DAIFUKU
Always an Edge Ahead

Daifuku Report 2018

Financial Section

Eleven-Year Summary

Daifuku Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2008 to 2018

	Jump Up for 2010		
(Million yen)	2008	2009	2010
For the Year			
Net sales	¥231,619	¥242,182	¥154,208
Cost of sales	182,260	195,430	128,195
Gross profit	49,358	46,752	26,012
Selling, general and administrative expenses	28,680	31,736	25,932
Operating income	20,677	15,015	80
Income before income taxes	20,592	13,956	862
Net income attributable to shareholders of the parent company	11,893	7,851	1,018
Capital investment	4,071	4,613	2,280
Depreciation	3,401	3,930	3,679
R&D expenditures	6,964	8,018	6,075
Cash Flows			
Cash flows from operating activities	¥ 21,234	¥ (8,425)	¥ 20,921
Cash flows from investing activities	(6,340)	(6,900)	(7,303)
Free cash flows	14,894	(15,325)	13,617
Cash flows from financing activities	(3,531)	16,189	(11,321)
At Year-End			
Total assets	¥222,386	¥194,727	¥165,430
Working capital	64,840	75,087	66,265
Interest-bearing liabilities	33,559	55,417	45,295
Net assets	88,709	82,810	81,295
Shareholders' equity	83,355	85,727	83,852
Number of employees	5,663	5,660	5,395
Amounts per Share of Common Stock			
Net income per share (Yen)	¥ 105.05	¥ 70.29	¥ 9.20
Net assets per share (Yen)	746.59	718.68	716.07
Cash dividends per share (Yen)	26.00	26.00	20.00
Ratios			
Operating income/net sales	8.9%	6.2%	0.1%
Income before income taxes/net sales	8.9	5.8	0.6
Net income/net sales	5.1	3.2	0.7
Return on shareholders' equity (ROE)	14.7	9.6	1.3
Total assets turnover (Times)	1.0	1.2	0.9
Shareholders' equity/total assets	38.0	40.9	47.9
D/E ratio	0.40	0.70	0.57

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

Material Handling and Beyond			Value Innovation 2017				Value Innovation 2020
2011	2012	2013	2014	2015	2016	2017	**2018**
¥159,263	¥198,052	¥202,337	¥241,811	¥267,284	¥ 336,184	¥ 320,825	**¥ 404,925**
131,639	165,505	165,340	194,974	215,641	272,832	256,417	**321,836**
27,623	32,546	36,996	46,836	51,642	63,351	64,407	**83,089**
25,897	28,328	28,986	34,279	36,759	42,472	41,308	**43,164**
1,726	4,217	8,010	12,556	14,883	20,878	23,099	**39,924**
703	3,129	7,316	12,137	15,211	20,650	23,942	**41,059**
269	1,223	4,439	7,740	9,810	13,652	16,746	**29,008**
3,221	2,393	7,687	10,446	7,532	4,210	5,905	**6,348**
3,577	3,612	3,332	3,821	4,157	4,587	4,202	**4,419**
6,370	6,484	6,855	7,490	6,945	7,009	7,489	**8,123**
¥ 11,417	¥ (5,187)	¥ 15,666	¥ 20,447	¥ 6,295	¥ 7,206	¥ 26,683	**¥ 11,497**
(3,616)	(4,039)	(13,649)	(7,372)	(5,846)	(2,099)	(5,393)	**(5,600)**
7,801	(9,227)	2,016	13,074	448	5,107	21,289	**5,897**
(6,056)	7,709	88	1,045	(509)	(8,702)	(4,404)	**13,444**
¥163,388	¥185,049	¥206,875	¥249,531	¥271,011	¥ 296,055	¥ 303,540	**¥ 373,712**
65,908	61,943	45,832	87,070	91,187	99,293	96,401	**142,267**
40,912	51,010	53,385	58,144	60,547	40,904	39,770	**37,967**
77,714	76,618	85,685	99,690	111,521	130,116	142,340	**191,474**
82,454	82,013	84,486	90,652	98,469	123,669	136,694	**181,454**
5,209	5,617	6,678	7,349	7,746	7,835	8,689	**9,193**
¥ 2.43	¥ 11.05	¥ 40.12	¥ 69.96	¥ 88.59	¥ 118.72	¥ 137.58	**¥ 235.62**
683.39	674.72	754.98	875.14	972.75	1,044.40	1,142.14	**1,493.69**
15.00	15.00	15.00	18.00	22.00	30.00	42.00	**70.00**
1.1%	2.1%	4.0%	5.2%	5.6%	6.2%	7.2%	**9.9%**
0.4	1.6	3.6	5.0	5.7	6.1	7.5	**10.1**
0.2	0.6	2.2	3.2	3.7	4.1	5.2	**7.2**
0.3	1.6	5.6	8.6	9.6	11.6	12.6	**17.7**
1.0	1.1	1.0	1.0	1.0	1.1	1.1	**1.1**
46.3	40.3	40.4	38.8	39.8	42.9	45.8	**50.3**
0.54	0.68	0.64	0.60	0.56	0.32	0.29	**0.20**

Contents

Operating and Financial Review

Business Overview

In fiscal 2017, the first year of its medium-term business plan Value Innovation 2020, the Daifuku Group ("the Group") reported new record highs for orders received, net sales and income. Orders were particularly strong, driven by robust capital investment in the semiconductor and flat-panel display (FPD) sectors in East Asia, as well as large and active investments in e-commerce distribution centers, together with favorable orders for systems for automobile factories and airports. Daifuku's ability to provide the optimal solutions to customers across a wide range of industries ensures its position as an unrivaled materials handling system provider and integrator. Its extensive product lineup, ability to provide proposals that respond to customer needs, global reach, ability to fulfill on major projects and strong after-sales services are decisive factors in winning orders.

Sales were positive, underpinned by the high level of orders. With increased production capacity due to continued capital investment and increased supply capacity to meet rapidly increasing demand in cooperation among Group companies worldwide, the Group was able to achieve growth in sales.

Specifically, the Group received orders of 487,976 million yen, up 36.9% from a year earlier, and recorded net sales of 404,925 million yen, up 26.2%.

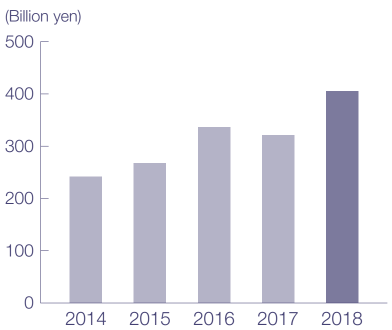
Income surpassed the previous year's figure, reflecting significantly increased earnings strength from higher sales and cost cutting by the parent company, Daifuku Co., Ltd. Income at Group companies in East Asia, which handles systems for the semiconductor and FPD sectors, was also strong.

Consequently, the Group posted operating income of 39,924 million yen, up 72.8% from a year earlier, and ordinary income of 41,105 million yen, up 73.0%. Net income attributable to shareholders of the parent company was 29,008 million yen, up 73.2%. ROE rose from 12.6% in the previous fiscal year, to 17.7%. This reflected an improvement in both the return on sales and the total asset turnover (from 5.2% to 7.2% and from 1.07 to 1.20, respectively).

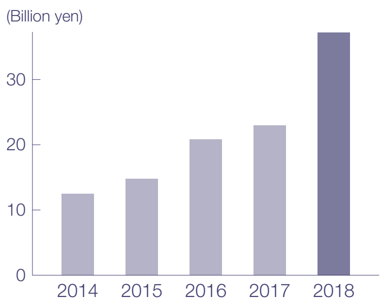
FY2017 results

- Orders received: 487,976 million yen
  (up 36.9% from the 356,518 million yen in the previous fiscal year)
- Net sales: 404,925 million yen
  (up 26.2% from the 320,825 million yen in the previous fiscal year)
- Operating income: 39,924 million yen
  (up 72.8% from the 23,099 million yen in the previous fiscal year)
- Ordinary income: 41,105 million yen
  (up 73.0% from the 23,760 million yen in the previous fiscal year)
- Net income attributable to shareholders of the parent company: 29,008 million yen
  (up 73.2% from the 16,746 million yen in the previous fiscal year)
- Comprehensive income: 33,433 million yen
  (up 108.4% from the 16,046 million yen in the previous fiscal year)

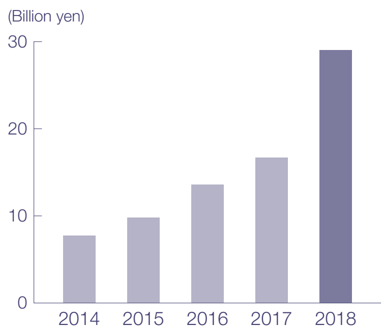
Net Sales



Operating Income



Net Income Attributable to Shareholders of the Parent Company



Operating Results by Segment

1. Daifuku Co., Ltd.

Orders were favorable, mainly due to the significant increase in exports in systems for semiconductor and FPD factories in East Asia and North America, the increased number of large projects for distributors in Japan, and the Company's highly recognized proposals. In automobile production line systems, orders remained firm, mainly for production re-building and development, services, and small upgrade projects in Japan.

