**
Acquisition cost equivalent			
—Machinery and vehicles	**¥607**	¥628	**$5,391**
Accumulated depreciation equivalent	**607**	592	**5,391**
Net carrying amount equivalent	**¥ —**	¥ 36	**$ —**

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) Future minimum lease payments equivalent as of March 31, 2016 and 2015 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	**2016**	2015	**2016**
Due within one year	**¥—**	¥36	**$—**
Due after one year	**—**	—	**—**
Total	**¥—**	¥36	**$—**

The future minimum lease payments equivalent 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.

(3) Lease payments and depreciation equivalent

	(Million yen)		(U.S. thousand dollars)
March 31	**2016**	2015	**2016**
Lease payments	**¥36**	¥67	**$326**
Depreciation equivalent	**¥36**	¥67	**$326**

(4) 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, 2016 and 2015 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	**2016**	2015	**2016**
Due within one year	**¥ 765**	¥ 631	**$ 6,789**
Due after one year	**1,037**	1,413	**9,208**
Total	**¥1,802**	¥2,044	**$15,998**

Impairment loss on leased assets

For the years ended March 31, 2016 and 2015, there was no impairment loss on leased assets.

16. Contingent liabilities

The contingent liabilities as of March 31, 2016 and 2015 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	2016	2015	2016
Guarantee for bank borrowings of IKS Co., Ltd.	¥30	¥45	$266
Total	¥30	¥45	$266

17. Derivatives and hedging activities

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

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, 2016:

					(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				
	U.S. dollar	$ 1,769	$—	$ (16)	$ (16)
	Canadian dollar	1,478	—	76	76
	Euro	11,153	—	(805)	(805)
Total		$14,401	$—	$(745)	$(745)

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

For the year ended March 31, 2015:

Not applicable

(2) Derivative transactions subject to hedge accounting

(a) Currency-related

For the year ended March 31, 2016:

						(Million yen)
			Contract amount			
Method of hedge accounting	Category of derivative transaction	Principal hedged item		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	—		
	Euro		6	—	(*1)	
	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, 2015:

						(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)	¥ 566	¥ —	¥(54)	
	Euro		99	—	2	
	Canadian dollar		16	—	0	
	Korean won		1,874	—	(20)	
	British pound		63	—	2	
	Buy					
	U.S. dollar	Accounts payable (future transactions)	(235)	—	4	
	Euro		(1)	—	(0)	
	Korean won		(342)	—	1	
	New Taiwan dollar		(368)	—	8	
	Chinese yuan		(38)	—	1	
Exceptional treatment of forward exchange contracts	Forward exchange contracts					
	Sell					
	U.S. dollar	Accounts receivable	675	—	(*1)	
	Euro		281	—		
	Korean won		1,018	—		
	British pound		5	—		
	U.S. dollar	Time deposits in foreign currency	2,380	—		
	Buy					
	New Taiwan dollar	Accounts payable	(18)	—		
	Chinese yuan		(25)	—		
	Currency swaps					
	U.S. dollar	Long-term borrowings	6,000	6,000	(*2)	
Total			¥11,952	¥6,000	¥(52)	

For the year ended March 31, 2016:

	(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)	$12,413	$ —	$643	
	Euro		105	—	3	
	Korean won		2,347	—	125	
	British pound		39	—	5	
	Thai baht		315	—	7	
	Chinese yuan		69	—	4	
	Buy					
	British pound	Accounts payable (future transactions)	(3,586)	—	(16)	
	Thai baht		(1,158)	—	(35)	
	Korean won		(812)	—	(21)	
	New Taiwan dollar		(102)	—	3	
	Chinese yuan		(1,408)	—	(77)	
Exceptional treatment of forward exchange contracts	Forward exchange contracts					
	Sell					
	U.S. dollar	Accounts receivable	22,682	—		
	Euro		59	—	(*1)	
	Korean won		10,145	—		
	British pound		116	—		
	Buy					
	Thai baht	Accounts payable	(753)	—		
	Korean won		(613)	—		
	Currency swaps					
	U.S. dollar	Long-term borrowings	53,243	53,243	(*2)	
Total			$93,103	$53,243	$643	

(*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, 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, 2015:

						(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	¥27,660	¥24,000	(*)	
Total			¥27,660	¥24,000	¥—	

For the year ended March 31, 2016:

						(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	**$223,622**	**$212,441**	**(*)**	
Total			**$223,622**	**$212,441**	**$—**	

(*) 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, 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.

For the year ended March 31, 2015:

				(Thousand shares)
Class of shares	As of April 1, 2014	Increase	Decrease	As of March 31, 2015
Common stock	113,671	—	—	113,671

(2) Matters regarding treasury stock:

For the year ended March 31, 2016:

				(Shares)
Class of shares	As of April 1, 2015	Increase	Decrease	As of March 31, 2016
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 Daifuku Employee Shareholding Association from the E-Ship Trust in The Nomura Trust 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 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.

