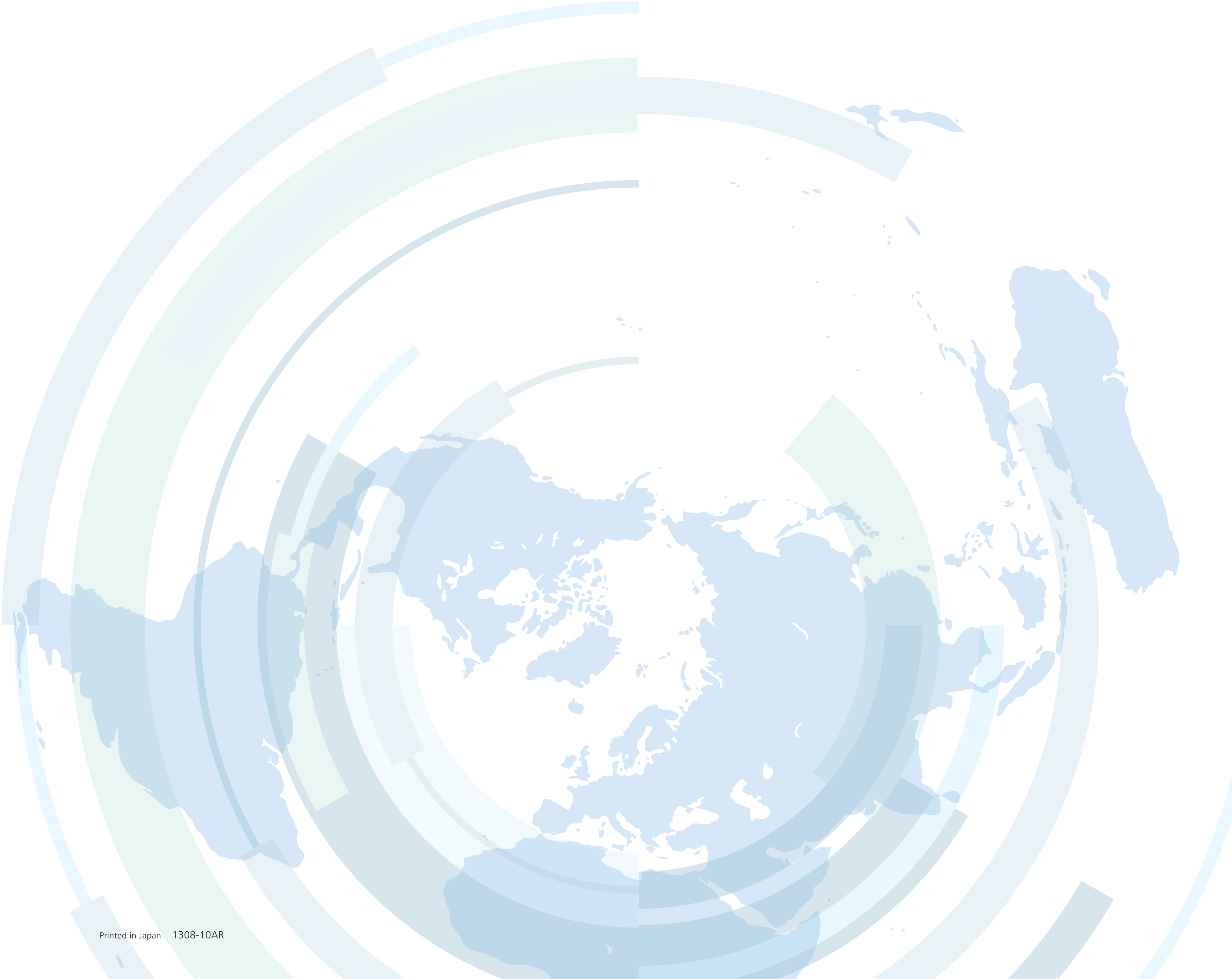
ANNUAL REPORT 2013

Year ended March 31, 2013

Always an Edge Ahead



www.daifuku.com

Always an Edge Ahead

VEGETABLE OIL INK

DAIFUKU CO., LTD.

Printed in Japan 1308-10AR

Since its founding in 1937, Daifuku Co., Ltd. has established a long track record in material handling spanning a wide variety of sectors. Having aspired toward globalization from early on, Daifuku today operates in 20 countries and regions and commands a large market share as a leading global material handling manufacturer and system integrator. Featuring an integrated approach from consulting to engineering, manufacturing, installation and after-sales services, Daifuku's comprehensive business structure is one of its unique strengths.

Under *Value Innovation 2017*, a four-year business plan that commenced in April 2013, Daifuku will maintain its core material handling business while seeking to become more responsive to the needs of its customers and society. Keywords are "innovation" and "solutions."

As it heads toward 2017, the final year of the plan and 80th anniversary of its founding, Daifuku embraces the mindset outlined below.

Company creed

今日の「われ」は
昨日の「われ」にあらず
明日の「われ」は
今日の「われ」にとどまるべからず

Today we are doing better than we were yesterday. Tomorrow we will be growing ahead of where we are today.

Management philosophy

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

Brand proposition

Value Innovator

We aim to evolve into a top-class Value Innovator that provides the best solutions for customers by capitalizing on our experience and technologies we have accumulated as a comprehensive manufacturer and integrator of material handling systems.

Brand message

Always an Edge Ahead

The brand message conveys our desire to create and provide best solutions to give customers a competitive edge. It also symbolizes our flexible and outstanding workforce, possessing both expertise and a commitment to taking on new challenges and making changes for the better.

Contents

Interview with the President

"Successful innovation inspires those who witness it, creating a virtuous circle of ongoing innovation. I hope this will perpetuate over the next four years."

Q. Fiscal 2012, the year ended March 31, 2013, was the final year of the three-year business plan *Material Handling and Beyond*, which was launched in April 2010. How would you assess the plan's results?

A. The operating environment that Daifuku confronted in 2009, the year before *Material Handling and Beyond* began, was unavoidably harsh given the impact of the 2008 global financial crisis. Operating income, which had surpassed 15 billion yen the year before, was less than 100 million yen. In these very difficult circumstances, *Material Handling and Beyond* was introduced as a three-year plan to establish an operating platform to ensure sustainable growth into the future. Over the period of the plan, Daifuku has seen a clear recovery through efforts across the Group to develop new products, businesses and markets.

We were not able to reach the goals initially set for fiscal 2012; specifically, net sales of 220 billion yen and an operating margin of more than 5%. However, **we did achieve a considerable improvement in income, which had been an area of concern, and even exceeded our initial projections: operating income rose to 8 billion yen, well above the initial projection of 6 billion, and net income was 4.4 billion yen, compared with the initial projection of 3 billion.**

Notably, Daifuku has completed a number of structural reforms, such as improving factory productivity and cost effectiveness, and is undertaking a more comprehensive project management under the aegis of a dedicated division, boosting the profitability of new projects. These reforms hold promise for Daifuku going forward.

Q. How did Daifuku's operating environment change structurally while *Material Handling and Beyond* was under way? How did the Company respond?

A. **The three-year period saw major structural changes throughout the industry, including a steep decline in projects involving flat-panel display TV production, one of our mainstay businesses, and restrained customer spending alongside a shift in manufacturing to emerging countries.** In addition, the yen increased sharply in value compared with prior to the 2008 global financial crisis, appreciating some 30 yen against the U.S. dollar. Moreover, market competition intensified with the rise of manufacturers in emerging countries.

Responding to these changes, Daifuku pursued M&A with competitors in Japan and overseas, aiming to

Financial Highlights

Daifuku Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2013 and 2012

	(Millions of yen) FY2012	FY2011	(Thousands of U.S. dollars) FY2012
For the Year			
Orders received	¥ 210,990	¥ 195,217	$ 2,244,817
Net sales	202,337	198,052	2,152,754
Operating income	8,010	4,217	85,223
Net income	4,439	1,223	47,229
Net income per share (Yen and U.S. dollars)	40.12	11.05	0.43
Cash dividends per share (Yen and U.S. dollars)	15.00	15.00	0.16
Capital investment	7,687	2,393	81,788
R&D expenditures	6,855	6,484	72,938
At Year-End			
Total assets	¥ 206,875	¥ 185,049	$ 2,201,038
Net assets	85,685	76,618	911,643
Number of employees	6,678	5,617	
Ratios			
Operating income/net sales	4.0%	2.1%	
Net income/net sales	2.2	0.6	
Return on shareholders' equity (ROE)	5.6	1.6	
Shareholders' equity/total assets	40.4	40.3	

Notes: 1. Details are described in "Financial Section" from page 17.
2. The U.S. dollar amounts in this annual report are translated from Japanese yen for convenience only, at the rate of ¥93.99 = U.S.$1.00, on the Tokyo Foreign Exchange Market on March 29, 2013.

expand the Group's overall operating framework. **The Company undertook major projects outside Japan in areas with underdeveloped local procurement infrastructure and was aggressive in identifying new markets despite inherent development risks.** As a result, Daifuku has been able to provide systems for lithium-ion battery factories and agricultural produce sorting centers as well as nitrogen purge stockers for semiconductor factories. In addition, Daifuku cooperated with its Group companies in China, South Korea, Thailand, India and elsewhere to develop geographically optimized procurement strategies.

Q. Daifuku today is largely the result of medium-term business plans executed under the leadership of the previous Chairman and Co-CEO Katsumi Takeuchi, who passed away on January 8, 2013. Have you felt a change since then?

A. Mr. Takeuchi had a banking background and brought to the Group expertise in finance, law and international affairs. He joined Daifuku in 1992, when his abilities were recognized by then-president, Shoichiro Masuda, who was seeking to bring a fresh, less industrial perspective to Daifuku.

Mr. Takeuchi became president of Daifuku in 2002, and during his tenure the Company recorded its highest-ever net sales and earnings. In 2007, Daifuku's corporate bond rating improved from BBB+ (plus) to A- (minus) and its short-term bond rating climbed from a-2 to a-1, the highest level.

Deeply interested in developing business outside of Japan, he called for a non-Japan sales ratio of more than 50% from early on, pushing the establishment of new affiliates and factories in Asia.

He also proactively pursued friendly M&A and business alliances inside and outside Japan, such as the acquisition of Kito Corporation's logistics system business in 2004 and of U.S.-based Jervis B. Webb Company in 2007, successfully expanding the overall framework of the Group.

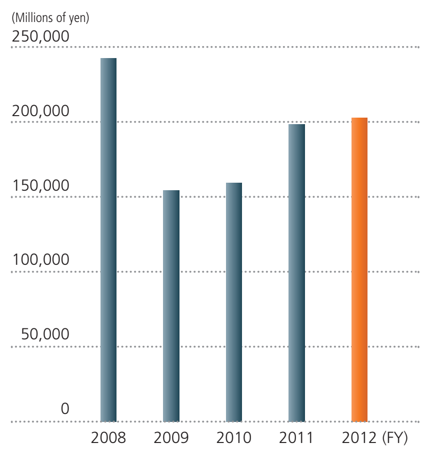
We will not waver from the global perspective that Mr. Takeuchi sought. As our mission across the Group, we will strive to contribute to industry and society through continued business development, taking advantage of the operating foundation he created.

Q. Please tell us about the background and concept of the new four-year business plan, *Value Innovation 2017*.

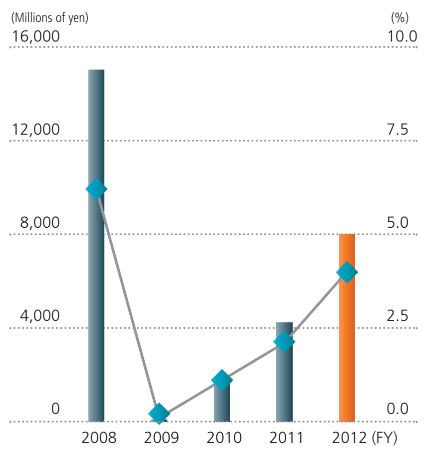
A. In terms of background, although material handling will remain the core of our business, the development of services based on information and communications technology (ICT) now has priority over physical products alone.

Under *Value Innovation 2017*, by capitalizing on the experience and technologies we have accumulated as a comprehensive manufacturer and integrator of material handling systems, **we aim to evolve from a manufacturer into a top-class Value Innovator.** We will provide an

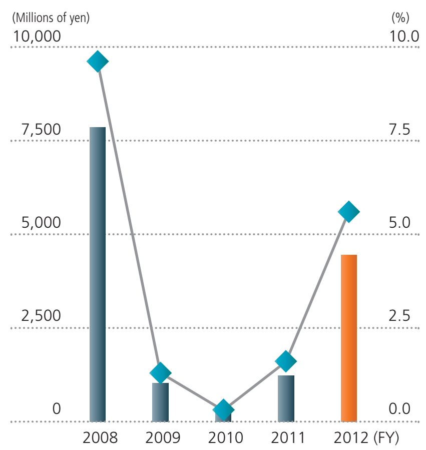
Net Sales



Operating Income/Operating Margin



Net Income/ROE



increasingly broad array of solutions using technology that is always a step ahead of the changes that confront our customers and society.