Sales increased steadily by expanding production capacity in response to the strong increase in orders, including short lead-time projects for semiconductor and FPD factories, along with the Company maximizing comprehensive strengths with partner companies, in procurement, manufacturing, and installations. Income rose significantly, mainly attributable to the increased sales and reduced costs.

As a result, the Company recorded orders of 215,934 million yen, up 26.2% from the previous fiscal year, sales of 186,983 million yen, up 28.2%, and segment income of 25,205 million yen, up 89.3%.

2. Contec Co., Ltd. and its subsidiaries

Industrial computers

In the Japanese market, sales of industrial computers remained strong, mainly for the semiconductor production equipment sector. In the medical device sector in the United States, however, sales declined on cautious trends emerging in new capital investment.

Measuring and control boards

Sales of measuring and control boards for production facilities and wireless LANs for distributors' store facilities were steady, along with the increased capital investment by companies.

Solution products

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

As a result, Contec posted orders of 16,466 million yen, up 5.4% from the previous fiscal year, sales of 15,716 million yen, up 1.7%, and segment income of 910 million yen, up 26.1%.

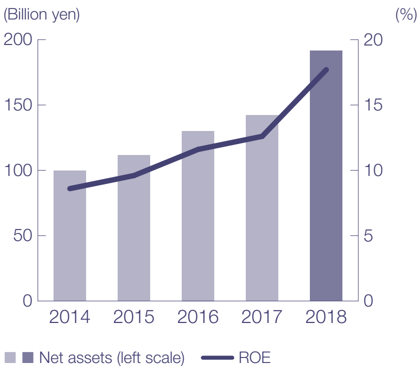
3. Daifuku North America Holding Company and its subsidiaries and affiliates

Orders were favorable in systems for semiconductor manufacturers and airports. Orders from semiconductor manufacturers were significantly higher than initially expected. Compared with airports in Europe, baggage handling systems used at airports in North America are noticeably aging. Accordingly, investment in facility upgrades is expected to continue for some time. In systems for manufacturers and distributors, results reflected capital investment concentrating on the e-commerce and transportation sectors and decreased investment from customers in other sectors. Meanwhile, the operation & maintenance service business for distribution centers was growing. Orders for automobile production line systems remained firm.

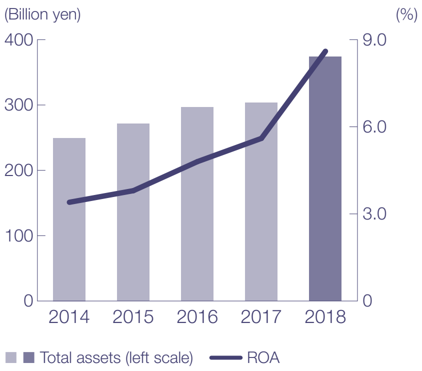
Sales grew favorably, underpinned by strong orders. Income fell, reflecting deteriorated profitability in certain large projects for distributors.

As a result, Daifuku North America achieved orders of 110,441 million yen, up 24.3% from the previous fiscal year, sales of 99,775 million yen, up 26.2%, and segment income of 2,884 million yen, down 18.4%.

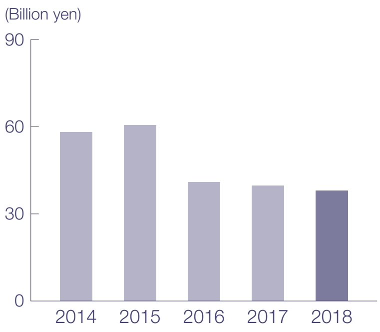
Net Assets and ROE



Total Assets and ROA



Interest-Bearing Liabilities



4. Daifuku Plusmore Co., Ltd.

Daifuku Plusmore mainly provides sales and services for car wash machines in Japan. Sales concluded almost as initially planned, remaining firm thanks to solid sales of machines for car service stations on the back of subsidies from the government and steady demand from the automotive aftermarket sectors, such as dealers.

Highly lauded by drivers, sales of the Sliding Bubble, a space-saving foam car wash system for drive-through car wash machines for car service stations, were strong. Daifuku Plusmore also launched the Camion Custom, a truck and bus wash machine that will assist in reducing the workload of truck and bus drivers.

As a result, Daifuku Plusmore reported orders of 11,074 million yen, down 2.2% from the previous fiscal year, sales of 10,778 million yen, down 6.0%, and segment income of 99 million yen, down 12.2%.

5. Other

The Group has a total of 53 consolidated subsidiaries and affiliates worldwide. The Other segment includes all other Group companies, excluding the aforementioned Contec and its subsidiaries, Daifuku North America and its subsidiaries and affiliates, and Daifuku Plusmore. Outside Japan, major subsidiaries include Daifuku (China) Co., Ltd. in China; Taiwan Daifuku Co., Ltd. in Taiwan; Daifuku Korea Co., Ltd. and Clean Factomation, Inc. in South Korea; and Daifuku (Thailand) Ltd. in Thailand, which primarily manufacture and sell material handling systems and equipment. Each of these companies plays a global role in optimizing the local production and procurement framework of the Group, while also increasing its exports.

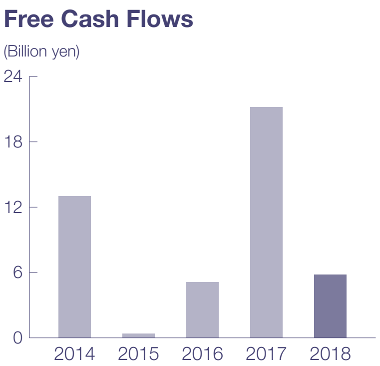
In China, inquiries have been brisk from distributors, including the e-commerce sector, and Daifuku (China) Manufacturing Co., Ltd. received an order for its largest-ever project. In automobile-related sectors, the company received an order from a lithium-ion battery factory for the first time, reflecting the policy of shifting to eco-friendly electric vehicles, in addition to strong capital investment in production lines by Japanese automakers and the manufacturers of parts including seats. In systems for FPD factories, while demand for OLEDs was rising, flat-panels for TVs were growing in size, and Daifuku (Suzhou) Cleanroom Automation Co., Ltd. continued to receive strong orders, including large projects. Under China's national policy of promoting domestic production, orders for systems for semiconductor factories also began to increase.

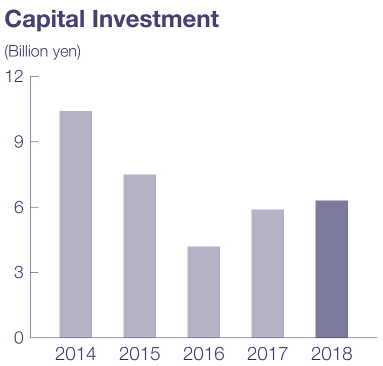
In Taiwan, orders for and sales of systems for semiconductor and FPD factories remained firm.

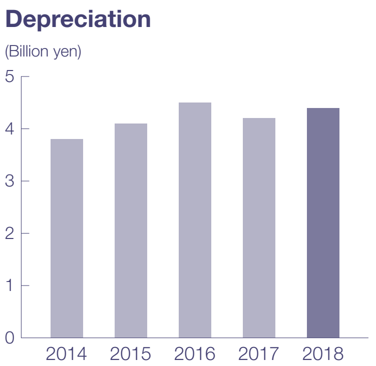
In South Korea, orders for systems for semiconductor factories were strong, reflecting active demand in the semiconductor sector. The government's policy of improving the employment rate and halving the number of non-regular employees is expected to accelerate the equipment automation of companies. Along with increased demand for tunnel-type car wash machines due to the prohibition of car washing at home, Hallim Machinery Co., Ltd., which manufactures and sells car wash machines, expanded supply capacity by relocating to a new factory.

In ASEAN countries and India, capital investment in systems for manufacturers, including the food, miscellaneous daily goods, and pharmaceutical sectors, is rising. In particular, demand from the frozen-food sector is growing rapidly.

Group companies operating in each region have been striving to meet these needs. Daifuku Thailand has been proceeding with the local production of automated warehouses and other equipment, and has won a large order from a mass retailer. In India, Daifuku India Private Limited is now working with sectors other than automobiles, installing its conveyor system at a construction manufacturer's assembly shop.







New Zealand-based BCS Group Limited is enhancing its global airport technology business by collaborating with other Group companies.

As a result, the segment recorded orders of 134,059 million yen, up 92.7% from the previous fiscal year, sales of 95,755 million yen, up 39.2%, and segment income of 4,737 million yen, up 107.1%.

Financial Position

Assets, liabilities, and net assets

Total assets at the end of fiscal 2017 stood at 373,712 million yen, an increase of 70,171 million yen from the end of the previous fiscal year. The result principally reflected an increase of 39,095 million yen in notes and accounts receivable and unbilled receivables and an increase of 20,358 million yen in cash on hand and in banks.