For the year ended March 31, 2015:

Class of shares	As of April 1, 2014	Increase	Decrease	As of March 31, 2015
				(Shares)
Common stock	3,012,390	3,753	162,436	2,853,707

[Note 1] Details of increases in the number of treasury stock were as follows:
- Increased by 3,753 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 36 shares due to the sale of less-than-a-unit shares
- Decreased by 162,400 shares due to the sale to Daifuku Employee Shareholding Association from the E-Ship Trust in The Nomura Trust Banking Co., Ltd. under the E-Ship program

[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 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, 2014, the number of the common stock held by the Trust was 423,000 shares.
- As of March 31, 2015, the number of the common stock held by the Trust was 260,600 shares.

(3) Matters regarding stock acquisition rights:

For the year ended March 31, 2016:

	Class of shares	As of April 1, 2015	Increase	Decrease	As of March 31, 2016	As of March 31, 2016
		Number of shares (Thousand shares)				Outstanding amount (Million yen)
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 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.

For the year ended March 31, 2015:

	Class of shares	As of April 1, 2014	Increase	Decrease	As of March 31, 2015	As of March 31, 2015
		Number of shares (Thousand shares)				Outstanding amount (Million yen)
Stock acquisition rights for Japanese yen convertible bonds, due 2017	Common stock	10,668	12	—	10,680	¥—
Total		10,668	12	—	10,680	¥—

[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 ¥1,404.4 from ¥1,406 under the terms for adjustment to 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, 2014.

(4) Matters regarding dividends:

(a) Dividends paid during the years ended March 31, 2016 and 2015 were as follows:

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 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 Banking Co., Ltd. under the E-Ship program.

For the year ended March 31, 2015:

Resolution adopted	Class of shares	Aggregate dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 14, 2014	Common stock	¥1,444	¥13	March 31, 2014	June 27, 2014
Board of Directors' meeting on November 11, 2014	Common stock	777	7	September 30, 2014	December 5, 2014

[Note 1] Aggregate dividends resolved at the Board of Directors' meeting on May 14, 2014, includes dividends of ¥5 million on the Company's shares (treasury stock) held by the E-Ship Trust in The Nomura Trust Banking Co., Ltd. under the E-Ship program.

[Note 2] Aggregate dividends resolved at the Board of Directors' meeting on November 11, 2014, includes dividends of ¥2 million on the Company's shares (treasury stock) held by the E-Ship Trust in The Nomura Trust Banking Co., Ltd. under the E-Ship program.

For the year ended March 31, 2016:

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 14, 2015	Common stock	**$14,785**	**$0.13**	March 31, 2015	June 29, 2015
Board of Directors' meeting on November 10, 2015	Common stock	**9,863**	**0.08**	September 30, 2015	December 4, 2015

(b) Dividends with a record date during the years ended March 31, 2016 and 2015, payable in the following fiscal year, were as follows:

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 14, 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 Banking Co., Ltd. under the E-Ship program.

For the year ended March 31, 2015:

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 14, 2015	Common stock	Retained earnings	¥1,666	¥15	March 31, 2015	June 29, 2015

[Note] Aggregate dividends include dividends of ¥3 million on the Company's shares (treasury stock) held by the E-Ship Trust in The Nomura Trust Banking Co., Ltd. under the E-Ship program.

For the year ended March 31, 2016:

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 14, 2016	Common stock	Retained earnings	**$21,614**	**$0.17**	March 31, 2016	June 27, 2016

19. Major items of selling, general and administrative expenses

Major items of selling, general and administrative expenses for the years ended March 31, 2016 and 2015 were as follows:

Selling expenses

March 31	2016	(Million yen) 2015	(U.S. thousand dollars) 2016
Sales commissions	**¥1,155**	¥ 783	**$10,257**
Advertising	**325**	194	**2,884**
Outsourcing	**749**	701	**6,652**
Salaries and bonuses	**8,985**	9,176	**79,736**
Retirement benefit expenses	**186**	209	**1,651**
Welfare	**1,724**	1,600	**15,304**
Travel and transportation	**1,655**	1,684	**14,690**
Rent	**525**	543	**4,661**
Depreciation	**215**	238	**1,912**

General and administrative expenses

March 31	2016	(Million yen) 2015	(U.S. thousand dollars) 2016
Outsourcing	**¥3,158**	¥2,758	**$28,031**
Directors' compensation	**887**	844	**7,874**
Salaries and bonuses	**9,349**	7,731	**82,963**
Retirement benefit expenses	**824**	558	**7,314**
Welfare	**1,338**	1,081	**11,877**
Depreciation	**2,004**	1,702	**17,784**
Research and development	**2,103**	1,890	**18,670**