To clearly define the new business plan, we have also adopted the new brand message *Always an Edge Ahead*. **This message conveys our vision of creating and providing solutions best suited to giving our customers a competitive edge. It also symbolizes the Company's flexible and outstanding workforce, which possesses both expertise and a commitment to taking on new challenges and making changes for the better.**

Moreover, I believe that new unmet needs will emerge if we consider our customers' customers. Examining their needs and the characteristics of markets and areas will be key to our ongoing evolution.

We are also seeing more and more cases of our affiliates outside Japan receiving high marks for locally developing solutions to meet local needs and making proposals that go the extra step when solving the problems customers have faced.

Successful innovation inspires those who witness it, creating a virtuous circle of ongoing innovation. I hope this will perpetuate over the next four years.

Q. Please explain the main policies of *Value Innovation 2017*.

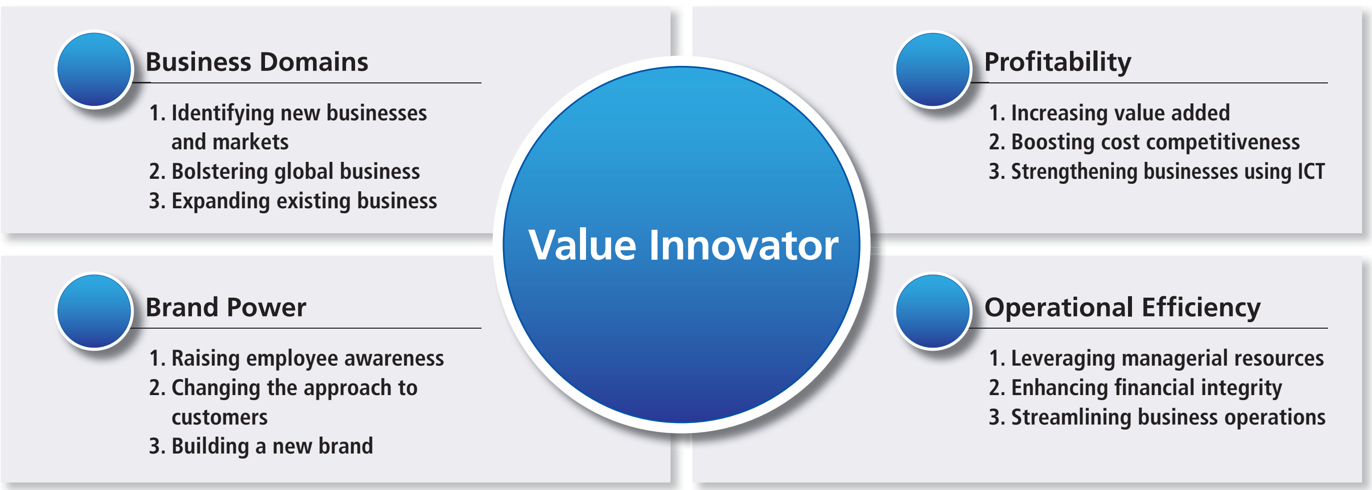
A. *Value Innovation 2017*, calls for ambitious targets, including net sales of 280 billion yen and an operating margin of 7% by fiscal 2016, the year ending March 2017. We will specify the targets based on the **four themes of *Value Innovation 2017*—Business Domains, Profitability, Brand Power, and Operational Efficiency**—in the management policies we set each year.

Strengthening businesses outside Japan will be essential to achieving net sales of 280 billion yen. The plan calls for a non-Japan sales ratio of 60% in fiscal 2016 (with 52% achieved in fiscal 2012). In particular, we are looking to expand sales in Asia and the Americas by a factor of 1.6 from the fiscal 2012 level.

To this end, **we must pursue marketing that considers emerging countries' growing middle class, taking the initiative to develop products and services tailored to local needs.** Specifically, when it comes to storage, transport, sorting and picking systems for general manufacturers and distributors or conveyor systems for automobile production lines, the effectiveness of management strategies introduced from Japan is limited. We will need to adopt strategies that are locally based. Daifuku must continue to promote management localization.

With a history of more than 75 years, Daifuku has built an impressive customer portfolio. After-sales service businesses meeting customer needs have greatly benefited income and bolstered our operations. Improving new project profitability will certainly help us achieve our target operating margin.

Themes for Four-Year Business Plan, *Value Innovation 2017*



Fortunately, **efforts to cut costs associated with new projects in fiscal 2012 produced significant results. By repeating these structural reforms throughout the Group, I believe we will achieve an operating margin of 5% by the end of the first two years of the four-year business plan.**

In addition, we aim to augment income by increasing the number of highly profitable products and systems we offer. Looking more toward such opportunities as technical tie-ups between Daifuku, which has onsite logistics expertise, and venture companies that possess sophisticated technologies, we will build one-of-a-kind products, systems and businesses.

Q. What are the goals for fiscal 2013, the first year of the new four-year business plan?

A. We expect that it will take about two years for the structural reforms now being implemented to take effect throughout the Group. Accordingly, fiscal 2013 will be a year for establishing a firm footing. Specifically, **we are targeting net sales of 225 billion yen and operating income of 8.5 billion yen.**

The management policy for fiscal 2013 is "Rethinking the fundamentals of S.Q.C.D.E. (safety, quality, cost, development, ecology) for the benefit of customers and society." Although "D" normally represents "delivery," it stands for "development" in the management policy for this year.

As for development, Daifuku will use ICT across the Group. We will build a framework to provide new added value to customers, such as preventive maintenance functions, by reviewing the enormous volumes of data we have accumulated over the years, from customers' perspectives. We have also absorbed into Daifuku Co., Ltd. a subsidiary that primarily develops basic technologies, to enhance the development of new products.

Japanese companies have traditionally used development to differentiate their products in terms of technological innovation and quality. However, merely improving hardware functionality will not create a decisive distinction. To repeat, innovation from the customer's perspective—that is, developing products to meet specific customer needs—is paramount. In addition, considering the high evaluations our aftermarket services have received, **we will pursue comprehensive initiatives encompassing not only product development, but also after-sales service.**

Q. What message would you like to convey to shareholders and investors?

A. Daifuku will be focusing on the following three points to reinforce its financial integrity over the course of *Value Innovation 2017:*

1. **Generate free cash flow** for active use in global business development.
2. **Keep the R&I rating in the "A zone" or higher.**
3. **Sustain growth in dividends per share**, aiming for a medium- to long-term dividend payout ratio of 30%.

The Daifuku Group is consistently ranked highly among the industry leaders by the U.S. magazine *Modern Materials Handling* in its global sales ranking of material handling system suppliers. Moving forward, Daifuku will continue to position material handling as its core business while seeking to create a new level of corporate value by evolving into a true Value Innovator.

Daifuku will strive as a Group to accomplish the goals set out in *Value Innovation 2017*, so that its 80th anniversary in May 2017 can be a proud milestone in the Group's history. We respectfully ask all our stakeholders for their continued support and understanding.

Masaki Hojo
President and CEO

At a Glance

Countries & regions: 20

Consolidated subsidiaries: 47

Global factories: 11

Global branches: 7

(As of March 31, 2013)

Performance by Segment

(Billions of yen)

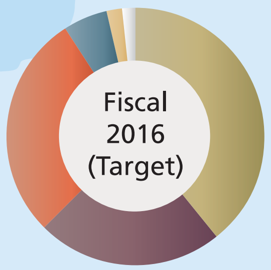
	Orders		Net sales		Segment income	
	FY2011	FY2012	FY2011	FY2012	FY2011	FY2012
Daifuku	111.87	106.56	114.61	110.09	1.88	5.60
Contec	8.35	9.32	8.16	8.93	0.06	0.17
Daifuku Webb*	25.77	44.85	28.27	38.15	1.12	0.56
Other	49.21	50.25	45.01	45.37	1.69	2.13

*Daifuku Webb Holding Company closes its accounting in December.

Sales by Region

(Billions of yen)

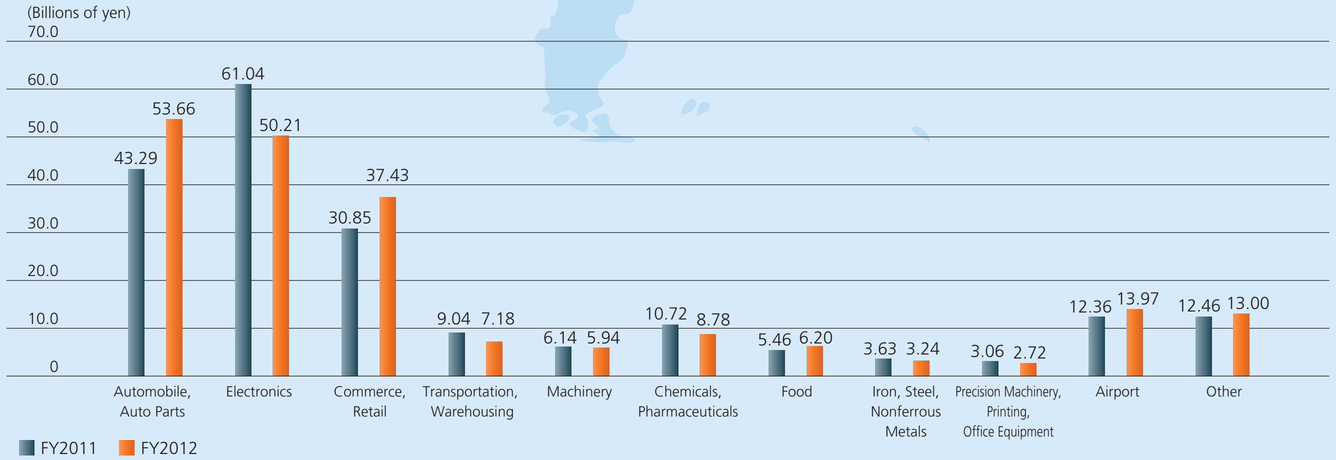
Japan	97.0
North America	39.3
Asia	51.3
Europe	9.0
Latin America	3.8
Other	1.7



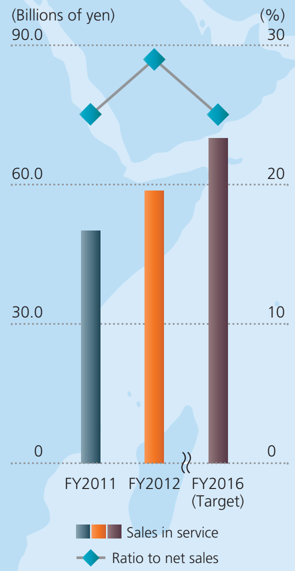
(Billions of yen)