Total liabilities at the end of fiscal 2017 were 182,237 million yen, an increase of 21,038 million yen year on year. Primary factors included increases of 6,139 million yen in notes and accounts payable and construction contracts payable and 9,121 million yen in income taxes payable.

Net assets at the end of fiscal 2017 were 191,474 million yen, an increase of 49,133 million yen from the end of the previous fiscal year. This was mainly attributable to increases of 16,849 million yen in common stock and 22,305 million yen in retained earnings.

Cash flows

Cash and cash equivalents at the end of fiscal 2017 increased 20,361 million yen from the end of the previous fiscal year, to 85,152 million yen, compared with 64,790 million yen in the same period of the previous fiscal year.

Cash flows from operating activities

Cash provided by operating activities totaled 11,497 million yen, compared with cash provided of 26,683 million yen in the same period of the previous fiscal year. This primarily reflected income before income taxes of 41,059 million yen and an increase in notes and accounts payable of 9,464 million yen, offsetting an increase in notes and accounts receivable of 37,923 million yen and an increase in inventories of 4,155 million yen.

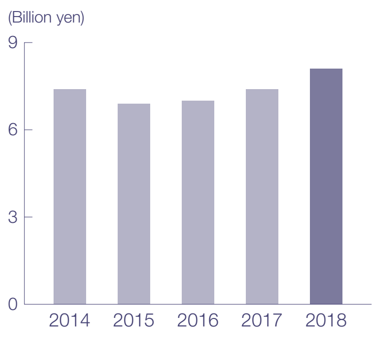
Cash flows from investing activities

Cash used in investing activities was 5,600 million yen, compared with cash used of 5,393 million yen in the same period of the previous fiscal year. Major factors included 6,417 million yen for payments for the purchase of property, plant and equipment, outweighing proceeds of 740 million yen from sales of property, plant and equipment.

Cash flows from financing activities

Cash provided by financing activities was 13,444 million yen, compared with cash used of 4,404 million yen in the same period of the previous fiscal year, mainly attributable to proceeds of 16,697 million yen from issuance of common shares, offsetting payment of cash dividends of 6,695 million yen.

R&D Expenditure



Capital Investment

During fiscal 2017, the Group's capital investment was 6,348 million yen, which included mainly in Daifuku Co., Ltd. for maintenance and renewal work on various factory equipment at its Shiga Works.

Dividend Policy

Daifuku regards the return of profits to shareholders as its most important management task and adopts a performance-based policy for cash dividends based on consolidated net income. Under its four-year medium-term business plan Value Innovation 2020, Daifuku aims to achieve a dividend payout ratio of 30% and increase its corporate value through investments for growth. Taking the results of fiscal 2017 and the above policy into account, Daifuku paid an interim dividend of 25 yen per share, and a year-end dividend of 45 yen, thus bringing the annual dividend to 70 yen per share for fiscal 2017.

With respect to dividends for fiscal 2018, taking into consideration the earnings forecast for fiscal 2018 and the above policy, Daifuku plans to pay an annual dividend of 75 yen per share (an interim dividend of 25 yen per share and a year-end dividend of 50 yen).

Consolidated Balance Sheets

Daifuku Co., Ltd. and consolidated subsidiaries
March 31, 2018 and 2017

	(Million yen)	
	March 31	
ASSETS	2018	2017
Current assets:		
Cash on hand and in banks (Notes 8 and 26)	**¥ 85,160**	¥ 64,802
Notes and accounts receivable and unbilled receivables (Note 8)	**163,101**	124,005
Merchandise and finished goods	**5,084**	4,910
Costs incurred on uncompleted construction contracts and other (Note 7)	**10,657**	8,860
Raw materials and supplies	**11,296**	9,086
Deferred tax assets (Notes 5 and 25)	**4,988**	3,429
Other current assets	**10,915**	7,489
Less: allowance for doubtful accounts	**(128)**	(116)
Total current assets	**291,076**	222,468
Non-current assets:		
Property, plant and equipment (Notes 6 and 12):		
Buildings and structures, net	**15,091**	13,344
Machinery and vehicles, net	**4,411**	4,040
Tools and fixtures, net	**1,768**	1,455
Land	**11,800**	12,041
Other, net	**2,179**	2,704
Total property, plant and equipment	**35,252**	33,586
Intangible assets:		
Software	**3,208**	3,244
Goodwill	**8,794**	9,882
Other	**2,035**	2,304
Total intangible assets	**14,037**	15,430
Investments and other assets:		
Investments in securities (Notes 8, 9, and 10)	**23,976**	21,260
Long-term loans	**140**	147
Assets for retirement benefits (Note 13)	**3,967**	2,628
Deferred tax assets (Notes 5 and 25)	**2,077**	4,865
Other	**3,319**	3,285
Less: allowance for doubtful accounts	**(136)**	(132)
Total investments and other assets	**33,345**	32,054
Total non-current assets	**82,635**	81,071
Total assets	**¥373,712**	¥303,540

The accompanying notes are an integral part of these statements.

LIABILITIES	2018	2017
	(Million yen) March 31	
Current liabilities:		
Notes and accounts payable and construction contracts payable (Note 8)	**¥ 46,450**	¥ 40,311
Electronically recorded obligations - operating (Note 8)	**22,826**	18,806
Short-term borrowings and current portion of long-term borrowings (Notes 8 and 11)	**17,267**	21,647
Current portion of bonds	**2,700**	—
Income taxes payable	**10,360**	1,239
Advances received on uncompleted construction contracts and other	**28,298**	26,313
Provision for losses on construction contracts (Notes 7 and 19)	**562**	863
Other current liabilities (Note 11)	**20,342**	16,885
Total current liabilities	**148,809**	126,067
Non-current liabilities:		
Bonds (Notes 8 and 11)	**—**	2,700
Long-term borrowings (Notes 8 and 11)	**18,000**	15,422
Deferred tax liabilities (Notes 5 and 25)	**1,210**	619
Liabilities for retirement benefits (Note 13)	**11,656**	13,486
Negative goodwill	**—**	59
Other non-current liabilities (Note 11)	**2,562**	2,843
Total non-current liabilities	**33,428**	35,132
Total liabilities	**182,237**	161,199
Contingent liabilities (Note 15)		
NET ASSETS		
Shareholders' equity (Notes 5 and 17):		
Common stock:		
Authorized—250,000,000 shares		
Issued—126,610,077 shares	**31,865**	15,016
Capital surplus	**20,717**	15,915
Retained earnings	**129,654**	107,349
Less: treasury stock, at cost—March 31, 2018—828,727 shares March 31, 2017—1,827,904 shares	**(782)**	(1,586)
Total shareholders' equity	**181,454**	136,694
Accumulated other comprehensive income:		
Net unrealized gain (loss) on securities	**5,358**	4,290
Deferred gain (loss) on hedges	**34**	(5)
Foreign currency translation adjustments	**6,360**	5,102
Accumulated adjustments on retirement benefits (Note 13)	**(5,328)**	(6,989)
Total accumulated other comprehensive income	**6,424**	2,398
Non-controlling interests		
Non-controlling interests	**3,595**	3,247
Total net assets	**191,474**	142,340
Total liabilities and net assets	**¥373,712**	¥303,540

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, 2018 and 2017

	(Million yen)	
	March 31	
	2018	2017
Net sales	**¥404,925**	¥320,825
Cost of sales (Notes 19 and 20)	**321,836**	256,417
Gross profit	**83,089**	64,407
Selling expenses (Note 18)	**18,336**	16,652
General and administrative expenses (Notes 18 and 20)	**24,828**	24,655
Total selling, general and administrative expenses	**43,164**	41,308
Operating income	**39,924**	23,099
Other income:		
Interest income	**223**	158
Dividend income	**388**	376
Amortization of negative goodwill	**59**	59
Equity in earnings of affiliates	**734**	567
Land and house rental revenue	**241**	234
Miscellaneous income	**243**	270
Total other income	**1,891**	1,667
Other expenses:		
Interest expenses	**373**	415
Foreign exchange loss	**73**	456
Share issuance expenses	**151**	—
Miscellaneous expenses	**112**	134
Total other expenses	**711**	1,006
Ordinary income	**41,105**	23,760
Extraordinary income:		
Gain on sales of property, plant and equipment (Note 22)	**96**	494
Gain on transfer of business	**43**	—
Other	**1**	37
Total extraordinary income	**141**	532
Extraordinary loss:		
Loss on sales of property, plant and equipment (Note 23)	**46**	28
Loss on disposal of property, plant and equipment (Note 21)	**135**	94
Loss on liquidation of subsidiaries and affiliates	**—**	198
Other	**5**	29
Total extraordinary loss	**187**	350
Income before income taxes	**41,059**	23,942
Income taxes (Note 25)		
Current	**11,675**	5,447
Deferred	**28**	1,459
Total income taxes	**11,704**	6,906
Net income	**29,355**	17,035
(Net income attributable to:)		
Shareholders of the parent company	**29,008**	16,746
Non-controlling interests	**346**	288
Other comprehensive income (Note 24)		
Net unrealized gain (loss) on securities	**1,097**	1,096
Deferred gain (loss) on hedges	**26**	(42)
Foreign currency translation adjustments	**1,154**	(2,290)
Retirement benefits reserves adjustments	**1,701**	641
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	**97**	(394)
Total other comprehensive income (loss)	**4,078**	(989)
Comprehensive income (Note 24)	**¥ 33,433**	¥ 16,046
(Comprehensive income attributable to:)		
Shareholders of the parent company	**¥ 33,034**	¥ 15,761
Non-controlling interests	**399**	284
		(Yen)
Net income per share (Note 30)	**¥235.62**	¥137.58
Cash dividends per share	**70.00**	42.00