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

For the years ended March 31, 2016 and 2015 were as follows:

March 31	2016	(Million yen) 2015	(U.S. thousand dollars) 2016
Provision for losses on construction contracts included in cost of sales	**¥473**	¥197	**$4,198**

21. Research and development

Research and development expenditures included in general and administrative expenses and manufacturing costs were ¥7,009 million ($62,199 thousand) and ¥6,945 million for the years ended March 31, 2016 and 2015, 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, 2016 and 2015 were as follows:

March 31	2016	(Million yen) 2015	(U.S. thousand dollars) 2016
Buildings and structures	**¥207**	¥68	**$1,844**
Machinery	**371**	54	**3,303**
Tools and fixtures	**7**	12	**65**
Software	**0**	0	**6**
Other	**2**	2	**15**

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, 2016 and 2015 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	**2016**	2015	**2016**
Buildings and structures	**¥163**	¥156	**$1,447**
Machinery and vehicles	**3**	10	**32**
Tools and fixtures	**0**	0	**2**

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, 2016 and 2015 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	**2016**	2015	**2016**
Buildings and structures	**¥21**	¥22	**$192**
Machinery	**47**	13	**421**
Tools and fixtures	**3**	0	**29**

25. Consolidated statements of comprehensive income

Reclassification adjustment and deferred tax related to other comprehensive income for the years ended March 31, 2016 and 2015 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	**2016**	2015	**2016**
Net unrealized gain on securities:			
Amount arising during the period	**¥(2,045)**	¥ 2,327	**$(18,150)**
Reclassification adjustment	**—**	(298)	**—**
Pretax amount	**(2,045)**	2,029	**(18,150)**
Tax effect	**558**	(487)	**4,952**
Net unrealized gain on securities	**¥(1,487)**	¥ 1,541	**$(13,198)**
Deferred gain (loss) on hedges:			
Amount arising during the period	**¥ 72**	¥ (54)	**$ 643**
Reclassification adjustment	**54**	46	**481**
Pretax amount	**126**	(7)	**1,124**
Tax effect	**(41)**	1	**(366)**
Deferred gain (loss) on hedges	**¥ 85**	¥ (6)	**$ 758**
Foreign currency translation adjustments:			
Amount arising during the period	**¥(2,710)**	¥ 5,959	**$(24,053)**
Reclassification adjustment	**—**	—	**—**
Foreign currency translation adjustments	**¥(2,710)**	¥ 5,959	**$(24,053)**
Adjustments to retirement benefits:			
Amount arising during the period	**¥(3,314)**	¥(5,542)	**$(29,416)**
Reclassification adjustment	**582**	195	**5,164**
Pretax amount	**(2,732)**	(5,346)	**(24,251)**
Tax effect	**846**	1,846	**7,514**
Adjustments to retirement benefits	**¥(1,886)**	¥(3,500)	**$(16,736)**
Share of other comprehensive income of affiliates accounted for using the equity method:			
Amount arising during the period	**¥ (157)**	¥ (562)	**$ (1,397)**
Total other comprehensive income	**¥(6,155)**	¥ 3,431	**$(54,627)**

26. Impairment losses

Impairment losses on property, plant and equipment and intangible assets for the years ended March 31, 2016 and 2015 were as follows:

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 ($3,999 thousand) related to the ABH business as an impairment loss under extraordinary losses. The breakdown of the impairment loss of ¥450 million ($3,999 thousand) from the ABH business was Buildings and structures of ¥96 million ($857 thousand), Tools and fixtures of ¥18 million ($164 thousand), Goodwill of ¥270 million ($2,401 thousand), and other intangible assets of ¥64 million ($576 thousand).

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 ($797 thousand) related to the “Renece business” as an impairment loss under extraordinary losses. The breakdown of the impairment loss of ¥89 million ($797 thousand) from the “Renece business” was Buildings and structures of ¥25 million ($230 thousand), Tools and fixtures of ¥0 million ($2 thousand), Land of ¥15 million ($136 thousand), Goodwill of ¥5 million ($47 thousand), and other intangible assets of ¥42 million ($380 thousand).

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%.

For the year ended March 31, 2015:

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 implemented an impairment test on the goodwill arising from the acquisition of ELS Holding Company by Daifuku North America Holding Company, in accordance with U.S. GAAP. The test showed that the fair value of the ELS goodwill was lower than its carrying amount. Accordingly, the Group reduced the consolidated carrying amount of the ELS goodwill (after deducting amortization in accordance with the generally accepted accounting principles in Japan) to its fair value, and recorded the reduction of ¥98 million as an impairment loss under extraordinary losses.

The Group measured the fair values mainly using the income approach in accordance with U.S. GAAP. The discount rate used was 12.0%.

In September 2014, Elite Line Services, Inc. absorbed ELS Holding Company as a part of the ELS restructuring.