Japan	110.0
North America	65.0
Asia	80.0
Europe	15.0
Latin America	6.0
Other	4.0

Sales by Industry

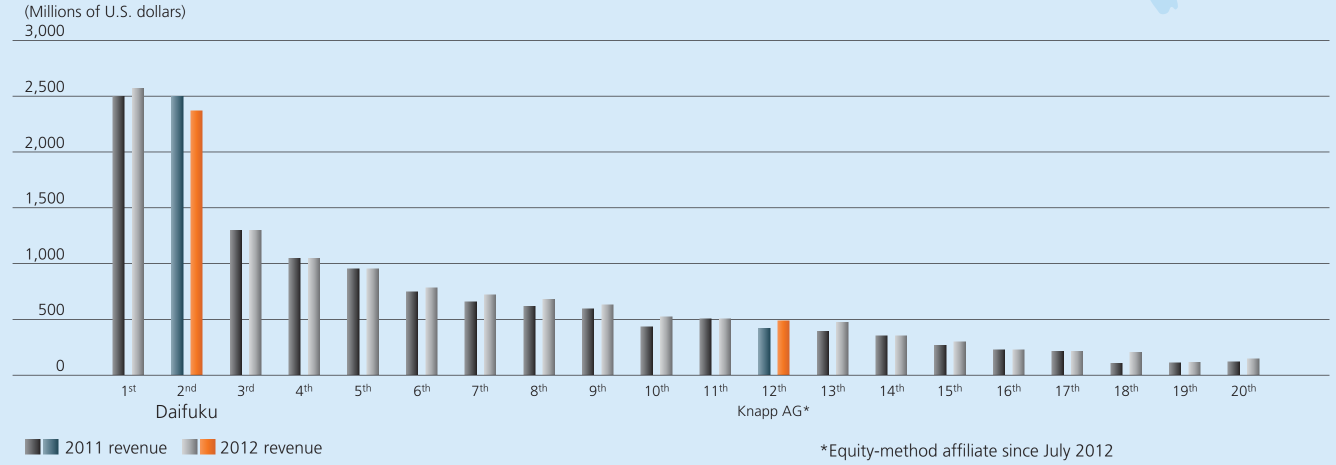


Sales of Services



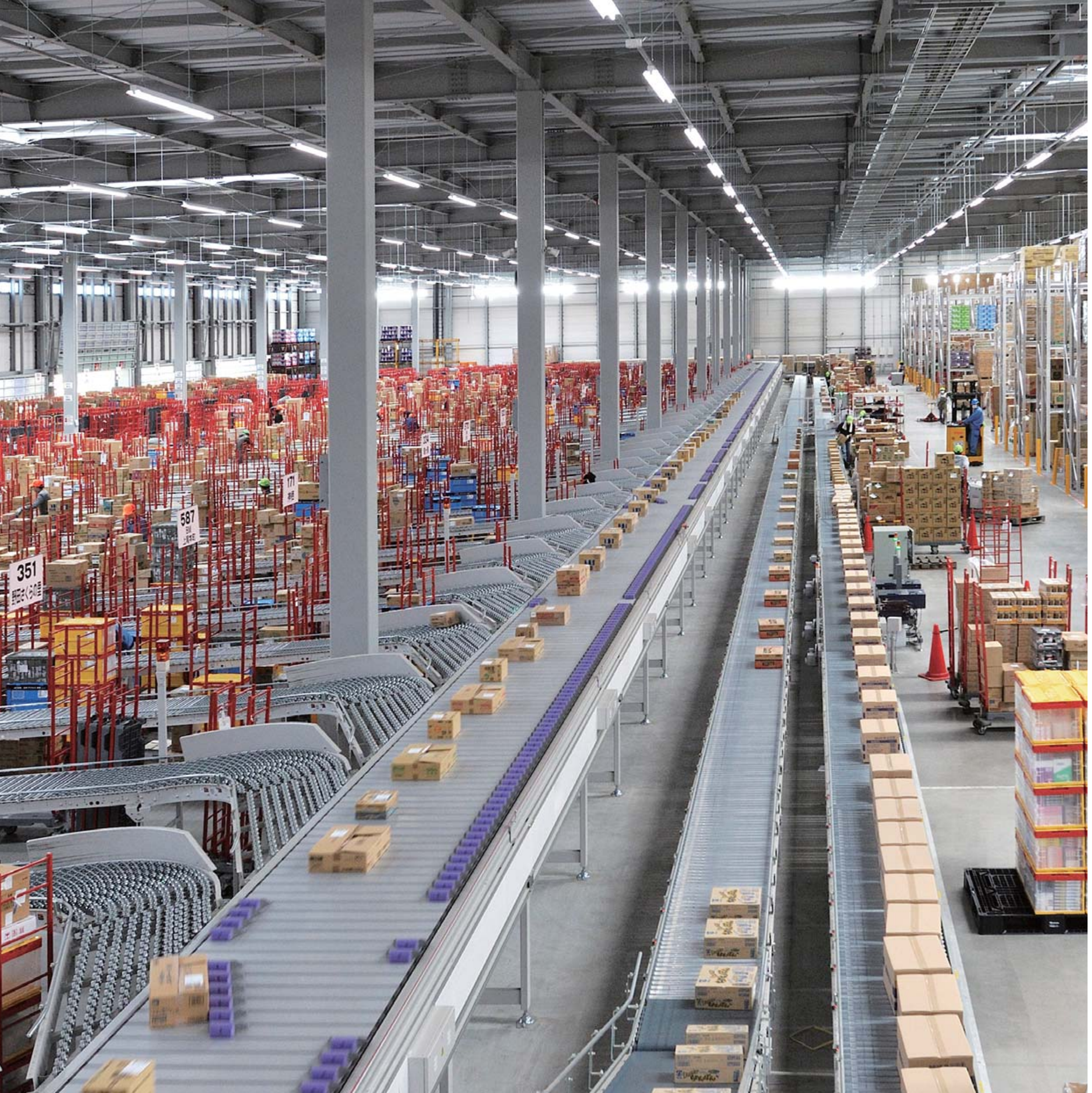
The ratio to net sales will decrease as net sales increase for fiscal 2016.

2012 Top 20 Material Handling System Suppliers



*Equity-method affiliate since July 2012

As published in U.S. magazine *Modern Materials Handling*, April 2013



Four-Year Business Strategy: Growth Centered on Asia and the Americas

Business Trends

Manufacturing and Distribution Automation

Seizing opportunities in emerging countries in Asia

In Japan, the following new market demands have expanded Daifuku's sphere of operations.

1) e-commerce: Higher-level distribution capabilities, such as same-day shipping, are developing along with rapid market growth.
2) Refrigerated storage: Due in part to Japan's aging population, demand for refrigerated storage facilities for pre-made foods, prepared meals and imported foods in supermarkets and convenience stores is growing.
3) Building of rental-based distribution centers by REITs*: This business style, which allows for nimble third-party logistics, has been well received by the transportation and warehousing sectors.

*REIT: real estate investment trust

In China, orders for large handling systems for food, retail and machinery components have been strong since the latter half of fiscal 2012. Demand for automated warehouse systems for distributors has been rapidly increasing in Thailand, while investments in Indonesia are accelerating. In all ASEAN countries, demand for automation and information technology in the manufacturing and distribution sectors is increasing alongside rising wages and living standards, spurring the Group's earnings.

The non-Japan sales ratio of this business for fiscal 2012 was about 20%. Markets outside Japan, which have considerable room for development, represent one of the major keys to achieving the sales targets for the new four-year business plan.

Cleanroom Automation

Rapid growth in FPD-related projects in China

Extreme fluctuations in demand are a major characteristic of this business. During the previous three-year business plan, capital investment in factories for flat-panel displays (FPDs) for use in TVs declined sharply, while sales of products for semiconductor factories were solid. In particular, firm sales of nitrogen purge stockers, developed to accommodate the increase in semiconductor miniaturization needs, are reflected in earnings.

In semiconductors, the advance of miniaturization technologies has led to the expansion of factories, increasing the importance of transport systems that connect interbay and intrabay systems. In addition, South Korean manufacturers are building new factories in China. Building of 450-mm wafer production pilot lines is also planned for the near future.

In FPDs, factories for small and midsized high-definition panels used in tablets and smartphones are under construction throughout China. As a top supplier of cleanroom storage and transport systems, Daifuku has been highly competitive in winning orders.

Daifuku (Suzhou) Cleanroom Automation Co., Ltd. began operations in March 2013 in Suzhou, China, and its factory has been working at full capacity ever since. (See picture above.)

"We were able to quickly begin operations thanks to our staff and the support of Group affiliates in Japan, Taiwan, South Korea and China. Our customers are very pleased that we have built a comprehensive sales and production framework in China," stated Daifuku Suzhou Chairman Tsuneo Sugimoto.

Topics

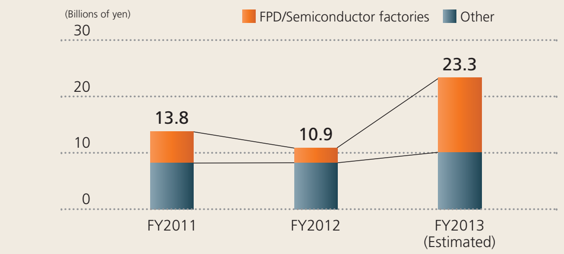
Knapp AG becomes an equity-method affiliate

In July 2012, Austrian logistics system manufacturer Knapp AG became an equity-method affiliate when Daifuku increased its equity stake to 30%. Daifuku will sell Knapp's A-Frame automated picking system and other products.

Topics

FPD factory demand becomes brisk in China

Sales in China



Automotive Automation

Markets in the Americas continue to expand amid strong sales

In fiscal 2012, sales increased considerably, as orders for automobile production line systems for North America and emerging countries, including Mexico, Thailand, Indonesia and Brazil, as well as orders for remodeling projects in North America and Japan, were brisk. Sales for fiscal 2013 are expected to remain favorable, with comparatively high levels of orders and sales continuing the next several years.

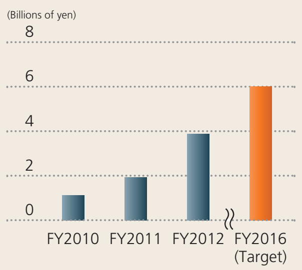
Automotive factories in Japan and North America are being updated and integrated to increase productivity. Daifuku is developing conveyor systems that do not require the reconstruction of floors or ceilings when installed in existing factories. Sales in Latin America are projected to increase by a factor of more than 1.5 from the fiscal 2012 level during the new four-year business plan. The Americas market will become a major pillar of this business.

Meanwhile, as automobile production continues to shift to emerging countries, such as China, India and Southeast Asian countries, Daifuku is getting involved in expanding the production of small, inexpensive automobiles. The Company is also developing products in line with local demand for cheap, simple systems.

Fiscal 2013 has seen a strong start, with production frameworks advancing in China. Exports to Japan and the United States are also rising steadily and the Daifuku Group has been receiving major orders from foreign automakers. Thailand has become the hub of the entire Asia-Pacific region's automobile industry and is establishing a growing presence as a key gateway for exports to Japan.

Topics

Sales in Latin America



New affiliate established in Mexico

In January 2013, Daifuku established Daifuku de México, S.A. de C.V. to accommodate increased plans for the construction of new automotive factories and upgrading of existing facilities in Mexico, focusing on Japanese automakers.

Airports

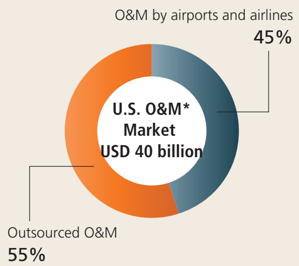
Entering the airport operation and maintenance sector to accommodate needs in the United States

In fiscal 2012, Daifuku established sales and development teams in Japan to accommodate the booming demand for new airport construction in Asia. The Company is also seeking orders in Europe and Africa through its European affiliates.

In the United States, airport operation and maintenance services are increasingly being outsourced. In November 2012, Daifuku acquired major U.S. airport operation and maintenance service company Elite Line Services, LLC (ELS). "ELS will help the Daifuku Group take a big step toward increasing our baggage handling business by allowing us to offer comprehensive support and maintenance," remarked Brian G. Stewart, President and CEO of Daifuku Webb Holding Company. Going forward, Daifuku aims to secure operation and service businesses in areas outside the United States as well.

Daifuku offers solutions to eliminate lost baggage to improve customer service at airports. Bags are individually placed on an RFID-equipped tray and are stored in an automated warehouse system. By combining this technology with three-dimensional, high-speed tilt tray sorters, bags can be accurately tracked and transported at high speeds.

Topics



*O&M: Operation and Maintenance

Elite Line Services, LLC

ELS operates in more than 20 airports across the United States and has more than 800 employees that provide operation and maintenance support for baggage handling systems, passenger boarding bridges, vehicle fleets and ground support equipment.

Car Wash Machines

South Korea's top car wash machine manufacturer joins the Daifuku Group

Daifuku has been expanding the framework of its car wash machine business through active M&A in Japan and overseas. As a result, Daifuku is now the top manufacturer of car wash machines in both Japan and South Korea.

In Japan, sales of car wash machines increased, due to strong markets in the filling station and automotive aftermarket sectors and supported in particular by the automobile dealer sector. In the self-service car wash market, Daifuku launched the flagship model TWINFECT FORCE with completely separate washing and drying units in December 2012, and released the lower-end drive-thru car wash model Twinthru ARTENO in February 2013, seeking to expand sales.

Hallim Machinery Co., Ltd., which joined the Group in fiscal 2012, is the leading car wash machine manufacturer in South Korea with a domestic market share of more than 50%. Hallim's operations have since been integrated with Daifuku Korea Co., Ltd.'s car wash division. Hallim's strength lies in its proven delivery record in Western and Asian markets, including the development and sale of products that comply with U.S. and European safety standards.

In addition to its efforts in South Korea, Daifuku has built a production framework in China. To accommodate growing demand related to car wash machines amid rapid increases in labor costs, Daifuku will strive to identify needs in the Chinese market.

Topics

GSPECT, a global product

In China and Japan, Daifuku sells the new car wash machine GSPECT, using China-made materials.

Electronics

Targeting the medical care and renewable energy sectors as well as global markets

Under its new medium-term business plan, Contec Co., Ltd. will focus on medical and nursing care, renewable energy and other non-manufacturing business areas as well as on markets outside of Japan. Contec will offer hospital bedside information terminals and specialized embedded computers in the medical and nursing care field. In renewable energy areas, Contec will also strengthen its photovoltaic data measuring and control systems business and take on new challenges in growing sectors such as energy management systems. Sales in the photovoltaic system-related business remained strong in the latter half of fiscal 2012, bolstered by the start of Japan's renewable energy buyback program, which standardized energy buyback prices.

Contec recently acquired DTx Inc., aiming to enter the field of medical devices in the United States.

In Singapore, Contec established a new affiliate in February 2013 with the aim of expanding sales in Southeast Asia and India, which have seen rapid economic growth. Contec will expand its global business, considering the establishment of new sales offices, including in Europe, India, and South Korea. It will also endeavor to expand global procurement and enhance the engineering capabilities of its global operations, starting with an increase in its number of engineers based in Taiwan.