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, 2018 and 2017

	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, 2016	123,610	¥15,016	¥15,794	¥ 94,501	¥(1,642)	¥123,669
Cash dividends	—	—	—	(3,898)	—	(3,898)
Issuance of new shares	—	—	—	—	—	—
Net income attributable to shareholders of the parent company	—	—	—	16,746	—	16,746
Purchase of treasury stock	—	—	—	—	(185)	(185)
Disposal of treasury stock	—	—	107	—	242	350
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	12	—	—	12
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2017	123,610	¥15,016	¥15,915	¥107,349	¥(1,586)	¥136,694
Cash dividends	—	—	—	(6,702)	—	(6,702)
Issuance of new shares	3,000	16,849	—	—	—	16,849
Net income attributable to shareholders of the parent company	—	—	—	29,008	—	29,008
Purchase of treasury stock	—	—	—	—	(15)	(15)
Disposal of treasury stock	—	—	4,802	—	819	5,621
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	(0)	—	—	(0)
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2018	**126,610**	**¥31,865**	**¥20,717**	**¥129,654**	**¥ (782)**	**¥181,454**

	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, 2016	¥3,206	¥22	¥7,730	¥(7,576)	¥3,383	¥3,063	¥130,116
Cash dividends	—	—	—	—	—	—	(3,898)
Issuance of new shares	—	—	—	—	—	—	—
Net income attributable to shareholders of the parent company	—	—	—	—	—	—	16,746
Purchase of treasury stock	—	—	—	—	—	—	(185)
Disposal of treasury stock	—	—	—	—	—	—	350
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	12
Net changes of items other than shareholders' equity	1,083	(28)	(2,628)	587	(985)	184	(801)
Balance at March 31, 2017	¥4,290	¥ (5)	¥5,102	¥(6,989)	¥2,398	¥3,247	¥142,340
Cash dividends	—	—	—	—	—	—	(6,702)
Issuance of new shares	—	—	—	—	—	—	16,849
Net income attributable to shareholders of the parent company	—	—	—	—	—	—	29,008
Purchase of treasury stock	—	—	—	—	—	—	(15)
Disposal of treasury stock	—	—	—	—	—	—	5,621
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	(0)
Net changes of items other than shareholders' equity	1,067	39	1,258	1,660	4,025	347	4,373
Balance at March 31, 2018	**¥5,358**	**¥34**	**¥6,360**	**¥(5,328)**	**¥6,424**	**¥3,595**	**¥191,474**

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, 2018 and 2017

		(Million yen)
		March 31
	2018	2017
Cash flows from operating activities:		
Income before income taxes	¥41,059	¥23,942
Adjustments for:		
Depreciation	4,419	4,202
Amortization of goodwill	943	924
Amortization of negative goodwill	(59)	(59)
Interest and dividend income	(612)	(534)
Interest expenses	373	415
Loss (gain) on disposal or sales of property, plant and equipment	82	(371)
Decrease (increase) in notes and accounts receivable	(37,923)	3,984
Decrease (increase) in inventories	(4,155)	(1,147)
Increase (decrease) in notes and accounts payable	9,464	2,855
Increase (decrease) in advances received on uncompleted construction contracts	(4,462)	4,038
Other, net	5,275	(473)
Subtotal	14,403	37,775
Interest and dividend received	610	532
Interest paid	(372)	(411)
Income taxes refund (paid)	(3,493)	(11,373)
Other, net	350	161
Net cash provided by (used in) operating activities	11,497	26,683
Cash flows from investing activities:		
Investments in time deposits	(0)	(3)
Proceeds from refund of time deposits	3	86
Payments for purchase of property, plant and equipment	(6,417)	(6,399)
Proceeds from sales of property, plant and equipment	740	1,121
Payments for purchase of investments in securities	(24)	(24)
Collection of loans receivable	10	5
Other, net	88	(180)
Net cash provided by (used in) investing activities	(5,600)	(5,393)
Cash flows from financing activities:		
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(0)	(35)
Increase (decrease) in short-term borrowings, net	(1,400)	67
Proceeds from long-term borrowings	15,100	928
Repayment of long-term borrowings	(15,605)	(1,363)
Proceeds from issuance of new shares	16,697	—
Proceeds from disposal of treasury stock	5,621	169
Payments for purchase of treasury stock	(15)	(5)
Payments of cash dividends	(6,695)	(3,896)
Other, net	(256)	(268)
Net cash provided by (used in) financing activities	13,444	(4,404)
Effect of exchange rate change on cash and cash equivalents	1,018	(1,179)
Net increase (decrease) in cash and cash equivalents	20,361	15,706
Cash and cash equivalents at beginning of year	64,790	49,084
Cash and cash equivalents at end of year (Note 26)	¥85,152	¥64,790

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, 2018 and 2017

1. Basis of presenting consolidated financial statements

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

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

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

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

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

2. Summary of significant accounting policies

(1) Principles of consolidation

The consolidated financial statements consist of the accounts of the parent company and 53 subsidiaries as of March 31, 2018.

The following two subsidiaries are newly included in the scope of consolidation for the fiscal year ended March 31, 2018:

- Daifuku Europe GmbH, which was established by the Company
- Daifuku Self Services Technologies AS, which was established by BCS Group Limited

The following four subsidiaries were excluded from the scope of consolidation for the year ended March 31, 2018:

- Hiniaratakan Corporation, which was absorbed by the Company
- Contec Software Development Co., Ltd., which was absorbed by Contec Co., Ltd.
- Pacific Coast Structures Inc., which was liquidated by Daifuku North America Holding Company
- Daifuku Renace Co., Ltd., which was disposed by the Company

The domestic consolidated subsidiaries and Daifuku India Private Limited, an overseas consolidated subsidiary, adopt the same fiscal year as the Company. Forty-seven (47) overseas consolidated subsidiaries adopt the fiscal year 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, 2018, 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, 2017.

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, 2017.

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 year-end exchange rates. 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.

(3) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn at any time, and short-term investments with a maturity of three months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of price fluctuation.

(4) Inventories

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

(5) Financial instruments

(a) Derivatives

All derivatives are stated at fair value.

(b) Securities

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

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

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

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

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

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

(c) Hedge accounting

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

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

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

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

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

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

(6) Depreciation and amortization

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

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

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

(b) Intangible assets (excluding leased assets)

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

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

(c) Leased assets

Finance lease transactions that transfer ownership:

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

Finance lease transactions that do not transfer ownership:

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

(7) Amortization of goodwill and negative goodwill

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

(8) Allowance for doubtful accounts

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

(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, 2018.

(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

Not applicable

4. Accounting standards and related guidance issued but have not yet been applied

(1) An accounting standard and related guidance issued before March 31, 2018 but have not yet been applied among the Company and its domestic consolidated subsidiaries are as follows:

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30; March 30, 2018)

(a) Overview

In May 2014, the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly issued Revenue from Contracts with Customers (IASB's IFRS 15 and FASB's Topic 606), a jointly developed global revenue recognition standard. IFRS 15 is applicable for periods commencing on or after January 1, 2018 and Topic 606 is applicable for periods commencing after December 15, 2017. In light of these developments, the Accounting Standards Board of Japan (ASBJ) developed and issued the Accounting Standard for Revenue Recognition together with the Implementation Guidance on Accounting Standard for Revenue Recognition.

In developing the Accounting Standard for Revenue Recognition, the ASBJ's policy was to incorporate and build on all the core principles of IFRS 15 from the viewpoint of increasing financial statements comparability, which is one of the benefits of alignment with IFRS 15, but to consider additional alternative treatments where they would make application in Japan easier, to the extent that this would not impair international comparability.

(b) Planned date of application

The standard and related guidance will be applied from the beginning of the year ending March 31, 2022.

(c) Impact of applying the accounting standard and related guidance

The financial impact of applying the accounting standard and related guidance is under review.

(2) Accounting standards revised before March 31, 2018 but have not yet been applied among overseas consolidated subsidiaries are as follows:

- Revenue from contracts with customers (IASB, IFRS 15)

(a) Overview

This revised standard provides a single and comprehensive model on revenue recognition to be applied to all contracts with customers.

(b) Planned date of application

This revised standard will be applied from the fiscal year beginning on or after April 1, 2018.

(c) Impact of applying the revised accounting standard
The financial impact of applying the revised accounting standard is under review.

• Revenue from contracts with customers (FASB, ASU 2014-09 and other)

(a) Overview
This revised standard provides a single and comprehensive model on revenue recognition to be applied to all contracts with customers.