The Group reviewed recoverability of investment in its “Renece business” (house-related business) and the bowling-related business based on the performance and forecast of these businesses, and the market forces. As a result of the review, it was concluded that the recoverable value of property, plant and equipment and intangible assets of the “Renece business” and the bowling-related business were less than their carrying amounts. Accordingly, the Group reduced the carrying amount to their recoverable values, and recorded the reductions of ¥221 million related to the “Renece business” and ¥138 million related to the bowling-related business, respectively, as an impairment loss under extraordinary losses. The entire amount of the impairment loss from the “Renece business” of ¥221 million was related to Goodwill. The breakdown of the impairment loss of ¥138 million from the bowling-related business was Buildings and structures of ¥0 million, Machinery and vehicles of ¥10 million, Tools and fixtures of ¥2 million, Software of ¥11 million, Goodwill of ¥98 million, and the long-term prepaid expense included in Other in Investments and other assets of ¥14 million. The recoverable value of each business is measured using respective value in use and calculated by discounting the future cash flows at a discount rate of 10.6%.

27. Income taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2016 and 2015 were as follows:

March 31	(Million yen) 2016	2015	(U.S. thousand dollars) 2016
Deferred tax assets:			
Current assets			
Research and development	¥ 1,767	¥ 857	$15,683
Accrued expenses	1,225	1,265	10,873
Provision for losses on construction contracts	169	75	1,507
Unrealized profit on inventories	241	60	2,144
Other	1,154	643	10,248
Subtotal	4,559	2,902	40,458
Less: Valuation allowance	(53)	(87)	(474)
Offset against deferred tax liabilities (current)	(4)	(4)	(37)
Total deferred tax assets (current)	¥ 4,501	¥ 2,810	$39,947
Non-current assets			
Liabilities for retirement benefits	¥ 6,521	¥ 6,211	$57,870
Loss carried forward	2,075	2,146	18,419
Unrealized gain on sales of property, plant and equipment	597	597	5,299
Loss on valuation of investments in securities	446	469	3,959
Asset retirement obligations	101	137	897
Excess depreciation	214	303	1,902
Trademarks	57	99	510
Asset adjustment accounts	32	69	292
Other	741	1,071	6,583
Subtotal	10,788	11,106	95,736
Less: Valuation allowance	(2,187)	(2,754)	(19,410)
Offset against deferred tax liabilities (non-current)	(1,958)	(2,221)	(17,380)
Total deferred tax assets (non-current)	¥ 6,642	¥ 6,130	$58,945
Deferred tax liabilities:			
Current liabilities			
Other	¥ 4	¥ 6	$ 37
Offset against deferred tax assets (current)	(4)	(4)	(37)
Total deferred tax liabilities (current)	¥ —	¥ 1	$ —
Non-current liabilities			
Net unrealized gain on assets of consolidated subsidiaries	¥ 1,002	¥ 1,194	$ 8,895
Liabilities for retirement benefits	226	172	2,006
Reserve for deferred gains on sales of property, plant and equipment	175	188	1,558
Net unrealized gain on securities	1,327	1,885	11,781
Other	275	360	2,441
Offset against deferred tax assets (non-current)	(1,958)	(2,221)	(17,380)
Total deferred tax liabilities (non-current)	¥ 1,048	¥ 1,580	$ 9,301

(2) Reconciliation of the difference between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2016 and 2015 were as follows:

March 31	2016	2015 (%)
Statutory tax rate	—%	35.6%
Permanent difference arising from non-deductible expenses	—	1.3
Permanent difference arising from non-taxable dividend income and other	—	(0.6)
Taxation on per capita basis	—	0.6
Decrease in valuation allowance	—	(2.5)
Income taxes for prior years	—	(0.3)
Tax rate difference applied to overseas subsidiaries	—	(5.4)
Amortization of goodwill and negative goodwill	—	1.9
Tax effects on retained earnings of overseas subsidiaries	—	2.1
Adjustments to deferred tax assets and deferred tax liabilities due to changes in tax rate	—	2.8
Other	—	(2.5)
Effective tax rate	—%	33.2%

[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.

(3) Revision of deferred tax assets and deferred tax liabilities in response to changes in income tax rates

With the Act on Partial Revision of the Income Tax Act, Etc. and the Act on Partial Revision of the Local Tax Act promulgated on March 31, 2016, the effective statutory tax rate used for calculation of deferred tax assets and deferred tax liabilities (applicable only to those expected to be reversed on or after April 1, 2016) for the year ended March 31, 2016 have been changed, from 32.2% for the year ended March 31, 2015, to 30.8% for those expected to be reversed during the period from April 1, 2016 to March 31, 2018, and to 30.5% for those expected to be reversed after April 1, 2018, respectively.