In addition, Contec strives to develop non-contact power supply systems, as a new business. In particular, it focuses on developing new products for battery charging systems used for industrial and other vehicles.

Topics

U.S.-based DTx Inc. joins the Contec Group

DTx develops and sells controllers used in medical devices to major medical device manufacturers in the United States. Contec will provide industrial computers, measuring and control systems, controllers for analyzers, bedside information terminals for hospitals and other products through DTx.

Daifuku Korea

Localization advances at Daifuku Korea Co., Ltd.

Two important themes for the Daifuku Group are developing global personnel and advancing the localization of Group affiliates. Daifuku Korea, whose main customers are South Korean automakers, received the "Supplier of the Year 2012" award, given to only one supplier per year, from one of South Korea's largest automakers. Targeting sales expansion to local companies, Daifuku Korea is becoming a top runner in the Group.

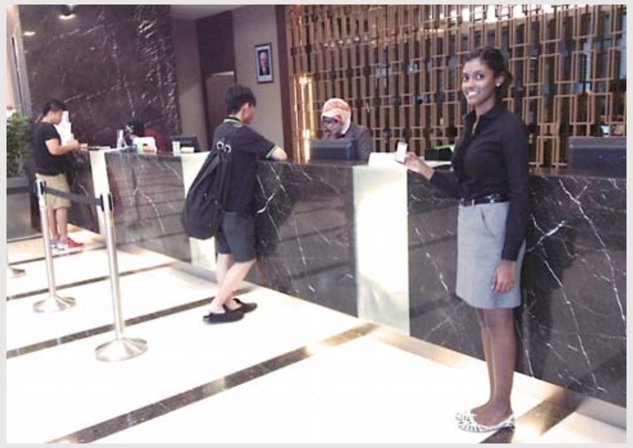
Daifuku Korea has achieved the highest level of localization within the Group. Originally set up in 1997 as a joint venture with a South Korean company to handle local trading, the company became a wholly owned subsidiary of Daifuku Co., Ltd. in 1999. Daifuku Korea boasts a high level of technology and combines the best of both Korean and Japanese business practices. Its workforce comprises mainly South Koreans, with only 5% Japanese personnel. It also vigorously undertakes projects in and outside South Korea. In fact, one of its strengths is having a strong track record in Europe.

In December 2012, Daifuku Korea completed a new office building in the rapidly developing Incheon Free Economic Zone. In addition to functioning as the main office, the new facility will serve as an R&D center with a focus on securing outstanding young engineering talent.

"We will use this opportunity to foster the next generation of excellent personnel. With a level of technology equal to that of Japan, we will aim to grow into a truly global company through further effective collaboration across the Group," remarked Daifuku Korea Chairman Tetsushi Imasato.

Daifuku Singapore

Strength in RFID solutions—Daifuku Mechatronics (Singapore) Pte. Ltd.



Daifuku Singapore boasts particular strengths in software engineering. Among its most cutting-edge projects is the building of radio frequency identification (RFID) applied systems.

Generally, RFID systems display performance problems in factories that handle many metal objects. Solving these problems, Daifuku Singapore successfully installed an RFID tool tracking system in a large aerospace engine maintenance facility.

Daifuku Singapore has also applied this expertise to a hotel guest management system, linking RFID tags with tablet terminals to ensure excellent service. When checking into the hotel, guests are issued RFID-embedded cards that transmit their name and location to terminals used by housekeeping and concierge staff. This enables convenient services, such as air conditioning and lighting automatically activating as guests approach their rooms.

Recently, RFID solutions have been employed in tray return systems at food courts, meeting local needs.

Daifuku Singapore Managing Director Koji Yamamoto commented, "We dispatch many of our supervisors to project sites in Singapore and abroad. Our personnel are extremely adaptive and outstanding. After returning from work in South Korea, many are able to speak Korean. We will continue to endeavor to produce new solutions."

Principal initiatives, systems, and accomplishments

- Daifuku is fulfilling its corporate social responsibility based on the key tenets of its management philosophy: "provide the best solutions to benefit the global markets and the development of society" and "focus on healthy, growth-driven global management under a diverse and positive corporate culture." The Company ceaselessly promotes the improvement of corporate governance, the platform supporting the realization of this mission.
- In fiscal 2011, Daifuku introduced the corporate officer system to accelerate management decision making and execution.
- Since fiscal 2012, Daifuku has further enhanced its corporate governance structure by instating a Board of Directors with one outside director, and a five-member Board of Corporate Auditors that includes three outside corporate auditors.
- In terms of internal control, Daifuku continues to promote awareness among all executives and employees of ethics and of Daifuku's corporate mission as an industry leader through communications in accordance with the Corporate Code of Conduct and initiatives of the Compliance Committee, which is composed of the president and all directors.

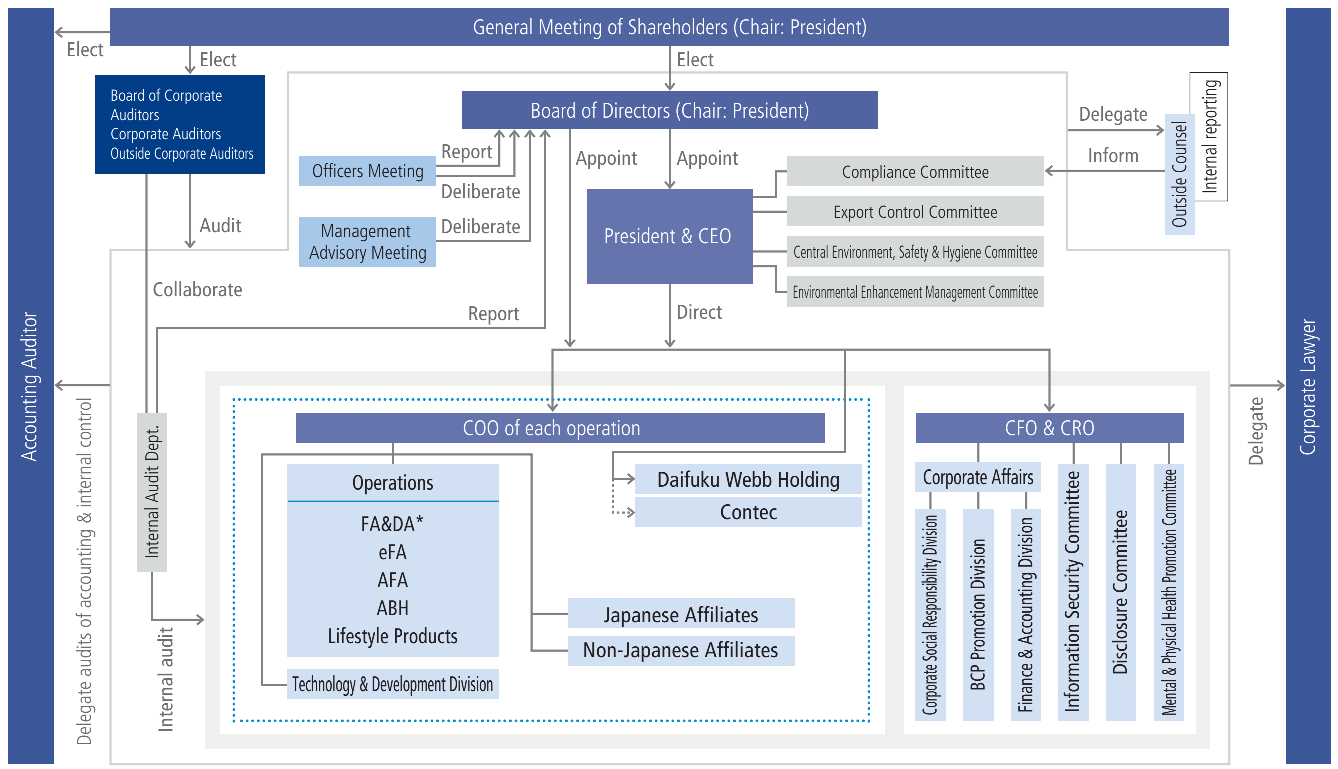
Management decision making, supervision, and business execution framework

Since introducing the corporate officer system* in fiscal 2011, Daifuku has reduced its number of directors; currently, the Board of Directors consists of 10 directors, including one outside director. The director's term of office is one year, and each officer's mandate is reviewed yearly at the general meeting of shareholders. The Board of Directors pursue decision making on important management matters, including management policy, and seek to vitalize its activities through the contribution of opinions from each individual director. The Board of Directors' regular meetings are held once a month, while extraordinary meetings are held as needed (six times in fiscal 2012).

Daifuku also holds the Management Advisory Meeting* (seven times in fiscal 2012), which comprises representative directors, to confer on important management matters, with corporate auditors in attendance, and make recommendations to the Board of Directors. The Meeting also seeks the opinions of relevant directors and external specialists on an as-needed basis, working to ensure sound management decision making.

Noboru Kashiwagi, elected as an outside director at the June 2012 General Meeting of Shareholders, takes a viewpoint that protects the interests of ordinary shareholders as an independent officer, meeting the regulations of the Tokyo Stock Exchange. He also provides insightful advice and recommendations to the Board of Directors based on his experience working outside of Japan in a leading trading company and extensive knowledge of corporate legal affairs and international trade laws. Through collaboration with the other directors, who are highly familiar with Daifuku's businesses, he helps vitalize the Board and enhance management objectivity and transparency.

Corporate Governance Structure



*FA&DA: Manufacturing and distribution automation, eFA: Cleanroom automation for semiconductor and flat panel displays, AFA: Automotive automation, ABH: Airport automation

The corporate officer system is in place to enhance the mobility and speed of management by dividing decision making and supervision functions from business execution functions. Corporate officers are appointed by the Board of Directors, and have a one-year term of office. The Company currently maintains 23 corporate officers, including one American officer and others serving concurrently as directors.

The Company also convenes officers' meetings,* which were established with the introduction of the corporate officer system, on the same days as the Board of Directors' regular meetings. All directors, corporate officers and full-time corporate auditors attend these meetings to discuss issues related to business execution. Corporate officers may also attend the Board of Directors' meetings and the Management Advisory Meeting, depending on the matters to be discussed. In these ways, Daifuku seeks to further enhance corporate governance and realize sustainable improvement in corporate value through quick management decision making and agile business execution structures based on communication among collegial bodies.

*Corporate officer systems, Management Advisory Meetings and officers' meetings established within companies with boards of corporate auditors are voluntary corporate bodies not specified in Japan's Companies Act.

Audit system

Daifuku maintains a Board of Corporate Auditors made up of five members, three of whom are elected from outside the Company. The Board of Corporate Auditors met on seven occasions during fiscal 2012.

Corporate auditors conduct audit and supervisory activities in accordance with the audit plan formulated at the beginning of the fiscal year. In the course of their duties, corporate auditors attend key meetings, including Board of Directors' meetings and officers' meetings, receive reports from directors and other officers, examine financial reporting documents, and visit various operating divisions, including factories, sales offices and Group companies, to monitor their financial activities. To promote coordination and effectiveness in auditing, corporate auditors exchange information and conduct business audits in coordination with the Internal Audit Department, and, together with accounting auditors, make inspection visits, exchange opinions about audit plans and results, and attend evaluation tests of internal control systems.

The three outside corporate auditors (Harumichi Uchida, Isao Kitamoto and Hiroyuki Torii) collectively boast a wealth of knowledge in fields that include law, news media, and science and technology. They also bring diverse perspectives to the Board of Corporate Auditors by exchanging opinions with the full-time corporate auditors, attending Board of Directors' meetings and gathering information. Along with the previously mentioned outside director, the Tokyo Stock Exchange has been notified that two of the outside corporate auditors (Isao Kitamoto and Hiroyuki Torii) are independent officers.

As Daifuku's contracted independent accounting auditor, PricewaterhouseCoopers Aarata, a PwC member firm, performs accounting and internal control audits.

Internal control improvements

Daifuku recognizes the construction and operation of healthy and strong internal control systems as important to improving the effectiveness of corporate governance as well as raising corporate trustworthiness and operational efficiency. Accordingly, the Company has built internal control systems centered on compliance, risk management and ensuring the reliability of financial reporting.

Regarding compliance, Daifuku has established a Compliance Committee chaired by the president, of which all directors are members, to supervise legal and other compliance. The combined CFO and CRO communicates with all directors and employees to ensure compliance with the Corporate Code of Conduct.

Regarding risk management, the Company creates and implements countermeasures through the BCP (business continuity plan) Promotion Division and the Corporate Social Responsibility Division, which are under the control of the CRO.

In April 2012, Daifuku launched a risk management promotion framework, composed of the COO of each business operations, to mitigate and minimize risks related to corporate management and strengthen emergency response structures. In preparation for major disasters, Daifuku has introduced a disaster response manual and a Companywide safety confirmation system that makes use of mobile phones, and has distributed satellite-based mobile phones to key locations.