(b) Planned date of application
This revised standard will be applied from the fiscal year beginning on or after April 1, 2019.

(c) Impact of applying the revised accounting standard
The financial impact of applying the revised accounting standard is under review.

5. Additional information

Board Benefit Trust (BBT)

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

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

1) Outline of the transaction
The system is a stock compensation plan linked directly to the Company's business performance, under which the Company's shares are acquired through the trust using the funds that the Company contributes (hereinafter "the Trust") and remuneration is provided to the Directors, etc. through the Trust, in accordance with the stock compensation regulation for officers stipulated by the Company. The remuneration is the Company's shares (equivalent to points accrued based on titles and target achievement) and the monetary payment (equivalent to the amount obtained by converting the Company's shares at a market price as of the retirement date). The Company's shares to be acquired by the Trust this time are treasury shares held by the Company that are allotted through private placement. As a general rule, the shares are provided to the Directors, etc. upon retirement.

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

2) The Company's shares still held by the Trust
The Company records the shares of the Company, which are held by the Trust, as treasury stock in net assets, at its carrying amounts (excluding incidental expenses) in the Trust. The carrying amount and the number of the treasury stock were ¥175 million and 87 thousand shares, respectively, as of March 31, 2018.

6. Accumulated depreciation of property, plant and equipment

Accumulated depreciation of property, plant and equipment was ¥53,149 million and ¥52,300 million as of March 31, 2018 and 2017, respectively.

7. 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 ¥33 million and ¥43 million as of March 31, 2018 and 2017, respectively.

8. 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” and “Electronically recorded obligations-operating”) 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 16 “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, 2018 and 2017 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, 2018:

(Million yen)

	Carrying amount on consolidated balance sheets	Fair value	Variance
(1) Cash on hand and in banks	**¥ 85,160**	**¥ 85,160**	**¥ —**
(2) Notes and accounts receivable and unbilled receivables	**163,101**	**163,101**	**—**
(3) Investments in securities			
“Other securities”	**15,453**	**15,453**	**—**
Total assets	**¥263,716**	**¥263,716**	**¥ —**
(1) Notes and accounts payable and construction contracts payable	**¥ 46,450**	**¥ 46,450**	**¥ —**
(2) Electronically recorded obligations - operating	**22,826**	**22,826**	**—**
(3) Short-term borrowings and current portion of long-term borrowings	**17,267**	**17,267**	**—**
(4) Current portion of bonds	**2,700**	**2,700**	**—**
(5) Long-term borrowings	**18,000**	**17,969**	**(30)**
Total liabilities	**¥107,245**	**¥107,215**	**¥(30)**
Derivative transactions (*)	**¥ 49**	**¥ 49**	**¥ —**

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

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

Assets

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

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

(3) Investments in securities

The fair values of equity securities are determined using the quoted prices at the stock exchange. For information concerning securities classified by holding purposes, see Note 9 “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, (4) Current portion of bonds

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

(5) Long-term borrowings

The fair values of these items are determined by discounting the aggregate amounts of the principal and interests using estimated interest rates assuming that the similar bonds and borrowings are newly made. Long-term borrowings bearing variable interest rates (floating-rate borrowings) are subject to the exceptional treatment applicable to interest rate swap transactions or currency swap transactions (see Note 16 “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 16 “Derivatives and hedging activities.”

For the year ended March 31, 2017:

(Million yen)

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

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

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

Assets

(1) Cash on hand and in banks, (2) Notes and accounts receivable and unbilled receivables
These assets are recorded at their carrying amounts because their fair values approximate the carrying amounts reflective of their short-term maturity nature.

(3) Investments in securities
The fair values of equity securities are determined using the quoted prices at the stock exchange. For information concerning securities classified by holding purposes, see Note 9 “Investments in securities.”

Liabilities

(1) Notes and accounts payable and construction contracts payable, (2) Electronically recorded obligations - operating, (3) Short-term borrowings and current portion of long-term borrowings
These liabilities are recorded at their carrying amounts because their fair values approximate the carrying amounts reflective of their short-term maturity nature.

(4) Bonds, (5) Long-term borrowings
The fair values of these items are determined by discounting the aggregate amounts of the principal and interests using estimated interest rates assuming that the similar bonds and borrowings are newly made. Long-term borrowings bearing variable interest rates (floating-rate borrowings) are subject to the exceptional treatment applicable to interest rate swap transactions or currency swap transactions (see Note 16 “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 16 “Derivatives and hedging activities.”

[Note 2] Financial instruments, of which fair values are not readily determinable as of March 31, 2018 and 2017:

For the year ended March 31, 2018:

	(Million yen)
Category	Carrying amount on consolidated balance sheets
Unlisted securities	**¥8,522**

For the year ended March 31, 2017:

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

These securities have no quoted market prices, and the future cash flows thereof are not estimable. As their fair values are not readily determinable, they are excluded from “Assets (3) Investments in securities.” The unlisted securities include the investments in non-consolidated subsidiaries and affiliates, amounting to ¥7,937 million and ¥6,873 million as of March 31, 2018 and 2017, 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, 2018:

				(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	**¥ 85,160**	**¥—**	**¥—**	**¥—**
Notes and accounts receivable and unbilled receivables	**163,101**	**—**	**—**	**—**
Total	**¥248,262**	**¥—**	**¥—**	**¥—**

For the year ended March 31, 2017:

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

[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, 2018:

						(Million yen)
	Due within one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Short-term borrowings and current portion of long-term borrowings	**¥17,267**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥—**
Bonds	**2,700**	**—**	**—**	**—**	**—**	**—**
Long-term borrowings	**—**	**2,500**	**200**	**200**	**15,100**	**—**
Total	**¥19,967**	**¥2,500**	**¥200**	**¥200**	**¥15,100**	**¥—**

For the year ended March 31, 2017:

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

9. 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, 2018		
	Acquisition cost	Carrying amount on consolidated balance sheets	Difference
Investments in securities:			
Equity securities	**¥7,318**	**¥15,118**	**¥7,800**

(Million yen)

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

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

(Million yen)

	March 31, 2018		
	Acquisition cost	Carrying amount on consolidated balance sheets	Difference
Investments in securities:			
Equity securities	**¥386**	**¥335**	**¥(50)**

(Million yen)

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

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, 2018.

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, 2018 and 2017:

Omitted due to no material securities being held

"Held-to-maturity debt securities" sold during the years ended March 31, 2018 and 2017:

Not applicable

"Other securities" sold during the years ended March 31, 2018 and 2017 were as follows:

For the year ended March 31, 2018:

Not applicable

For the year ended March 31, 2017:

(Million yen)

	Sale value	Gain on sales
Investments in securities:		
Equity securities	¥2	¥0

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

10. 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)
March 31	**2018**	2017
Investments in securities:		
Equity securities	**¥7,937**	¥6,873

11. 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, 2018 was 2.1%.

Short-term borrowings outstanding as of March 31, 2018 and 2017 were as follows:

		(Million yen)
March 31	**2018**	2017
Borrowings from banks:		
Unsecured	**¥4,743**	¥6,042

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, 2018 was 0.8%. The weighted average interest rate applicable to the long-term borrowings outstanding as of March 31, 2018 was 0.4%.

Long-term borrowings and bonds outstanding as of March 31, 2018 and 2017 were as follows:

		(Million yen)
March 31	**2018**	2017
Borrowings, principally from banks:		
Secured and unsecured	**¥30,523**	¥31,028
Less: portion due within one year	**12,523**	15,605
Subtotal	**18,000**	15,422
Bonds		
0.50% yen unsecured bonds, due 2019	**700**	700
0.73% yen unsecured bonds, due 2019	**2,000**	2,000
Subtotal	**2,700**	2,700
Total	**¥20,700**	¥18,122

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, 2018, other than the portion due within one year was as follows:

	(Million yen)
Due after one year and within two years	¥ 2,500
Due after two years and within three years	200
Due after three years and within four years	200
Due after four years and within five years	15,100
Total	¥18,000

Lease obligations details

Lease obligations outstanding as of March 31, 2018 and 2017 were as follows:

(Million yen)

March 31	2018	2017
Lease obligations	¥1,368	¥1,540
Less: portion due within one year	312	200
Total	¥1,056	¥1,340

[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, 2018, other than the portion due within one year was as follows:

(Million yen)

Due after one year and within two years	¥204
Due after two years and within three years	121
Due after three years and within four years	113
Due after four years and within five years	110
Total	¥548

[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.

12. Asset retirement obligations details

Since the amounts of asset retirement obligations as of March 31, 2018 and 2017 were less than 1% of the total liabilities and net assets as of March 31, 2018 and 2017, asset retirement obligations details have been omitted.