As a result, for the year ended March 31, 2016, deferred tax assets (after deducting deferred tax liabilities) and accumulated adjustments on retirement benefits decreased by ¥231 million ($2,056 thousand) and ¥16 million ($148 thousand), and deferred income taxes and net unrealized gain on securities increased by ¥286 million ($2,539 thousand) and ¥71 million ($631 thousand), respectively, compared to the year ended March 31, 2015.

28. Consolidated statements of cash flows

[Note 1] The components of cash and cash equivalents as of March 31, 2016 and 2015 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	2016	2015	2016
Cash on hand and in banks	¥49,187	¥54,202	$436,487
Time deposits with original maturities exceeding three months	(103)	(121)	(918)
Total	¥49,084	¥54,081	$435,569

[Note 2] Details of important non-cash transactions

Increase or decrease in Shareholders' equity by exercising of stock acquisition rights related to convertible bonds with stock acquisition rights as of March 31, 2016 and 2015 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	2016	2015	2016
Increase in common stock	¥ 6,992	¥—	$ 62,047
Increase in capital surplus	7,455	—	66,158
Decrease in treasury stock	621	—	5,516
Decrease in convertible bonds with stock acquisition rights	15,069	—	133,722

29. Stock options

For the years ended March 31, 2016 and 2015:

Not applicable

30. Related party transactions

For the years ended March 31, 2016 and 2015:

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. (Daifuku Plusmore).

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, which was previously included in Other, was changed to an individual reportable segment due to its increased quantitative significance from the first quarter of the fiscal year ended March 31, 2016. Daifuku Plusmore mainly sells car wash machines and bowling-related products and provides rental roll box pallets in Japan. In addition, Daifuku Webb Holding Company changed its name to Daifuku North America Holding Company in January 2015. Because of these changes, the reportable segments were changed as follows.

Formerly:
Daifuku Co., Ltd.
Contec group (Contec Co., Ltd. and its subsidiaries)
Daifuku Webb group (Daifuku Webb Holding Company and its subsidiaries and affiliates)

From the fiscal year ended March 31, 2016:
Daifuku Co., Ltd.
Contec group (Contec Co., Ltd. and its subsidiaries)
Daifuku North America group (Daifuku North America Holding Company and its subsidiaries and affiliates)
Daifuku Plusmore Co., Ltd.

Segment information for the fiscal year ended March 31, 2015 was prepared based on the current reportable segments.

(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 “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, 2016 and 2015 were as follows:

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, 2015:

(Million yen)

	Reportable segments						
	Daifuku	Contec	Daifuku North America	Daifuku Plusmore	Subtotal	Other (*)	Total
Net sales:							
Net sales to outside customers	¥115,065	¥14,634	¥76,547	¥10,380	¥216,628	¥54,234	¥270,862
Intersegment sales or transfers	21,127	7,885	342	26	29,381	18,251	47,632
Total	136,192	22,519	76,889	10,407	246,009	72,485	318,494
Segment income	7,041	845	1,554	66	9,507	4,061	13,568
Segment assets	170,051	18,907	51,089	4,052	244,101	70,106	314,207
Segment liabilities	86,026	10,458	34,918	2,864	134,267	41,042	175,310
Other							
Depreciation	2,507	240	678	54	3,480	673	4,154
Amortization of goodwill	113	124	—	106	344	12	357
Interest income	12	1	13	14	42	165	207
Interest expenses	281	50	43	0	376	124	501
Extraordinary income	—	466	169	—	635	2	637
Gain on sales of property, plant and equipment	—	*156*	*169*	—	*325*	*2*	*328*
Gain on sales of investments in securities	—	*300*	—	—	*300*	—	*300*
Extraordinary loss	624	155	312	25	1,117	158	1,275
Loss on sales of property, plant and equipment	*101*	*22*	*10*	*0*	*134*	*4*	*138*
Impairment loss	—	—	*223*	*24*	*248*	*1*	*249*
Loss on valuation of shares in subsidiaries and affiliates	*298*	—	—	—	*298*	—	*298*
Loss on liquidation of subsidiaries and affiliates	—	*98*	*62*	—	*160*	—	*160*
Special retirement benefits	—	—	—	—	—	*125*	*125*
Income taxes	3,079	219	674	79	4,052	1,191	5,244
Investments in equity-method affiliates	5,193	—	—	—	5,193	217	5,411
Increase in property, plant and equipment and intangible assets	2,023	389	776	65	3,254	568	3,823

For the year ended March 31, 2016:

	Reportable segments						(U.S. thousand dollars)
	Daifuku	Contec	Daifuku North America	Daifuku Plusmore	Subtotal	Other (*)	Total
Net sales:							
Net sales to outside customers	$1,286,622	$134,485	$683,876	$109,007	$2,213,992	$725,818	$2,939,810
Intersegment sales or transfers	239,983	79,103	4,480	240	323,807	183,903	507,710
Total	1,526,605	213,589	688,357	109,247	2,537,799	909,722	3,447,521
Segment income	75,097	5,227	13,344	1,275	94,944	28,695	123,639
Segment assets	1,693,875	169,034	458,711	42,737	2,364,358	651,128	3,015,487
Segment liabilities	773,838	100,019	299,205	31,529	1,204,592	387,858	1,592,450
Other							
Depreciation	22,175	2,444	7,324	491	32,436	8,323	40,759
Amortization of goodwill	975	1,301	5,705	948	8,930	5	8,935
Interest income	195	22	181	257	656	1,501	2,158
Interest expenses	2,576	419	392	0	3,388	1,515	4,903
Extraordinary income	1,654	3,026	1,727	—	6,408	25	6,434
Gain on sales of property, plant and equipment	*1,448*	—	*1,638*	—	*3,086*	*25*	*3,112*
Gain on sales of investments in securities	*205*	*3,026*	*89*	—	*3,321*	—	*3,321*
Extraordinary loss	28,986	31	172	11	29,202	3,164	32,366
Loss on disposal of property, plant and equipment	*5,090*	*15*	—	*11*	*5,117*	*121*	*5,238*
Loss on valuation of shares in subsidiaries and affiliates	*19,210*	—	—	—	*19,210*	—	*19,210*
Special retirement benefits	—	—	—	—	—	*1,008*	*1,008*
Environmental expenditures	*4,685*	—	—	—	*4,685*	—	*4,685*
Income taxes	35,547	3,405	7,974	1,069	47,998	11,701	59,699
Investments in equity-method affiliates	46,084	—	—	—	46,084	1,845	47,929
Increase in property, plant and equipment and intangible assets	24,043	2,155	6,017	445	32,662	4,702	37,364

(*) "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

March 31	(Million yen) 2016	2015	(U.S. thousand dollars) 2016
Reportable segments total	¥285,984	¥246,009	$2,537,799
Net sales classified in "Other"	102,516	72,485	909,722
Elimination of intersegment transactions	(57,213)	(47,632)	(507,710)
Consolidation adjustments to net sales under the percentage-of-completion method	5,078	(2,056)	45,069
Other adjustments for consolidation	(182)	(1,522)	(1,615)
Net sales in consolidated financial statements	¥336,184	¥267,284	$2,983,265

(b) Segment income

March 31	2016 (Million yen)	2015 (Million yen)	2016 (U.S. thousand dollars)
Reportable segments total	**¥10,699**	¥9,507	**$ 94,944**
Segment income classified in "Other"	**3,233**	4,061	**28,695**
Elimination of cash dividends from affiliates	**(2,010)**	(2,386)	**(17,837)**
Other adjustments for consolidation	**1,729**	(1,371)	**15,350**
Net income attributable to shareholders of the parent company in consolidated financial statements	**¥13,652**	¥9,810	**$121,152**

(c) Segment assets

March 31	2016 (Million yen)	2015 (Million yen)	2016 (U.S. thousand dollars)
Reportable segments total	**¥266,439**	¥244,101	**$2,364,358**
Segment assets classified in "Other"	**73,375**	70,106	**651,128**
Elimination of investment securities in subsidiaries in consolidation process	**(32,022)**	(32,275)	**(284,162)**
Elimination of intercompany receivables	**(22,675)**	(17,262)	**(201,221)**
Other adjustments for consolidation	**10,938**	6,341	**97,064**
Total assets in consolidated financial statements	**¥296,055**	¥271,011	**$2,627,167**

(d) Segment liabilities

March 31	2016 (Million yen)	2015 (Million yen)	2016 (U.S. thousand dollars)
Reportable segments total	**¥135,745**	¥134,267	**$1,204,592**
Segment liabilities classified in "Other"	**43,707**	41,042	**387,858**
Elimination of intercompany payables	**(22,675)**	(17,262)	**(201,221)**
Other adjustments for consolidation	**9,161**	1,442	**81,296**
Total liabilities in consolidated financial statements	**¥165,938**	¥159,490	**$1,472,525**

For the year ended March 31, 2016:

(Million yen)

Other items	Reportable segments total	Other	Adjustments	Consolidated total
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 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, 2015:

Other items	Reportable segments total	Other	Adjustments	Consolidated total
				(Million yen)
Depreciation	¥3,480	¥ 673	¥ 3	¥4,157
Amortization of goodwill	344	12	557	914
Interest income	42	165	(38)	169
Amortization of negative goodwill	—	—	59	59
Interest expenses	376	124	(38)	463
Gain (loss) on investments accounted for under equity method	—	—	113	113
Extraordinary income	635	2	(160)	477
Gain on sales of property, plant and equipment	*325*	*2*	*(160)*	*167*
Gain on sales of investments in securities	*300*	—	—	*300*
Extraordinary loss	1,117	158	(226)	1,049
Loss on sales of property, plant and equipment	*134*	*4*	—	*138*
Impairment loss	*248*	*1*	*207*	*457*
Loss on valuation of shares in subsidiaries and affiliates	*298*	—	*(298)*	—
Loss on liquidation of subsidiaries and affiliates	*160*	—	—	*160*
Special retirement benefits	—	*125*	—	*125*
Income taxes	4,052	1,191	(200)	5,043
Investments in equity-method affiliates	5,193	217	1,410	6,821
Increase in property, plant and equipment and intangible assets	3,254	568	3,709	7,532

For the year ended March 31, 2016:

Other items	Reportable segments total	Other	Adjustments	Consolidated total
				(U.S. thousand dollars)
Depreciation	**$32,436**	**$ 8,323**	**$ (51)**	**$40,708**
Amortization of goodwill	**8,930**	**5**	**280**	**9,215**
Interest income	**656**	**1,501**	**(477)**	**1,680**
Amortization of negative goodwill	**—**	**—**	**531**	**531**
Interest expenses	**3,388**	**1,515**	**(477)**	**4,426**
Gain (loss) on investments accounted for under equity method	**—**	**—**	**4,470**	**4,470**
Extraordinary income	**6,408**	**25**	**(1,616)**	**4,818**
Gain on sales of property, plant and equipment	***3,086***	***25***	***(1,616)***	***1,495***
Gain on sales of investments in securities	***3,321***	**—**	**—**	***3,321***
Extraordinary loss	**29,202**	**3,164**	**(15,609)**	**16,757**
Loss on disposal of property, plant and equipment	***5,117***	***121***	**—**	***5,238***
Impairment loss	**—**	**—**	***4,797***	***4,797***
Loss on valuation of shares in subsidiaries and affiliates	***19,210***	**—**	***(19,210)***	**—**
Special retirement benefits	**—**	***1,008***	**—**	***1,008***
Environmental expenditures	***4,685***	**—**	**—**	***4,685***
Income taxes	**47,998**	**11,701**	**(121)**	**59,578**
Investments in equity-method affiliates	**46,084**	**1,845**	**11,522**	**59,452**
Increase in property, plant and equipment and intangible assets	**32,662**	**4,702**	**—**	**37,364**

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

1. Adjustments of ¥2,164 million ($19,210 thousand) and ¥298 million in “Loss on valuation of shares in subsidiaries and affiliates” for the years ended March 31, 2016 and 2015, respectively, are mainly due to elimination in consolidated financial statements.
2. Adjustments of ¥1,298 million ($11,522 thousand) and ¥1,410 million in “Investments in equity-method affiliates” for the years ended March 31, 2016 and 2015, respectively, are mainly due to foreign currency translation adjustments included in shares in affiliates.
3. Adjustments of ¥3,709 million in “Increase in property, plant and equipment and intangible assets” for the year ended March 31, 2015, resulted from goodwill arising from acquisition of affiliates.

[Related information]

1. Information by product and service

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, 2015:

(Million yen)

	Logistics systems	Electronics	Other	Consolidated total
Net sales to outside customers	¥236,075	¥14,630	¥16,578	¥267,284

For the year ended March 31, 2016:

(U.S. thousand dollars)

	Logistics systems	Electronics	Other	Consolidated total
Net sales to outside customers	**$2,677,581**	**$134,476**	**$171,207**	**$2,983,265**

2. Information by geographic area

(1) Net sales

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, 2015:

(Million yen)

	Japan	U.S.A.	China	S. Korea	Other	Consolidated total
Net sales to outside customers	¥90,874	¥65,104	¥30,503	¥30,534	¥50,266	¥267,284

For the year ended March 31, 2016:

(U.S. thousand dollars)

	Japan	U.S.A.	China	S. Korea	Other	Consolidated total
Net sales to outside customers	**$1,013,555**	**$669,995**	**$351,310**	**$305,771**	**$642,632**	**$2,983,265**

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

(2) Property, plant and equipment

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, 2015:

(Million yen)

	Japan	U.S.A.	Other	Consolidated total
Property, plant and equipment	¥24,536	¥3,546	¥6,590	¥34,673

For the year ended March 31, 2016:

(U.S. thousand dollars)

	Japan	U.S.A.	Other	Consolidated total
Property, plant and equipment	**$212,333**	**$29,171**	**$50,281**	**$291,786**

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, 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, 2015:

(Million yen)

	Reportable segments							
	Daifuku	Contec	Daifuku North America	Daifuku Plusmore	Total	Other	Elimination or corporate	Consolidated total
Impairment loss	¥—	¥—	¥223	¥24	¥248	¥1	¥207	¥457

For the year ended March 31, 2016:

(U.S. thousand dollars)

	Reportable segments							
	Daifuku	Contec	Daifuku North America	Daifuku Plusmore	Total	Other	Elimination or corporate	Consolidated total
Impairment loss	**$—**	**$—**	**$—**	**$—**	**$—**	**$—**	**$4,797**	**$4,797**

[Note] The amounts under “Daifuku North America Holding Company” for the year ended March 31, 2015 are impairment losses of goodwill.