In fiscal 2013 Daifuku will strive to establish Companywide BCM (business continuity management) that will garner even higher evaluations from stakeholders and third parties, with efforts including an expansion in the distribution of supply stockpiles for emergencies and the development of safety and crisis management systems outside of Japan.

Regarding the maintenance of reliable financial reporting, the Internal Audit Department serves as a bureau to upgrade and manage the Daifuku Group's internal control systems. As such, the Internal Audit Department works to prevent risks that could impede the reliability of financial reporting, educates employees across the Group about internal control systems and undertakes the integrated management of the Plan-Do-Check-Act cycle. Consequently, in its fiscal 2012 internal control report, based on the Financial Instruments and Exchange Act of Japan, Daifuku once again evaluated its internal control systems over financial reporting as effective.

Board member compensation

At Daifuku's June 2006 General Meeting of Shareholders, a resolution was passed limiting the total annual compensation of directors (excluding the salaries of staff) to 700 million yen, and that of corporate auditors to 110 million. Director and corporate auditor compensation in fiscal 2012 were as shown in the following table. No individual received total compensation on a consolidated basis of 100 million yen or more, nor did any individual outside officer receive compensation as a director or corporate auditor from Daifuku's subsidiaries besides that shown in the table.

Compensation for Directors and Corporate Auditors

(Amount Paid in Fiscal 2012)

Category	Number of individuals	Compensation
Directors (Outside directors)	14 (1)	393 million yen (11 million yen)
Corporate auditors (Outside corporate auditors)	6 (3)	77 million yen (30 million yen)
Total (Outside officer total)	20 (4)	470 million yen (41 million yen)

Note: The above table includes directors and corporate auditors who retired as of the June 2012 General Meeting of Shareholders.

Information disclosure and IR activities

Aiming to build relationships of trust and mutual understanding with all of its stakeholders, Daifuku strives toward fairness and openness in disclosure and all communications.

In particular, for shareholders and investors, Daifuku conducts timely, appropriate disclosure of information in accordance with the law, including the Financial Instrument and Exchange Act of Japan, and Tokyo Stock Exchange Regulations. For security analysts and institutional investors, the Company conducts investor relations (IR) activities, such as quarterly results briefings, additional company information sessions as needed and conference calls, and responds to individual requests for information.

With regard to individual investors, Daifuku broadly pursues transparency through tours of its facilities, various IR events and publications, and timely information disclosure on its website.

Promoting environmental management

The Company established the Environmental Enhancement Management Committee in April 2010 to develop and promote environmental management strategies aimed at the realization of a low-carbon society. Daifuku contributes to the reduction of CO_2 emissions not only from its business activities but also from consumer activities by providing environmentally friendly products and services.

Daifuku is advancing initiatives such as focusing efforts on environmentally friendly products, decreasing CO_2 emissions from its products and services by six times, overseeing and managing energy used in production and pursuing efforts at the Shiga Works to protect biodiversity.

The Company has also implemented the Daifuku Eco-Products Certification Program, which rates and certifies products based on in-house standards. Every product manufactured within the Daifuku Group is rated from the broad perspectives of energy savings, resource savings and pollution prevention, along with the specific criteria of electric power consumption reduction, recyclability, weight reduction, longevity, packaging materials use reduction, water saving, low noise generation, clean water preservation, and harmful substance emissions reduction. Products that meet certain standards are certified as Daifuku Eco-Products.

In October 2012, Daifuku became the first material handling systems manufacturer to receive a loan from the Development Bank of Japan (DBJ) based on the DBJ's environmental responsibility rating. The DBJ is the world's first bank to apply environmental management evaluations, using a three-rank system as a loan condition. Daifuku received the highest evaluation for its environmentally responsible initiatives.

Preventive measures against hostile large-scale acquisitions of Company shares

At the June 2012 General Meeting of Shareholders, shareholders approved the partial revisions of Daifuku's preventive measures against large-scale acquisitions of Company shares (takeover defense measures), aimed at protecting and advancing Daifuku's corporate value and stakeholders' interests. The limit for the takeover defense measures was once again set at three years.

Outside Director's Message

I assumed the position of Daifuku's outside director at the June 2012 General Meeting of Shareholders. In terms of corporate governance, my position is completely independent of Daifuku and its corporate management. I did not have any acquaintances from Daifuku Co., Ltd. prior to being approached.

Until March 2012, I had served as a professor of law at a university for 20 years, having previously worked in the legal department of a trading company for 29 years. While in the legal department of that company, I worked together with the sales and finance departments on such projects as joint ventures and corporate acquisitions. This experience has afforded me a solid understanding of corporate management.

As an outside director, my role encompasses both participating in and overseeing management. A major difference between outside directors and internal directors is the amount of information received. Taking care to proactively gather information, I hope to contribute to Daifuku's development from the perspective of an ordinary shareholder.

Noboru Kashiwagi
Director

Directors and Corporate Auditors

(As of June 26, 2013)

Directors

Front row, from left
- Mikio Inohara — Senior Managing Director, CFO and CRO
- Masaki Hojo — President and CEO
- Fumio Kobayashi — Executive Vice President and COO, Sales & Marketing
- Akio Tanaka — Senior Managing Director and COO, Manufacturing & Distribution Automation

Back row, from left
- Shuichi Honda — Director and COO, Corporate Affairs
- Masayoshi Inoue — Director and COO, Lifestyle Products
- Susumu Moriya — Director and COO, Cleanroom Automation
- Hiroyoshi Takeda — Director and COO, Automotive Automation
- Takashi Hiramoto — Director and COO, Airport Baggage Handling
- Noboru Kashiwagi — Outside Director, Independent Officer

Corporate Auditors

From left
- Tatsujiro Kurosaka — Corporate Auditor
- Isao Kitamoto — Outside Corporate Auditor, Independent Officer
- Harumichi Uchida — Outside Corporate Auditor
- Hiroyuki Torii — Outside Corporate Auditor, Independent Officer
- Setsuo Idehara — Corporate Auditor

Financial Section

Five-Year Summary

Daifuku Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2013, 2012, 2011, 2010 and 2009

(Millions of yen and thousands of U.S. dollars)

	2013		2012	2011	2010	2009
For the Year						
Net sales	**¥202,337**	**$2,152,754**	¥198,052	¥159,263	¥154,208	¥242,182
Cost of sales	**165,340**	**1,759,128**	165,505	131,639	128,195	195,430
Selling, general and administrative expenses	**28,986**	**308,403**	28,328	25,897	25,932	31,736
Operating income	**8,010**	**85,223**	4,217	1,726	80	15,015
Income before income taxes and minority interests	**7,316**	**77,842**	3,129	703	862	13,956
Net income	**4,439**	**47,229**	1,223	269	1,018	7,851
Net income per share (Yen and U.S. dollars)	**¥ 40.12**	**$ 0.43**	¥ 11.05	¥ 2.43	¥ 9.20	¥ 70.29
Cash dividends per share (Yen and U.S. dollars)	**15.00**	**0.16**	15.00	15.00	20.00	26.00
Capital investment	**¥ 7,687**	**$ 81,788**	¥ 2,393	¥ 3,221	¥ 2,280	¥ 4,613
Depreciation	**3,332**	**35,451**	3,612	3,577	3,679	3,930
R&D expenditures	**6,855**	**72,938**	6,484	6,370	6,075	8,018
At Year-End						
Total assets	**¥206,875**	**$2,201,038**	¥185,049	¥163,388	¥165,430	¥194,727
Working capital	**45,832**	**487,634**	61,943	65,908	66,265	75,087
Interest-bearing liabilities	**53,385**	**567,987**	51,010	40,912	45,295	55,417
Net assets	**85,685**	**911,643**	76,618	77,714	81,295	82,810
Net assets per share (Yen and U.S. dollars)	**¥ 754.98**	**$ 8.03**	¥ 674.72	¥ 683.39	¥ 716.07	¥ 718.68
Number of employees	**6,678**		5,617	5,209	5,395	5,660
Ratios						
Operating income/net sales	**4.0%**		2.1%	1.1%	0.1%	6.2%
Income before income taxes and minority interests/net sales	**3.6**		1.6	0.4	0.6	5.8
Net income/net sales	**2.2**		0.6	0.2	0.7	3.2
Return on shareholders' equity (ROE)	**5.6**		1.6	0.3	1.3	9.6
Shareholders' equity/total assets	**40.4**		40.3	46.3	47.9	40.9

Notes: 1. The amount of "Capital investment" in the year ended March 31, 2013 includes goodwill generated from acquisition of shares in U.S. companies by the Company's subsidiaries.
2. The U.S. dollar amounts in this annual report are translated from Japanese yen for convenience only, at the rate of ¥93.99 = U.S.$1.00, on the Tokyo Foreign Exchange Market on March 29, 2013.
3. In the calculation of net assets per share, the amount of minority interests is subtracted from the amount of net assets in accordance with the above guidelines.
4. In the calculation of shareholders' equity/total assets ratio and ROE, shareholders' equity represents the amount of net assets less minority interests.

Contents

Management Overview

In fiscal 2012, the year ended March 31, 2013, the global economy faced concerns about unresolved financial problems in European countries, the influence of which spilled over into China and other emerging countries, while the U.S. economy remained steady. In the first half of the fiscal year, the Japanese economy also weakened, with exports hampered by the strong yen. From the end of 2012 onward, however, expectations of economic recovery rose, reflecting the depreciation of the yen and a rise in stock prices.

The material handling and logistics industry continued to confront a difficult business environment, as overall recovery in demand remained moderate, despite signs of post-disaster reconstruction demand following the Great East Japan Earthquake.

Amid these operating conditions, the Daifuku Group saw projects for automobile factories in the United States, Mexico and Asia drive up overall orders, while orders from the distribution sector, including e-commerce, for large delivery centers within Japan benefited earnings. With regard to sales, projects for automobile factories both in and outside Japan were firm, and semiconductor factory projects in the United States, Taiwan and South Korea contributed to results. As a result, the Group received orders amounting to 210,990 million yen,* up 8.1% from fiscal 2011, and posted net sales of 202,337 million yen, up 2.2%. Specifically, sales to customers in Japan decreased 2.9% year on year to 97,047 million yen, while sales outside Japan increased 7.3% to 105,289 million yen. Consequently, the non-Japan sales ratio rose 2 points to 52%.

*Orders received include the order backlog of U.S.-based airport operation and service company Elite Line Services, LLC (ELS), which stood at 6,500 million yen as of the end of October 2012. The Daifuku Group concluded the acquisition of ELS in November 2012.

In terms of profits, operating income increased significantly, mainly due to Daifuku Co., Ltd.'s efforts in cost cutting and exacting comprehensive project management, the positive effect of the standardization of photovoltaic-related products manufactured by Contec Co., Ltd. and improvement in the profit margins of subsidiaries in Asia. Meanwhile, non-operating income increased on account of foreign exchange gains resulting from the depreciation of the yen during the fourth quarter of fiscal 2012, despite an impairment loss on bowling business-related assets that was recorded as a special loss. As a result, the Group recorded operating income of 8,010 million yen, an improvement of 89.9% from fiscal 2011, ordinary income of 7,999 million yen, an increase of 98.9%, and net income of 4,439 million yen, an increase of 262.9%.

Under the three-year business plan Material Handling and Beyond, Daifuku set targets of 220 billion yen in net sales and 11 billion yen in operating income on a consolidated basis for fiscal 2012, the final year of the plan. However, the business environment was harsh, and the Group fell short of those targets. Nevertheless, Daifuku has seen a clear recovery from the effects of the 2008 global financial crisis thanks to efforts across the Group to develop new products, businesses and markets and improve profitability. Building on these results, Daifuku aims for even greater progress during the new four-year business plan, which was launched in April 2013.

Operating Results by Segment

Results by segment are as described below. In the following description, net sales indicate sales to outside customers, and segment income is equivalent to net income. For an overview of results by segment and region, please see "At a Glance" on pages 6 to 7.

(1) Daifuku Co., Ltd.

Orders and net sales decreased from fiscal 2011, as demand for systems for flat-panel display (FPD) factories was sluggish despite firm results for major projects involving material handling systems for general manufacturers and companies in the distribution, semiconductor and automotive sectors. Segment income, however, increased, due in part to cost cutting at factories and strict project management at installation sites.

In storage, transport, sorting and picking systems for general manufacturers and distributors, orders and sales were firm in large projects for the pharmaceutical manufacturing, pharmaceutical wholesaling, agriculture and food sectors. Sales of new products, such as automated high-throughput warehouse systems, also benefited earnings. In addition, orders from the lithium-ion battery and e-commerce sectors for large projects increased. Orders for projects in Asia also increased.

In cleanroom transport and storage systems for the electronics sector, orders and sales remained strong for systems for semiconductor factories in North America, South Korea and Taiwan, backed by favorable sales of proprietary nitrogen purge stockers. Meanwhile, orders for major FPD factory projects in China were impacted by delays in contract procedures.