13. 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 a 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 years were as follows:

(Million yen)

March 31	2018	2017
Balance at beginning of year	¥58,836	¥60,973
Service cost	1,364	1,365
Interest cost	1,039	1,079
Accrued actuarial gains and losses	581	(130)
Payments for retirement benefits	(2,206)	(2,701)
Prior service cost	—	—
Foreign currency translation adjustments	(495)	(1,647)
Other	(82)	(103)
Balance at end of year	¥59,037	¥58,836

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

(Million yen)

March 31	2018	2017
Balance at beginning of year	¥48,695	¥48,829
Expected return on plan assets	2,468	2,422
Accrued actuarial gains and losses	1,587	(473)
Employer contributions	1,327	1,545
Payments for retirement benefits	(1,871)	(2,315)
Foreign currency translation adjustments	(271)	(1,209)
Other	(82)	(103)
Balance at end of year	¥51,852	¥48,695

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

(Million yen)

March 31	2018	2017
Balance at beginning of year	¥713	¥720
Retirement benefit expenses	509	384
Payments for retirement benefits	(73)	(86)
Employer contributions	(648)	(276)
Effect of changes in the plans	15	—
Foreign currency translation adjustments	0	(8)
Other	(27)	(20)
Balance at end of year	¥488	¥713

(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):

(Million yen)

March 31	2018	2017
Retirement benefit obligations in funded plans	¥60,663	¥60,026
Plan assets	(53,922)	(49,991)
	6,741	10,035
Retirement benefit obligations in unfunded plans	947	832
Other	—	(9)
Net liabilities and assets on consolidated balance sheets	7,688	10,858
Liabilities for retirement benefits	11,656	13,486
Assets for retirement benefits	(3,967)	(2,628)
Net liabilities and assets on consolidated balance sheets	¥ 7,688	¥10,858

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

(Million yen)

March 31	2018	2017
Service cost	¥1,364	¥1,365
Interest cost	1,039	1,079
Expected return on plan assets	(2,468)	(2,422)
Amortization of actuarial gains and losses	1,209	1,021
Retirement benefit expenses using the simplified method	509	384
Other	—	—
Retirement benefit expenses on defined benefit plans	¥1,654	¥1,429

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

(Million yen)

March 31	2018	2017
Actuarial gains and losses	¥(2,492)	¥(1,111)
Total	¥(2,492)	¥(1,111)

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

(Million yen)

March 31	2018	2017
Unrecognized actuarial gains and losses	**¥8,081**	¥10,574
Total	**¥8,081**	¥10,574

(8) Matters regarding plan assets

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

(%)

March 31	2018	2017
Equity securities	**46%**	44%
Debt securities	**33**	38
General accounts at life insurance	**10**	10
Cash on hand and in banks	**7**	5
Other	**4**	3
Total	**100%**	100%

[Note] The retirement benefit trust set up for the corporate pension plans consists of 12% of the total plan assets as of March 31, 2018 and 2017, 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) Assumptions for actuarial calculations as of March 31, 2018 and 2017 were as follows:

(%)

March 31	2018	2017
Discount rate	**0.075 - 7.73%**	0.075 – 8.5%
Expected long-term rate of return on plan assets	**1.25 - 8.0%**	1.5 – 8.0%

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

Defined contribution plans

The amount of contributions required under the defined contribution plans of the Company and its consolidated subsidiaries as of March 31, 2018 and 2017 was ¥1,067 million and ¥1,042 million, respectively.

14. 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:

Operating leases

The future minimum lease payments for non-cancellable leases as of March 31, 2018 and 2017 were as follows:

(Million yen)

March 31	2018	2017
Due within one year	**¥ 388**	¥ 583
Due after one year	**666**	474
Total	**¥1,054**	¥1,057

Impairment loss on leased assets

For the years ended March 31, 2018 and 2017, there was no impairment loss on leased assets.

15. Contingent liabilities

The contingent liabilities as of March 31, 2018 and 2017 were as follows:

		(Million yen)
March 31	**2018**	2017
Guarantee for bank borrowings of IKS Co., Ltd.	**¥—**	¥15
Total	**¥—**	¥15

16. Derivatives and hedging activities

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

For the year ended March 31, 2018:

Not applicable

For the year ended March 31, 2017:

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

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

(2) Derivative transactions subject to hedge accounting

(a) Currency-related

For the year ended March 31, 2018:

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
						(Million yen)
Principal method	Forward exchange contracts					Determined at the quoted prices at the forward exchange rates market
	Sell					
	U.S. dollar	Accounts receivable (future transactions)	¥ 3,021	¥ —	¥105	
	Canadian dollar		184	—	4	
	Korean won		1,590	—	(5)	
	Thai baht		705	—	(14)	
	Chinese yuan		1,062	—	(20)	
	New Taiwan dollar		221	—	0	
	Singapore dollar		39	—	0	
	Buy					
	Thai baht	Accounts payable (future transactions)	(9)	—	(0)	
	Australian dollar		(55)	—	(1)	
	New Zealand dollar		(103)	—	1	
	Canadian dollar		(44)	—	2	
	Korean won		(110)	—	(5)	
	New Taiwan dollar		(430)	—	(10)	
	Chinese yuan		(212)	—	2	
	U.S. dollar		(335)	—	(10)	
Exceptional treatment of forward exchange contracts	Forward exchange contracts					
	Sell					
	Canadian dollar	Accounts receivable	100	—	(*1)	
	British pound		87			
	U.S. dollar		2,575			
	Korean won		2,771	—		
	New Taiwan dollar		541	—		
	Chinese yuan		606	—		
	Thai baht		48	—		
	Buy					
	Chinese yuan	Accounts payable	(27)	—		
	New Taiwan dollar		(85)	—		
	Currency swaps					
	U.S. dollar	Long-term borrowings	5,000	3,000	(*2)	
Total			¥17,139	¥3,000	¥ 49	

For the year ended March 31, 2017:

(Million yen)

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

(*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, 2018:

(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	**¥18,270**	**¥9,900**	**(*)**	
Total			**¥18,270**	**¥9,900**	**¥—**	

For the year ended March 31, 2017:

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
						(Million yen)
Exceptional treatment of interest rate swaps	Interest rate swaps Fixed payment/ Variable receipt	Long-term borrowings	¥24,412	¥11,780	(*)	
Total			¥24,412	¥11,780	¥—	

(*) 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.

17. Consolidated statements of changes in net assets

(1) Matters regarding issued shares:

For the year ended March 31, 2018:

(Thousand shares)

Class of shares	As of April 1, 2017	Increase	Decrease	As of March 31, 2018
Common stock	**123,610**	**3,000**	**—**	**126,610**

[Note] Details of increases in the number of issued shares were as follows:
- Increased by 2,480,000 shares due to the issuance of new shares through public offering with a payment date of December 12, 2017
- Increased by 520,000 shares due to the issuance of new shares related to an offering of the Company's shares by way of over-allotment with a payment date of December 27, 2017

For the year ended March 31, 2017:

(Thousand shares)

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

(2) Matters regarding treasury stock:

For the year ended March 31, 2018:

(Shares)

Class of shares	As of April 1, 2017	Increase	Decrease	As of March 31, 2018
Common stock	**1,827,904**	**3,223**	**1,002,400**	**828,727**

[Note 1] Details of increases in the number of treasury stock were as follows:
- Increased by 3,223 shares due to the repurchase of less-than-a-unit shares

Details of decreases in the number of treasury stock were as follows:
- Decreased by 2,400 shares due to the disposal to Trust & Custody Services Bank, Ltd. (trust account E) for the Board Benefit Trust (BBT)
- Decreased by 1,000,000 shares due to the disposal of treasury stock through public offering

[Note 2] Under a resolution adopted at the general meeting of shareholders held on June 24, 2016 and a decision at the Board of Directors based on that resolution, the Company has decided to introduce the BBT and to conduct a private placement of 90,000 shares of treasury stock to Trust & Custody Services Bank, Ltd. (trust account E). On August 26, 2016, the treasury stock was allocated to the trust account.

The number of treasury stock includes Trust & Custody Services Bank, Ltd. (trust account E); the details were as follows:

The Company's common stock held by Trust & Custody Services Bank, Ltd. (trust account E)
- 90,000 shares as of April 1, 2017 and 87,600 shares as of March 31, 2018

[Note 3] The Company disposed 1,000,000 shares of treasury stock through public offering with a payment date of December 12, 2017.

For the year ended March 31, 2017:

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

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

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

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

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

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

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

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

(3) Matters regarding stock acquisition rights:

For the years ended March 31, 2018 and 2017;

Not applicable

(4) Matters regarding dividends:

(a) Dividends paid during the years ended March 31, 2018 and 2017 were as follows:

For the year ended March 31, 2018:

Resolution adopted	Class of shares	Aggregate dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 11, 2017	Common stock	**¥3,656**	**¥30**	March 31, 2017	June 26, 2017
Board of Directors' meeting on November 10, 2017	Common stock	**3,046**	**25**	September 30, 2017	December 5, 2017

[Note 1] Aggregate dividends resolved at the Board of Directors' meeting on May 11, 2017, includes dividends of ¥2 million on the Company's shares (treasury stock) held by the BBT in the Trust & Custody Services Bank, Ltd. (trust account E) under the BBT program.

[Note 2] Aggregate dividends resolved at the Board of Directors' meeting on November 10, 2017, includes dividends of ¥2 million on the Company's shares (treasury stock) held by Trust & Custody Services Bank, Ltd. (trust account E) under the BBT program.