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

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, 2015:

(Million yen)

	Reportable segments							
	Daifuku	Contec	Daifuku North America	Daifuku Plusmore	Total	Other	Elimination or corporate	Consolidated total
Ending balance of goodwill	¥540	¥1,898	¥6,402	¥614	¥9,455	¥727	¥2,721	¥12,905
Ending balance of negative goodwill	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 179	¥ 179

For the year ended March 31, 2016:

	Reportable segments							(U.S. thousand dollars)
	Daifuku	Contec	Daifuku North America	Daifuku Plusmore	Total	Other	Elimination or corporate	Consolidated total
Ending balance of goodwill	**$3,821**	**$15,551**	**$51,136**	**$4,505**	**$75,015**	**$5,761**	**$18,442**	**$99,219**
Ending balance of negative goodwill	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 1,063**	**$ 1,063**

[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, 2016 and 2015 were as follows:

		(Yen)	(U.S. dollars)
March 31	**2016**	2015	**2016**
Net assets per share	**¥1,044.40**	¥972.75	**$9.26**
Net income per share			
—Basic	**118.72**	88.59	**1.05**
Diluted net income per share	**112.14**	80.60	**0.99**

[Note 1] The shares of Daifuku still held by the trust are recorded as treasury stock under Shareholders' equity. They are included in the treasury stock to be deducted in calculation of the average number of shares during the year for the purpose of calculation of the net income per share, and are also included in the number of treasury stock to be deducted from the aggregate number of shares issued and outstanding as of the end of the year for the purpose of calculation of the net assets per share.

The average number of treasury stock during the year, which are deducted for the purpose of calculation of the net income per share, were 191,267 shares and 334,408 shares for the years ended March 31, 2016 and 2015, respectively. The number of treasury stock as of the end of the year, which are deducted in calculation of the net assets per share, was 133,400 shares and 260,600 shares for the years ended March 31, 2016 and 2015, respectively.

[Note 2] The basis for the calculation of net income per share and diluted net income per share for the years ended March 31, 2016 and 2015 was as follows:

Net income per share

		(Million yen)	(U.S. thousand dollars)
March 31	**2016**	2015	**2016**
Net income attributable to shareholders of the parent company	**¥13,652**	¥9,810	**$121,152**
Amount not attributable to holders of common stock	**—**	—	**—**
Net income attributable to shareholders of the parent company	**¥13,652**	¥9,810	**$121,152**

		(Thousand shares)
	2016	2015
Weighted average number of common stock issued and outstanding during the year	**114,994**	110,746

Diluted net income per share

		(Million yen)	(U.S. thousand dollars)
March 31	**2016**	2015	**2016**
Adjustments to net income attributable to shareholders of the parent company	**¥(16)**	¥(24)	**$(146)**
*Of which: amortization of bond issue premium (net of tax effect)**	***¥(16)***	*¥(24)*	***$(146)***

*1 Dilutive shares do not exist during the fiscal year ended March 31, 2016, as the stock acquisition rights of Japanese yen convertible bonds due 2017 were all exercised on December 17, 2015.

*2 The amortization of the premium in the years ended of March 31, 2016 and 2015, due to the issuance of bonds at a higher price than the face value (net of tax effect).

		(Thousand shares)
March 31	**2016**	2015
Effect of dilutive securities	**6,600**	10,680
Of which: convertible bonds with stock acquisition rights	***6,600***	*10,680*

[Note 3] The basis for the calculation of net assets per share as of March 31, 2016 and 2015 were as follows:

	(Million yen)		(U.S. thousand dollars)
March 31	**2016**	2015	**2016**
Total net assets	**¥130,116**	¥111,521	**$1,154,642**
Amount deducted from total net assets	**3,063**	3,723	**27,188**
Of which: non-controlling interests	***3,063***	*3,723*	***27,188***
Total net assets attributable to common stock	**¥127,052**	¥107,797	**$1,127,454**

	(Thousand shares)	
March 31	**2016**	2015
Number of common stock issued and outstanding at fiscal year-end for the purpose of calculation of net assets per share	**121,651**	110,817

[Note 4] The Company applied application of accounting standard for business combination, etc., as described changes in significant accounting policies from the fiscal year ended March 31, 2016. As a result, net assets per share decreased ¥7.40.

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, 2016, 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, 2016, 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, 2016 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

August 1, 2016

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