Orders for automobile production line systems were robust in emerging countries, such as Mexico, Thailand, Indonesia and Brazil, as were orders for holiday installations in May, August and around the New Year period in Japan. In addition to upgrades and maintenance services for automobile factories, sales from the installation of photovoltaic systems are increasing.

In car wash machines, sales in the filling station and car aftermarket sectors were strong. In other lifestyle products, the business centered on wheelchair lifts for care provider vehicles also contributed to increased sales, reflecting a rise in model replacement demand as a result of demographic aging.

In terms of profits, operating income, generated by selling storage, transport, sorting and picking systems for general manufacturers and distributors as well as automobile production line systems, increased significantly. In non-operating income, an increase in dividend income from subsidiaries outside Japan contributed to increased profits.

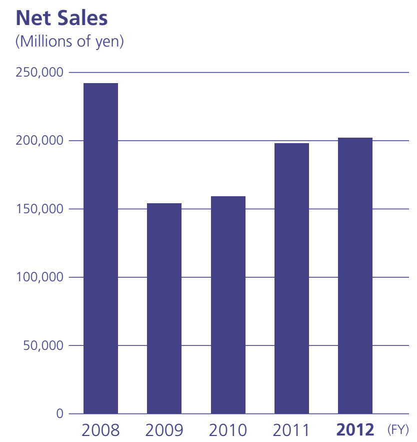
As a result, Daifuku recorded orders of 106,560 million yen, down 4.8% from fiscal 2011, net sales of 110,090 million yen, down 3.9%, and segment income of 5,603 million yen, up 197.0%.

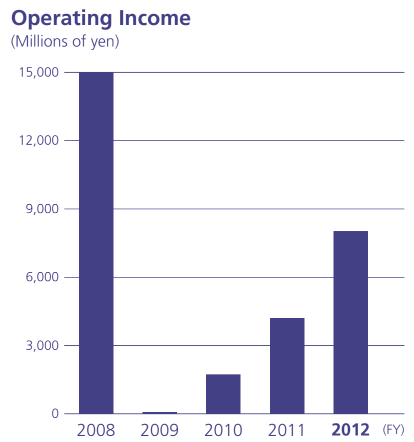
(2) Contec Co., Ltd.

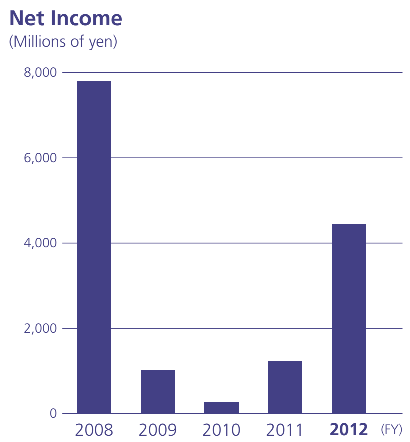
Orders, net sales and income all rose year on year, mainly due to growth in sales of photovoltaic-related products, which made up for decreased sales of electronic devices.

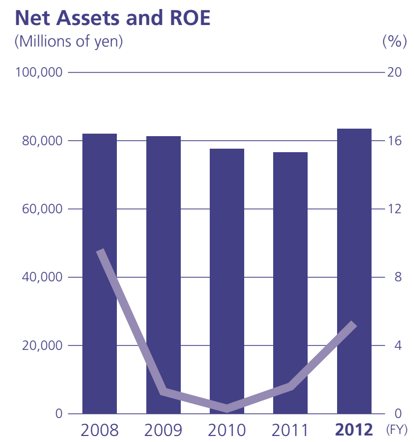
In electronic devices and solution products, sales of solution products, including photovoltaic data measuring systems, increased due to the commencement of Japan's renewable energy buyback program in 2012, also contributing to income. On the other hand, sales of extension boards, industrial-use personal computers and networking products were sluggish, influenced by decreased capital investment in manufacturing in Japan.

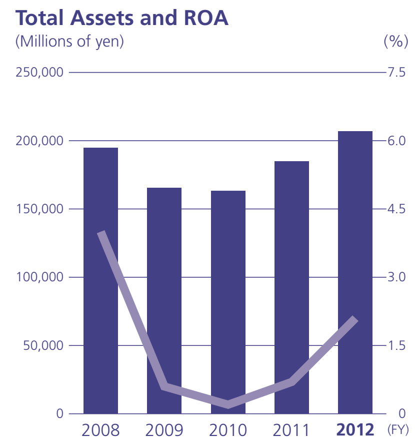
In system products, while impacted by intensifying competition in its mainstay area, the automotive sector, Contec aims to expand sales into new fields, such as the logistics systems business, through stepped-up collaboration with its business partners.











As a result, Contec posted orders of 9,321 million yen, up 11.6% from fiscal 2011, net sales of 8,935 million yen, up 9.5%, and segment income of 170 million yen, up 147.7%.

(3) Daifuku Webb Holding Company

Daifuku Webb Holding Company oversees Daifuku's North American business, with Daifuku America Corporation, Jervis B. Webb Company, and ELS, which joined the Group in November 2012, under its control. Daifuku Webb focuses on making effective use of operating resources, cutting costs, and integrating the operation of the Group entities in North America.

In fiscal 2012, orders and net sales increased due to favorable conditions in the automotive and semiconductor sectors. Segment income fell, due in part to declining conditions in the airport baggage handling systems market.

By industry, orders for automobile production line systems rose to record highs, thanks to brisk capital investment by automakers in North America. Orders and sales of systems for semiconductor factories were also favorable as customers front-loaded their capital investment. Sales of SmartCarts, Daifuku Webb's automatic guided carts, were strong, especially to the food, automotive, and automobile component sectors. Daifuku Webb also received an order from a U.S.-based fabricated aluminum producer for SmartCarts able to transport super heavyweight loads.

Amid the increased orders from the above sectors, the expansion of Daifuku Webb's Ohio Plant was completed in June 2012, benefiting performance through increased production volumes and efficiency.

In airport baggage handling systems, orders and sales were affected by delays in new projects and intensifying competition in North America due to European competitors shifting their focus to the North American markets amid a decline in European markets, leading to decreased profits. Due to the consolidation of ELS in the last two months of the fourth quarter of fiscal 2012, orders increased, reflecting the addition of ELS's order backlog.

As a result, Daifuku Webb achieved orders of 44,854 million yen, up 74.1% from fiscal 2011, net sales of 38,150 million yen, up 34.9%, and segment income of 562 million yen, down 49.9%.

(4) Other

Other, consisting of all the Daifuku Group's other consolidated subsidiaries, remained strong, with orders, net sales and segment income all up year on year, mainly due to the solid development of subsidiaries throughout Asia.

In China, orders and inquiries from the food, retail and machinery components sectors for large material handing systems increased. Daifuku (China) Co., Ltd. improved its production framework for automobile production line systems and rapidly increased its output of systems destined for Japan and the United States, which compensated for slowdowns in the investment schedules of locally based Japanese automakers. In Taiwan, orders for large systems for semiconductor factories countered a decrease in FPD-related investment. In South Korea, orders for and sales of systems for semiconductor and automobile factories remained strong. Daifuku Korea Co., Ltd. advanced the integration of its car-wash division with Hallim Machinery Co., Ltd., South Korea's top car wash machine manufacturer, acquired in August 2012, improving efficiency.

In the ASEAN region, Daifuku (Thailand) Ltd. recorded orders for automated warehouse systems for the food sector in addition to increased orders for automobile production line systems. In Indonesia and Singapore, inquiries related to automation and information technologies are increasing across a wide range of sectors.

In Europe, Logan Teleflex (UK) Ltd. and Logan Teleflex (France) S.A.S., which joined the Group in fiscal 2011, have been seeking orders for airport baggage handling systems in Europe and Africa. In addition, Daifuku increased its stake in Knapp AG to 30% in July 2012, having held a stake in the Austria-based logistics system manufacturer since October 2010, making Knapp an equity-method affiliate.

Consequently, the segment received orders of 50,253 million yen, up 2.1% compared with fiscal 2011, net sales of 45,370 million yen, up 0.8%, and segment income of 2,134 million yen, up 25.7%.

Earnings

During fiscal 2012, as net sales increased 2.2% to 202,337 million yen, the cost of sales ratio decreased due to Daifuku Co., Ltd.'s efforts in cost cutting and exacting comprehensive project management. As a result, operating income increased 89.9% from 4,217 million yen in fiscal 2011 to 8,010 million yen, and the operating income margin improved 1.9 points from 2.1% in fiscal 2011 to 4.0%.

Ordinary income in fiscal 2012 came to 7,999 million yen, up 98.9% compared with fiscal 2011, due to an increase in operating income as well as non-operating income, consisting of foreign currency exchange gains resulting from the depreciation of the yen at the end of 2012. In special income and loss, reflecting market trends and the performance of the bowling business, Daifuku posted an impairment loss on bowling business-related assets as a special loss. However, loss on valuation of investments in securities was not recognized due to improved stock market conditions. As a result, income before income taxes and minority interests was 7,316 million yen, a 133.8% increase from fiscal 2011. Tax expenses were reduced due to the absence of expenses accompanying the reversal of deferred tax assets following the enactment of the previous fiscal year's revised Corporation Tax Act of Japan. Accordingly, net income in fiscal 2012 jumped to 4,439 million yen, up 262.9% from fiscal 2011, while the ratio of net income to net sales improved from 0.6% to 2.2%.

As a result, net income per share of common stock increased from 11.05 yen in fiscal 2011 to 40.12 yen. (There were no dilutive shares in either fiscal 2011 or fiscal 2012.)

Financial Standing

Assets, liabilities and net assets

Total assets at the end of fiscal 2012 were 206,875 million yen, a rise of 21,826 million yen from 185,049 million yen at the end of fiscal 2011.

Within total assets, current assets increased 9,889 million yen from the end of fiscal 2011 to 139,831 million yen, because of increased cash on hand and in banks in addition to increased inventories due to sales increases. Non-current assets stood at 67,044 million yen, up 11,936 million yen from fiscal 2011, because of increases in property, plant and equipment, goodwill, and the value of investments in securities due to stock market recovery. Capital investment in fiscal 2012 was 7,687 million yen, up 5,293 million yen from fiscal 2011. This was mainly attributable to investments in new facilities and updates to existing facilities, including renovations to production facilities at the Shiga Works, factory expansion under Daifuku Webb in the United States, and the construction of a new headquarters and R&D center by Daifuku Korea, as well as goodwill generated from Daifuku Webb's acquisition of shares in ELS and Contec's acquisition of shares in DTx Inc.

Total liabilities at the end of fiscal 2012 stood at 121,190 million yen, an increase of 12,759 million yen from 108,431 million yen as of the end of fiscal 2011. Primary changes under current liabilities included rises in notes and accounts payable and construction contracts payable—reflecting enhanced performance—along with a rise in current portion of long-term borrowings. As a result, current liabilities at the end of fiscal 2012 stood at 93,998 million yen, up 25,999 million yen from the end of fiscal 2011. Non-current liabilities decreased 13,240 million yen to 27,191 million yen, in part as a result of decreased long-term borrowings. Total interest-bearing liabilities, including short- and long-term borrowings and bonds, amounted to 53,385 million yen, an increase of 2,374 million yen compared with the end of fiscal 2011.

Net assets at the end of fiscal 2012 amounted to 85,685 million yen, an increase of 9,067 million yen compared with the end of fiscal 2011. The primary factors included an increase in retained earnings, due to an increase in net income, and a rise in comprehensive income, due in part to fluctuations in the value of investments in securities and foreign currency exchange rates. As a result, net assets per share increased from 674.72 yen at the end of fiscal 2011 to 754.98 yen, while the shareholders' equity to total assets stood at 40.4%, up from 40.3%.

Return on equity improved for the second year in a row, from 1.6% at the end of fiscal 2011 to 5.6%.

Cash flows

Net cash provided by operating activities totaled 15,666 million yen, compared with net cash used of 5,187 million yen in fiscal 2011. The major factors were an increase in income before income taxes and a decrease in notes and accounts receivable, in contrast to an increase in fiscal 2011.

Net cash used in investing activities was 13,649 million yen, compared with net cash used of 4,039 million yen in fiscal 2011. Major factors in this increase included increased payments for purchase of property, plant and equipment and a rise in payments for acquisition of shares in subsidiaries and affiliates.

Net cash provided by financing activities was 88 million yen, compared with net cash provided of 7,709 million yen in fiscal 2011. The decrease in net cash provided was mainly attributable to a net decrease in short-term borrowings and payments for the redemption of bonds.

After adding the cash and cash equivalents at the beginning of the fiscal year and exchange rate changes to the above results of cash flows, cash and cash equivalents at the end of fiscal 2012 stood at 33,722 million yen, an increase of 4,284 million yen from the end of fiscal 2011.

Basic policy regarding dividends for fiscal 2012 and 2013

Daifuku regards the return of profits to shareholders as its most important management task and adopts a performance-based policy for dividends from surpluses, based on consolidated net income. With regard to the remaining surplus, the Company's basic policy is to raise funds to invest in future growth.