For the year ended March 31, 2017:

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

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

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

(b) Dividends with a record date during the years ended March 31, 2018 and 2017, payable in the following fiscal year, were as follows:

For the year ended March 31, 2018:

Resolution adopted	Class of shares	Source of dividends	Aggregate dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 11, 2018	Common stock	Retained earnings	**¥5,664**	**¥45**	March 31, 2018	June 25, 2018

[Note] Aggregate dividends include dividends of ¥3 million on the Company's shares (treasury stock) held by the BBT in the Trust & Custody Services Bank, Ltd. (trust account E) under the BBT program.

For the year ended March 31, 2017:

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

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

18. Major items of selling, general and administrative expenses

Major items of selling, general and administrative expenses for the years ended March 31, 2018 and 2017, were as follows:

Selling expenses

(Million yen)

March 31	2018	2017
Sales commissions	**¥1,707**	¥ 915
Advertising	**238**	236
Outsourcing	**823**	697
Salaries and bonuses	**8,625**	8,012
Retirement benefit expenses	**339**	332
Welfare	**1,564**	1,494
Travel and transportation	**1,553**	1,519
Rent	**481**	481
Depreciation	**168**	159

General and administrative expenses

(Million yen)

March 31	2018	2017
Outsourcing	**¥ 2,567**	¥2,723
Directors' compensation	**1,176**	1,013
Salaries and bonuses	**10,076**	9,440
Retirement benefit expenses	**934**	796
Welfare	**1,792**	1,428
Depreciation	**1,770**	1,837
Research and development	**2,626**	2,461

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

For the years ended March 31, 2018 and 2017 were as follows:

(Million yen)

March 31	2018	2017
Provision for losses on construction contracts included in cost of sales	**¥(305)**	¥(104)

20. Research and development

Research and development expenditures included in general and administrative expenses and manufacturing costs were ¥8,123 million and ¥7,489 million for the years ended March 31, 2018 and 2017, respectively.

21. Loss on disposal of property, plant and equipment

Details of loss on disposal of property, plant and equipment for the years ended March 31, 2018 and 2017 were as follows:

(Million yen)

March 31	2018	2017
Buildings	¥ 6	¥42
Structures	13	1
Machinery	101	39
Tools and fixtures	9	7

22. 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, 2018 and 2017 were as follows:

(Million yen)

March 31	2018	2017
Buildings	¥30	¥ —
Machinery	2	6
Vehicles	8	5
Land	54	477

23. 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, 2018 and 2017 were as follows:

(Million yen)

March 31	2018	2017
Buildings	¥17	¥19
Machinery	1	0
Tools and fixtures	22	7

24. Consolidated statements of comprehensive income

Reclassification adjustment and deferred tax related to other comprehensive income for the years ended March 31, 2018 and 2017 were as follows:

(Million yen)

March 31	2018	2017
Net unrealized gain (loss) on securities:		
Amount arising during the period	¥1,627	¥ 1,498
Reclassification adjustment	—	(0)
Pretax amount	1,627	1,498
Tax effect	(529)	(401)
Net unrealized gain (loss) on securities	¥1,097	¥ 1,096
Deferred gain (loss) on hedges:		
Amount arising during the period	¥ 14	¥ 16
Reclassification adjustment	18	(72)
Pretax amount	32	(56)
Tax effect	(5)	13
Deferred gain (loss) on hedges	¥ 26	¥ (42)
Foreign currency translation adjustments:		
Amount arising during the period	¥1,154	¥(2,460)
Reclassification adjustment	—	170
Foreign currency translation adjustments	¥1,154	¥(2,290)
Adjustments to retirement benefits:		
Amount arising during the period	¥1,271	¥ 91
Reclassification adjustment	1,221	1,020
Pretax amount	2,492	1,111
Tax effect	(791)	(470)
Adjustments to retirement benefits	¥1,701	¥ 641
Share of other comprehensive income of affiliates accounted for using the equity method:		
Amount arising during the period	¥ 100	¥ (399)
Reclassification adjustment	(2)	4
Share of other comprehensive income of affiliates accounted for using the equity method	¥ 97	¥ (394)
Total other comprehensive income	¥4,078	¥ (989)

25. Income taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2018 and 2017 were as follows:

(Million yen)

March 31	2018	2017
Deferred tax assets:		
Current assets		
Research and development	¥ 929	¥ 590
Accrued expenses	2,312	1,565
Provision for losses on construction contracts	193	187
Unrealized profit on inventories	115	145
Other	1,440	943
Subtotal	4,991	3,432
Less: Valuation allowance	—	(0)
Offset against deferred tax liabilities (current)	(2)	(3)
Net deferred tax assets (current)	¥4,988	¥3,429
Non-current assets		
Liabilities for retirement benefits	¥2,941	¥5,740
Loss carried forward	708	1,514
Unrealized gain on sales of property, plant and equipment	597	597
Loss on valuation of investments in securities	848	970
Excess depreciation	61	232
Other	1,025	469
Subtotal	6,183	9,525
Less: Valuation allowance	(1,703)	(2,215)
Offset against deferred tax liabilities (non-current)	(2,403)	(2,444)
Net deferred tax assets (non-current)	¥2,077	¥4,865
Deferred tax liabilities:		
Current liabilities		
Other	¥ 22	¥ 27
Offset against deferred tax assets (current)	(2)	(3)
Net deferred tax liabilities (current)	¥ 19	¥ 23
Non-current liabilities		
Net unrealized gain on assets of consolidated subsidiaries	¥ 485	¥ 841
Liabilities for retirement benefits	518	296
Reserve for deferred gains on sales of property, plant and equipment	137	140
Net unrealized gain on securities	2,258	1,729
Other	213	55
Offset against deferred tax assets (non-current)	(2,403)	(2,444)
Net deferred tax liabilities (non-current)	¥1,210	¥ 619

(2) Reconciliation of the difference between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2018 and 2017 were as follows:

(%)

March 31	2018	2017
Statutory tax rate	30.8%	30.8%
Permanent difference arising from non-deductible expenses	0.5	0.8
Taxation on per capita basis	0.2	0.4
Increase in valuation allowance	0.2	0.5
Tax rate difference applied to overseas subsidiaries	(0.9)	0.2
Amortization of goodwill and negative goodwill	0.6	0.7
Tax effects on retained earnings of overseas subsidiaries	(0.8)	(0.1)
Tax deduction	(3.8)	(4.6)
Other	1.7	0.1
Effective tax rate	28.5%	28.8%

26. Consolidated statements of cash flows

[Note 1] The components of cash and cash equivalents as of March 31, 2018 and 2017 were as follows:

		(Million yen)
March 31	**2018**	2017
Cash on hand and in banks	**¥85,160**	¥64,802
Time deposits with original maturities exceeding three months	**(8)**	(11)
Total	**¥85,152**	¥64,790

27. Stock options

For the years ended March 31, 2018 and 2017:

Not applicable

28. Related party transactions

For the years ended March 31, 2018 and 2017:

Not applicable

29. 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 group engaging in the manufacture and sale of industrial personal computers, interface boards, and other equipment in Japan and overseas; the Daifuku North America group (Daifuku North America Holding Company and its subsidiaries and affiliates); and Daifuku Plusmore Co., Ltd.

In addition to the manufacture and sale of material handling systems and equipment, and car wash machines in Japan as the core company of the 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 sells car wash machines and provides after-sales services.

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

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

(3) Information on the amount of net sales, income or loss, assets, liabilities and other items by reportable segments for the years ended March 31, 2018 and 2017 was as follows:

For the year ended March 31, 2018:

(Million yen)

	Reportable segments						
	Daifuku	Contec	Daifuku North America	Daifuku Plusmore	Subtotal	Other (*)	Total
Net sales:							
Net sales to outside customers	¥186,983	¥15,716	¥ 99,775	¥10,778	¥313,254	¥ 95,755	¥409,010
Intersegment sales or transfers	36,283	9,751	433	0	46,469	15,125	61,595
Total	223,267	25,468	100,208	10,779	359,724	110,881	470,605
Segment income	25,205	910	2,884	99	29,100	4,737	33,837
Segment assets	257,754	21,304	55,873	3,732	338,664	82,496	421,160
Segment liabilities	101,459	12,061	30,962	2,344	146,827	48,154	194,982
Other							
Depreciation	2,641	282	776	12	3,712	707	4,419
Amortization of goodwill	109	135	595	106	947	—	947
Interest income	29	2	51	14	98	167	265
Interest expenses	208	39	9	—	257	157	415
Extraordinary income	50	0	126	45	223	467	690
Gain on sales of property, plant and equipment	*0*	*0*	*126*	*1*	*129*	*465*	*594*
Extraordinary loss	197	4	40	0	243	34	277
Loss on sales of property, plant and equipment	—	—	*25*	—	*25*	*3*	*29*
Loss on disposal of property, plant and equipment	*106*	*4*	*15*	*0*	*125*	*10*	*135*
Income taxes	8,551	366	1,588	68	10,575	1,442	12,018
Investments in equity-method affiliates	5,193	—	—	—	5,193	177	5,370
Increase in property, plant and equipment and intangible assets	2,600	384	1,716	39	4,740	1,618	6,359