For fiscal 2012, Daifuku paid an interim dividend of 5 yen per share and a year-end dividend of 10 yen per share, for an annual dividend 15 yen per share. Compared with fiscal 2011, the annual dividend remained on par at 15 yen per share.

With respect to dividends for fiscal 2013 (the year ending March 31, 2014), the Company expects to maintain an annual dividend payment of 15 yen per share (an interim dividend of 5 yen and a year-end dividend of 10 yen), taking its performance for fiscal 2012 and the current business environment into comprehensive consideration.

Plans and Outlook for Fiscal 2013

Start of the new four-year business plan

Daifuku commenced its new four-year business plan *Value Innovation 2017* in April 2013. Under this plan, Daifuku aims to evolve from a manufacturer and integrator of material handling systems into a top-class Value Innovator capable of delivering optimal solutions to its customers. For more information about the concept and policies of the plan, please refer to "Interview with the President" on pages 1 to 5.

Daifuku expects continued growth in sales and income in fiscal 2013, based in part on the following factors:

(1) Companies acquired in fiscal 2012 (including U.S.-based ELS and U.S-based DTx, a company engaged in the manufacture and sales of controllers embedded in medical devices under Daifuku subsidiary Contec Co., Ltd.) will be included in the scope of consolidation for the entire year.

(2) Forecasted growth in Asia and North America for storage, transport, sorting and picking systems for general manufacturers and distributors.

(3) The translation of overseas subsidiaries' financial results into yen will be positively affected by the current depreciation of the yen.

Cautionary statement with respect to forward-looking statements

The statements contained herein about the future, such as those in the abovementioned business performance outlook and plans, are forward-looking statements made based on the information currently available to the Company as of July 2013, as well as certain assumptions judged to be rational by the Company based on such information. Readers should bear in mind that, due to various factors (including but not limited to the risks listed below), actual results may differ substantially.

Business-Related Risks

The main items that the Daifuku Group recognizes as risks and responds to as such are as follows.

Risks covered by the CFO & CRO

(1) Major disruptions in production (damage to facilities, etc.)

(2) Impact of natural disasters and intentional threats, war, acts of terrorism, strikes, disease, etc.

(3) Environmental problems

(4) Labor relations issues (deterioration in employee-management relationship, outbreak of industrial disputes, etc.)

(5) Joint ventures (changes in management policy at joint venture partner(s), changes in management environment, etc.)

(6) Risk related to intellectual property (IP) rights (failure to obtain the license for use of the necessary third-party IP rights/high royalty demands; third-party allegations of IP right infringement(s); lack of protection of Daifuku IP rights in certain countries and regions outside of Japan, etc.)

(7) Securing of personnel (recruitment and retention of competent personnel; difficulties in training human resources and securing successors, etc.)

(8) Customer/Supplier credit risk (customer/supplier bankruptcy; doubtful accounts/bad debts, etc.)

(9) Information management (leak of important and/or personal information to outside the Company; use for purposes other than that intended, etc.)

(10) Risk related to global business development (changes to each country's laws and regulations; changes in the social, political and economic situation; deterioration of public safety, disruption to transportation/electric power infrastructure; currency exchange restrictions and fluctuations; tax system changes; taxation by transfer price; trade protection regulations; customer credit risk from different commercial practices; different employment/social insurance systems; changes in labor environment; difficulties in recruiting/retaining personnel; outbreaks of disease, etc.)

Risks covered by the COO of business operations

(1) Changes in conditions in the markets related to semiconductors and flat-panel displays, as well as automobiles (changes in demand/capital investment trends, etc.)

(2) Price competition (pressure on profits due to fierce price competition, etc.)

(3) Product quality issues (product defects/failures, quality claims/complaints, etc.)

(4) Risk related to the development of new products/technologies (mismatch between new products/technologies and market needs; rival developments from competitors; absence of IP right protection; breach of another company's IP rights; emergence of new alternative technology products from other companies, etc.)

(5) Increase in raw material prices (sharp increase in prices for raw materials and components, product shortages, supply instability, etc.)

Risk covered by the Compliance Committee

Compliance-related risk (trouble or losses caused by director/employee failure to observe laws, regulations, standards, internal regulations, contracts, etc.)

Consolidated Balance Sheets

Daifuku Co., Ltd. and consolidated subsidiaries
March 31, 2013 and 2012

	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
	March 31		March 31
ASSETS	**2013**	2012	**2013**
Current assets:			
Cash on hand and in banks (Notes 8 and 27)	**¥ 33,735**	¥ 29,577	**$ 358,922**
Notes and accounts receivable and unbilled receivables (Notes 7 and 8)	**68,826**	68,676	**732,277**
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 8)	**13,138**	10,481	**139,784**
Merchandise and finished goods	**3,368**	2,523	**35,841**
Costs incurred on uncompleted construction contracts and other (Note 6)	**5,751**	5,427	**61,196**
Raw materials and supplies	**8,484**	7,593	**90,269**
Deferred income taxes (Note 26)	**2,471**	1,613	**26,291**
Other current assets	**4,160**	4,160	**44,261**
Less: allowance for doubtful accounts	**(105)**	(112)	**(1,117)**
Total current assets	**139,831**	129,942	**1,487,727**
Non-current assets:			
Property, plant and equipment (Notes 5 and 12):			
Buildings and structures	**14,586**	14,242	**155,187**
Machinery and vehicles	**2,621**	2,512	**27,894**
Tools and fixtures	**1,030**	780	**10,960**
Land	**11,668**	11,597	**124,140**
Other	**1,390**	1,298	**14,799**
Total property, plant and equipment	**31,297**	30,430	**332,982**
Intangible assets:			
Software	**2,119**	2,330	**22,551**
Goodwill	**5,768**	2,258	**61,377**
Other	**1,146**	284	**12,202**
Total intangible assets	**9,035**	4,874	**96,131**
Investments and other assets:			
Investments in securities (Notes 8, 9, and 10)	**19,376**	10,342	**206,159**
Long-term loans	**125**	368	**1,338**
Deferred income taxes (Note 26)	**3,923**	5,267	**41,741**
Other	**3,434**	4,018	**36,543**
Less: allowance for doubtful accounts	**(148)**	(194)	**(1,584)**
Total investments and other assets	**26,711**	19,802	**284,197**
Total non-current assets	**67,044**	55,107	**713,310**
Total assets	**¥206,875**	¥185,049	**$2,201,038**

The accompanying notes are an integral part of these statements.

	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
	March 31		March 31
LIABILITIES	**2013**	2012	**2013**
Current liabilities:			
Notes and accounts payable and construction contracts payable (Note 8)	**¥ 36,553**	¥ 33,070	**$ 388,913**
Short-term borrowings and current portion of long-term borrowings (Notes 8 and 11)	**28,221**	13,861	**300,264**
Current portion of bonds (Note 8)	**6,000**	4,000	**63,836**
Income taxes payable	**1,416**	783	**15,074**
Deferred income taxes (Note 26)	**—**	8	**—**
Provision for losses on construction contracts (Notes 6 and 19)	**739**	804	**7,866**
Other current liabilities (Note 11)	**21,066**	15,470	**224,138**
Total current liabilities	**93,998**	67,998	**1,000,093**
Non-current liabilities:			
Bonds (Notes 8 and 11)	**—**	6,000	**—**
Long-term borrowings (Notes 8 and 11)	**19,163**	27,149	**203,886**
Deferred income taxes (Note 26)	**1,007**	1,009	**10,719**
Provision for retirement benefits (Note 13)	**4,712**	3,318	**50,139**
Negative goodwill	**299**	359	**3,187**
Other non-current liabilities (Note 11)	**2,008**	2,594	**21,367**
Total non-current liabilities	**27,191**	40,432	**289,301**
Total liabilities	**121,190**	108,431	**1,289,395**
Contingent liabilities (Note 15)			
NET ASSETS			
Shareholders' equity (Note 17):			
Common stock:			
Authorized—250,000,000 shares			
Issued—113,671,494 shares	**8,024**	8,024	**85,370**
Capital surplus	**9,028**	9,028	**96,056**
Retained earnings	**69,859**	67,382	**743,260**
Less: treasury stock, at cost—March 31, 2013—3,022,663 shares			
—March 31, 2012—3,016,058 shares	**(2,424)**	(2,421)	**(25,796)**
Total shareholders' equity	**84,486**	82,013	**898,892**
Accumulated other comprehensive income:			
Net unrealized gain on securities	**1,809**	247	**19,247**
Deferred gain (loss) on hedges	**(14)**	11	**(156)**
Foreign currency translation adjustments	**(2,743)**	(7,611)	**(29,184)**
Total accumulated other comprehensive income	**(948)**	(7,352)	**(10,093)**
Minority interests			
Minority interests	**2,147**	1,956	**22,845**
Total net assets	**85,685**	76,618	**911,643**
Total liabilities and net assets	**¥206,875**	¥185,049	**$2,201,038**

Consolidated Statements of Income and Comprehensive Income

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2013 and 2012

	(Millions of yen) March 31		(Thousands of U.S. dollars) (Note 4) March 31
	2013	2012	**2013**
Net sales	**¥202,337**	¥198,052	**$2,152,754**
Cost of sales (Notes 19 and 20)	**165,340**	165,505	**1,759,128**
Gross profit	**36,996**	32,546	**393,626**
Selling expenses (Note 18)	**14,746**	14,698	**156,897**
General and administrative expenses (Notes 18 and 20)	**14,240**	13,630	**151,505**
Total selling, general and administrative expenses	**28,986**	28,328	**308,403**
Operating income	**8,010**	4,217	**85,223**
Other income:			
Interest income	**96**	100	**1,031**
Dividend income	**242**	235	**2,580**
Foreign exchange gain	**184**	—	**1,962**
Amortization of negative goodwill	**59**	59	**637**
Land and house rental revenue	**227**	228	**2,425**
Miscellaneous income	**180**	248	**1,917**
Total other income	**991**	872	**10,554**
Other expenses:			
Interest expenses	**887**	858	**9,443**
Foreign exchange loss	**—**	70	**—**
Miscellaneous expenses	**115**	138	**1,227**
Total other expenses	**1,003**	1,067	**10,671**
Ordinary income	**7,999**	4,022	**85,105**
Special income:			
Gain on sales of property, plant and equipment (Note 22)	**159**	3	**1,701**
Other	**5**	1	**56**
Total special income	**165**	4	**1,757**
Special loss:			
Loss on sales of property, plant and equipment (Note 23)	**46**	23	**492**
Loss on disposal of property, plant and equipment (Note 21)	**159**	105	**1,691**
Loss on valuation of investments in securities	**—**	718	**—**
Impairment loss (Note 25)	**544**	—	**5,797**
Other	**97**	51	**1,039**
Total special loss	**847**	898	**9,021**
Income before income taxes and minority interests	**7,316**	3,129	**77,842**
Income taxes (Note 26)			
Current	**2,534**	1,540	**26,961**
Deferred	**254**	300	**2,704**
Total income taxes	**2,788**	1,840	**29,666**
Income before minority interests	**4,528**	1,288	**48,176**
Minority interests in net income	**88**	65	**946**
Net income	**4,439**	1,223	**47,229**
Minority interests in net income	**88**	65	**946**
Income before minority interests	**4,528**	1,288	**48,176**
Other comprehensive income (loss) (Note 24)			
Net unrealized gain on securities	**1,568**	731	**16,683**
Deferred gain (loss) on hedges	**(17)**	43	**(181)**
Foreign currency translation adjustments	**3,853**	(1,285)	**40,994**
Share of other comprehensive income (loss) of affiliates accounted for by the equity method	**1,113**	(34)	**11,850**
Total other comprehensive income (loss)	**6,517**	(545)	**69,346**
Comprehensive income (Note 24)	**¥ 11,045**	¥ 743	**$ 117,523**
(Comprehensive income attributable to:)			
Shareholders of the parent company	**10,842**	699	**115,359**
Minority interests	**203**	44	**2,163**

	(Yen)		(U.S. dollars)
Net income per share (Note 31)	**¥40.12**	¥11.05	**$0.43**
Cash dividends per share	**15.00**	15.00	**0.16**

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, 2013 and 2012

	Number of shares of common stock	Shareholders' equity: Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	(Thousands)	(Millions of Yen)				
Balance at March 31, 2011	113,671	¥8,024	¥9,028	¥67,819	¥(2,417)	¥82,454
Cash dividends	—	—	—	(1,659)	—	(1,659)
Net income	—	—	—	1,223	—	1,223
Purchase of treasury stock	—	—	—	—	(3)	(3)
Disposal of treasury stock	—	—	(0)	—	0	0
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2012	113,671	¥8,024	¥9,028	¥67,382	¥(2,421)	¥82,013
Cash dividends	—	—	—	(1,659)	—	(1,659)
Net income	—	—	—	4,439	—	4,439
Purchase of treasury stock	—	—	—	—	(3)	(3)
Decrease due to acquisition of shares in a subsidiary	—	—	—	(302)	—	(302)
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2013	**113,671**	**¥8,024**	**¥9,028**	**¥69,859**	**¥(2,424)**	**¥84,486**