For the year ended March 31, 2017:

(Million yen)

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

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

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

(a) Net sales

(Million yen)

March 31	2018	2017
Reportable segments total	¥359,724	¥290,002
Net sales classified in “Other”	110,881	83,582
Elimination of intersegment transactions	(61,595)	(52,952)
Consolidation adjustments to net sales under the percentage-of-completion method	(689)	1,131
Other adjustments for consolidation	(3,395)	(938)
Net sales in consolidated financial statements	¥404,925	¥320,825

(b) Income

(Million yen)

March 31	2018	2017
Reportable segments total	¥29,100	¥17,687
Segment income classified in “Other”	4,737	2,287
Elimination of cash dividends from affiliates	(4,037)	(3,112)
Other adjustments for consolidation	(791)	(116)
Net income attributable to shareholders of the parent company in consolidated financial statements	¥29,008	¥16,746

(c) Assets

(Million yen)

March 31	2018	2017
Reportable segments total	¥338,664	¥280,595
Segment assets classified in “Other”	82,496	66,581
Elimination of investment securities in subsidiaries in consolidation process	(43,493)	(34,379)
Elimination of intercompany receivables	(23,381)	(21,736)
Other adjustments for consolidation	19,426	12,479
Total assets in consolidated financial statements	¥373,712	¥303,540

(d) Liabilities

(Million yen)

March 31	2018	2017
Reportable segments total	¥146,827	¥135,063
Segment liabilities classified in “Other”	48,154	37,467
Elimination of intercompany payables	(23,381)	(21,736)
Other adjustments for consolidation	10,636	10,405
Total liabilities in consolidated financial statements	¥182,237	¥161,199

For the year ended March 31, 2018:

(Million yen)

Other items	Reportable segments total	Other	Adjustments	Consolidated total
Depreciation	**¥ 3,712**	**¥ 707**	**¥ —**	**¥ 4,419**
Amortization of goodwill	**947**	**—**	**(4)**	**943**
Interest income	**98**	**167**	**(41)**	**223**
Amortization of negative goodwill	**—**	**—**	**59**	**59**
Interest expenses	**257**	**157**	**(41)**	**373**
Gain (loss) on investments accounted for under equity method	**—**	**—**	**734**	**734**
Extraordinary income	**223**	**467**	**(549)**	**141**
Gain on sales of property, plant and equipment	***129***	***465***	***(498)***	***96***
Extraordinary loss	**243**	**34**	**(90)**	**187**
Loss on sales of property, plant and equipment	***25***	***3***	***17***	***46***
Loss on disposal of property, plant and equipment	***125***	***10***	***—***	***135***
Income taxes	**10,575**	**1,442**	**(313)**	**11,704**
Investments in equity-method affiliates	**5,193**	**177**	**2,496**	**7,866**
Increase in property, plant and equipment and intangible assets	**4,740**	**1,618**	**(10)**	**6,348**

For the year ended March 31, 2017:

(Million yen)

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

[Note] The main items in adjustments above are as follows:
Adjustments of ¥2,496 million and ¥1,508 million in “Investments in equity-method affiliates” for the years ended March 31, 2018 and 2017, respectively, are mainly due to foreign currency translation adjustments included in shares in affiliates.

[Related information]

1. Information by product and service

For the year ended March 31, 2018:

(Million yen)

	Logistics systems	Electronics	Other	Consolidated total
Net sales to outside customers	**¥372,340**	**¥15,714**	**¥16,871**	**¥404,925**

For the year ended March 31, 2017:

(Million yen)

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

2. Information by geographic area

(1) Net sales

For the year ended March 31, 2018:

(Million yen)

	Japan	U.S.A.	China	S. Korea	Other	Consolidated total
Net sales to outside customers	**¥132,468**	**¥88,700**	**¥72,560**	**¥50,841**	**¥60,355**	**¥404,925**

For the year ended March 31, 2017:

(Million yen)

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

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

(2) Property, plant and equipment

For the year ended March 31, 2018:

(Million yen)

	Japan	U.S.A.	Other	Consolidated total
Property, plant and equipment	**¥23,773**	**¥4,759**	**¥6,719**	**¥35,252**

For the year ended March 31, 2017:

(Million yen)

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

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, 2018:

Not applicable

For the year ended March 31, 2017:

(Million yen)

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

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

For the year ended March 31, 2018:

(Million yen)

	Reportable segments							
	Daifuku	Contec	Daifuku North America	Daifuku Plusmore	Total	Other	Elimination or corporate	Consolidated total
Ending balance of goodwill	**¥210**	**¥1,369**	**¥4,203**	**¥294**	**¥6,078**	**¥521**	**¥2,194**	**¥8,794**
Ending balance of negative goodwill	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**

For the year ended March 31, 2017:

(Million yen)

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

[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

30. Per share information

The information on the amounts of net income per share and net assets per share for the year ended March 31, 2018 and 2017 was as follows:

(Yen)

March 31	2018	2017
Net assets per share	**¥1,493.69**	¥1,142.14
Net income per share	**235.62**	137.58

[Note 1] Diluted net income per share is not presented, as dilutive shares do not exist.

[Note 2] The shares of Daifuku remaining in the BBT, which are recorded as treasury stock under equity capital, are included in the treasury stock to be deducted in the calculation of the average number of shares during the year for the purpose of calculation of net income per share, and are also included in the number of treasury stock to be deducted from the aggregate number of issued shares as of the end of the year for the purpose of calculation of net assets per share. The average number of shares of treasury stock deducted during the year for the purpose of calculation of net income per share is 87,600 shares for the year ended March 31, 2018. The number of shares of treasury stock deducted as of the end of the year for calculation of net assets per share is 87,600 shares for the year ended March 31, 2018.

[Note 3] The basis for the calculation of net income per share for the years ended March 31, 2018 and 2017 was as follows:

Net income per share

(Million yen)

March 31	2018	2017
Net income attributable to shareholders of the parent company	**¥29,008**	¥16,746
Amount not attributable to holders of common stock	**—**	—
Net income attributable to shareholders of the parent company	**¥29,008**	¥16,746

(Thousand shares)

	2018	2017
Weighted average number of common stock issued and outstanding during the year	**123,115**	121,726

[Note 4] The basis for the calculation of net assets per share as of March 31, 2018 and 2017 was as follows:

(Million yen)

March 31	2018	2017
Total net assets	**¥191,474**	¥142,340
Amount deducted from total net assets	**3,595**	3,247
Of which: non-controlling interests	***3,595***	*3,247*
Total net assets attributable to common stock	**¥187,878**	¥139,092

(Thousand shares)

March 31	2018	2017
Number of common stock issued and outstanding at fiscal year-end for the purpose of calculation of net assets per share	**125,781**	121,782

31. Subsequent events

Sales of stock in an equity-method affiliate

(1) Date

May 11, 2018 (signing date of the share transfer agreement)

(2) Details

The Company decided to transfer all of its shares in Knapp AG, an equity-method affiliate, at its board meeting held on May 11, 2018. After the closing of the transfer, Knapp was excluded from the Company's equity-method affiliates.

(a) Reason for the share transfer

The Company decided the share transfer in the course of its global management strategies.

(b) Outline of the equity-method affiliate

(i) Name: Knapp AG

(ii) Address: Hart bei Graz, Austria

(iii) Representative: Mr. Gerald Hofer, CEO

(iv) Business: Manufacturing and sales of material handling systems

(v) Business relation with Daifuku: Receipt of dividends and purchasing of goods

(vi) Fiscal year: Beginning on April 1 and ending on March 31

(vii) Share capital: €5,000,000-

(c) Outline of the share transfer

(i) Number of shares transferred: 1,500,000 shares (the share of voting rights: 30.00%)

(ii) Counterparties of the transfer: 1,417,241 shares (the share of voting rights: 28.34%):
Bartensten Holding GmbH, a private group of industrial companies in Austria
82,759 shares (the share of voting rights: 1.66%):
Dr. Herbert Knapp, one of the family members and shareholders of Knapp

(iii) Signing date of the share transfer agreement: May 11, 2018

(iv) Closing date: June 13, 2018

(v) Price: Not disclosed due to confidentiality obligation in the share transfer agreements with the counterparties.

(vi) Number of shares after closing: None

(3) Expected impact on earnings

As a result of the share transfer, approximately ¥8 billion on the non-consolidated financial statements and approximately ¥7 billion on the consolidated financial statements will be booked as extraordinary income from gain on sales of shares in affiliates in the fiscal year ending March 31, 2019.

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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, 2018, and the consolidated statement of income, consolidated statement of 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 comply with ethical requirements and 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 statement 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, 2018, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 31 to the consolidated financial statements, which describes that the Company has decided to transfer all of its shares in KNAPP AG, an equity-method affiliate, at a meeting of the Board of Directors on May 11, 2018.

Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers Aarata LLC

July 31, 2018

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