	Accumulated other comprehensive income: Net unrealized gain (loss) on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
	(Millions of Yen)					
Balance at March 31, 2011	¥ (482)	¥(32)	¥(6,313)	¥(6,828)	¥2,088	¥77,714
Cash dividends	—	—	—	—	—	(1,659)
Net income	—	—	—	—	—	1,223
Purchase of treasury stock	—	—	—	—	—	(3)
Disposal of treasury stock	—	—	—	—	—	0
Net changes of items other than shareholders' equity	730	43	(1,298)	(523)	(132)	(656)
Balance at March 31, 2012	¥ 247	¥ 11	¥(7,611)	¥(7,352)	¥1,956	¥76,618
Cash dividends	—	—	—	—	—	(1,659)
Net income	—	—	—	—	—	4,439
Purchase of treasury stock	—	—	—	—	—	(3)
Decrease due to acquisition of shares in a subsidiary	—	—	—	—	—	(302)
Net changes of items other than shareholders' equity	1,561	(26)	4,868	6,403	190	6,594
Balance at March 31, 2013	**¥1,809**	**¥(14)**	**¥(2,743)**	**¥ (948)**	**¥2,147**	**¥85,685**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets (Continued)

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2013 and 2012

	Number of shares of common stock	Shareholders' equity: Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	(Thousands)	(Thousands of U.S. dollars) (Note 4)				
Balance at March 31, 2012	113,671	$85,370	$ 96,056	$716,913	$(25,761)	$ 872,580
Cash dividends	—	—	—	(17,659)	—	(17,659)
Net income	—	—	—	47,229	—	47,229
Purchase of treasury stock	—	—	—	—	(35)	(35)
Decrease due to acquisition of shares in a subsidiary	—	—	—	(3,223)	—	(3,223)
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2013	**113,671**	**$85,370**	**$ 96,056**	**$743,260**	**$(25,796)**	**$ 898,892**

	Accumulated other comprehensive income: Net unrealized gain (loss) on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
	(Thousands of U.S. dollars) (Note 4)					
Balance at March 31, 2012	$ 2,638	$ 120	$(80,982)	$(78,223)	$20,817	$815,174
Cash dividends	—	—	—	—	—	(17,659)
Net income	—	—	—	—	—	47,229
Purchase of treasury stock	—	—	—	—	—	(35)
Decrease due to acquisition of shares in a subsidiary	—	—	—	—	—	(3,223)
Net changes of items other than shareholders' equity	16,609	(277)	51,797	68,130	2,027	70,157
Balance at March 31, 2013	**$19,247**	**$(156)**	**$(29,184)**	**$(10,093)**	**$22,845**	**$911,643**

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, 2013 and 2012

	(Millions of yen) March 31 2013	2012	(Thousands of U.S. dollars) (Note 4) March 31 2013
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 7,316**	¥ 3,129	**$ 77,842**
Adjustments for:			
Depreciation	**3,332**	3,612	**35,451**
Impairment loss	**544**	—	**5,797**
Amortization of goodwill	**376**	343	**4,006**
Amortization of negative goodwill	**(59)**	(59)	**(637)**
Interest and dividend income	**(339)**	(336)	**(3,611)**
Interest expenses	**887**	858	**9,443**
Loss on disposal or sales of property, plant and equipment	**205**	128	**2,184**
Loss on valuation of investments in securities	**—**	718	**—**
Decrease (increase) in notes and accounts receivable	**3,306**	(20,969)	**35,181**
(Increase) decrease in inventories	**(1,225)**	1,826	**(13,035)**
Increase in notes and accounts payable	**1,054**	6,763	**11,215**
Decrease in advances received on uncompleted construction	**2,132**	2,173	**22,687**
Other, net	**311**	(1,927)	**3,314**
Subtotal	**17,843**	(3,738)	**189,840**
Interest and dividend income received	**334**	333	**3,561**
Interest expenses paid	**(888)**	(860)	**(9,450)**
Income taxes paid	**(1,921)**	(1,177)	**(20,446)**
Other, net	**298**	255	**3,177**
Net cash provided by (used in) operating activities	**15,666**	(5,187)	**166,681**
Cash flows from investing activities:			
Acquisition of shares in newly consolidated subsidiaries	**(4,495)**	(565)	**(47,829)**
Acquisition of shares in newly included equity-method affiliates	**(3,449)**	—	**(36,702)**
Proceeds from paid-in capital reduction in a non-consolidated subsidiary	**800**	—	**8,511**
Investments in time deposit	**(0)**	(135)	**(3)**
Proceeds from refund of time deposit	**136**	66	**1,446**
Payments for purchase of property, plant and equipment	**(3,033)**	(2,293)	**(32,270)**
Proceeds from sales of property, plant and equipment	**400**	53	**4,259**
Payments for purchase of investments in securities	**(67)**	(715)	**(723)**
Payments for acquisition of shares in subsidiaries and affiliates	**(3,392)**	(184)	**(36,098)**
Collection of loans receivable	**3**	3	**38**
Payments for transfer of business	**(570)**	(270)	**(6,073)**
Other, net	**20**	3	**221**
Net cash used in investing activities	**(13,649)**	(4,039)	**(145,222)**
Cash flows from financing activities:			
(Decrease) increase in short-term borrowings, net	**(7,987)**	9,360	**(84,987)**
Proceeds from long-term borrowings	**15,922**	1,108	**169,409**
Repayment of long-term borrowings	**(1,930)**	(899)	**(20,536)**
Redemption of bonds	**(4,000)**	—	**(42,557)**
Payments for purchase of treasury stock	**(3)**	(3)	**(35)**
Payments of cash dividends	**(1,657)**	(1,658)	**(17,634)**
Other, net	**(255)**	(198)	**(2,721)**
Net cash provided by financing activities	**88**	7,709	**936**
Effect of exchange rate change on cash and cash equivalents	**2,179**	(717)	**23,190**
Net increase (decrease) in cash and cash equivalents	**4,284**	(2,234)	**45,585**
Cash and cash equivalents at beginning of year	**29,438**	31,672	**313,205**
Cash and cash equivalents at end of year (Note 27)	**¥33,722**	¥29,438	**$ 358,791**

The accompanying notes are an integral part of these statements.

1. Basis of presenting consolidated financial statements

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

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

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

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

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

2. Summary of significant accounting policies

(1) Principles of consolidation

The consolidated financial statements consist of the accounts of the parent company and 47 subsidiaries as of March 31, 2013.

The Company acquired all shares in Renace Laboratory Inc., which was a non-equity-method affiliate in the year ended March 31, 2012, and changed the company name to Daifuku Renace Co., Ltd. Daifuku Webb Holding Company, a wholly owned subsidiary of the Company, acquired all shares in ELS Holding Company and its three subsidiaries, including Elite Line Services, LLC. Contec Co., Ltd., a subsidiary of the Company, acquired shares in DTx Inc. and established Singapore Contec Pte. Ltd. Daifuku Logistic Technology Co., Ltd. and Daifuku Design & Engineering Co., Ltd., which were consolidated subsidiaries in the year ended March 31, 2012, were absorbed by the Company. In addition, Daifuku Automation (Tianjin) Co., Ltd. and Daifuku Automation (Guangzhou) Co., Ltd. were absorbed by Daifuku (China) Co., Ltd. As a result, the number of consolidated subsidiaries increased by three, from 44 in the year ended March 31, 2012.

The Company acquired all shares in Iwasaki Seisakusho Co., Ltd. and Hallim Machinery Co., Ltd., in the year ended March 31, 2013. The Company also established Daifuku (Suzhou) Cleanroom Automation Co., Ltd. and Daifuku de México, S.A. de C.V. As a result, the number of non-consolidated subsidiaries increased by four. All of these four non-consolidated subsidiaries are small companies, and all sums of total assets, net sales, net income or loss (the amount corresponding to equity interests) and retained earnings (the amount corresponding to equity interests), etc. are deemed not to have a significant impact on the consolidated financial statements. Therefore, they are excluded from the scope of consolidation.

The Company has two affiliates, including Knapp AG, as of March 31, 2013, which were accounted for by the equity method. For equity-method affiliates that have a different fiscal year from the Company's, financial statements for the fiscal year of these companies are used. In the year ended March 31, 2013, Knapp AG was included in the scope of application of the equity method as the Company acquired shares in Knapp AG. Webb India Private Limited and its subsidiary were excluded from the scope of application of the equity method as the Company sold shares in these companies. As a result, the number of equity-method affiliates decreased by one from three in the year ended March 31, 2012.

The Company has one affiliate, IKS Co., Ltd., that was not accounted for by the equity method but by the cost method since all sums of total assets, net sales, net income or loss (the amount corresponding to equity interests), retained earnings (the amount corresponding to equity interests), etc. are deemed not to have a significant impact on consolidated financial statements. The number of non-equity-method affiliates decreased by one, from two in the year ended March 31, 2012, because Renace Laboratory Inc. became a consolidated subsidiary from a non-equity-method affiliate as described above.

The consolidated subsidiaries adopt the same fiscal year as the Company, except for 37 overseas consolidated subsidiaries, as of March 31, 2013, with fiscal years ending December 31. For the consolidation of these overseas subsidiaries, the Company makes appropriate adjustments for any material transactions subsequent to December 31.

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

(2) Translation of foreign currencies

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

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

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

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

(3) Cash and cash equivalents

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

(4) Inventories

Inventories are stated at the lower of cost or market. The cost for components relating to material handling systems and "raw materials and supplies" is determined by 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 meet the exceptional criteria to apply hedge accounting are not revalued to market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

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

(ii) The derivatives designated as hedging instruments by the Company are mainly forward exchange contracts and interest swap agreements. The corresponding hedged items are accounts receivable and payable, future transactions 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 implementation and management of hedge transactions are carried out to hedge fluctuation risk of currency rates and interest rates in accordance with internal regulations that provide transaction and authorization limits.

(6) Depreciation and amortization

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

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

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

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

In the year ended March 31, 2013, the Company and its domestic consolidated subsidiaries changed the depreciation method for property, plant and equipment that were acquired on or after April 1, 2012 to the method under the revised Corporation Tax Act of Japan, in association with the amendments to the Corporation Tax Act of Japan.

The impact of this change on profits and losses in the year ended March 31, 2013 is minor.

(b) Intangible assets (excluding leased assets)

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

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

(c) Leased assets

Finance lease transactions that transfer ownership:

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

Finance lease transactions that do not transfer ownership:

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

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

(7) Goodwill and negative goodwill
Goodwill is amortized on the straight-line basis over its estimated useful life. However, in the case the materiality is low, 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) Provision for retirement benefits
Retirement benefit costs for employees of the Company and its subsidiaries are provided based on estimates of the pension obligations and the plan assets at the end of the fiscal year.

Unrecognized prior service obligations are amortized on a straight-line basis over the period within the average estimated remaining service year of the employees (five years) from the time such liability arose.

The actuarial difference is amortized on a straight-line basis over the 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 costs
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. Accounting standards and related guidance issued but not yet applied

—Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)
—Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(a) Overview
In these accounting standards and related guidance, the accounting methods of unrecognized actuarial gains and losses and unrecognized prior service costs, as well as the calculation methods of retirement benefit obligations and service costs, have been revised. In addition, the disclosure of these items has been enhanced from the standpoint of improving financial reporting and in light of international trends.

(b) Planned date of application
These revised accounting standards and related guidance are planned to be applied from the end of the year ending March 31, 2014. However, the revised calculation methods of retirement benefit obligations and service costs are planned to be applied from the beginning of the year ending March 31, 2015.

(c) Impact of applying the revised accounting standards and related guidance
The financial impact of applying the revised accounting standards and related guidance was under review at the time the consolidated financial statements for the year ended March 31, 2013 were prepared.

4. United States dollar amounts

The Company prepares its consolidated financial statements in Japanese yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetical results of translating yen into dollars at the rate of ¥93.99 to U.S. $1, being the effective rate of exchange at March 29, 2013.

The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in dollars at a rate of ¥93.99 to U.S. $1 or at any other rate.

5. Accumulated depreciation of property, plant and equipment

Accumulated depreciation of property, plant and equipment was ¥47,550 million ($505,915 thousand) and ¥46,118 million as of March 31, 2013 and 2012, respectively.

6. 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 ¥35 million ($381 thousand) and ¥190 million as of March 31, 2013 and 2012, respectively.

7. Notes due at the end of the fiscal year

The settlement of notes due at the end of the fiscal year is recorded on the actual settlement date, rather than the due date. Since the end of the fiscal year fell on a bank holiday, ¥621 million ($6,610 thousand) and ¥423 million notes receivable due at the end of the fiscal year are included in the consolidated balance sheets as of March 31, 2013 and 2012, respectively.

8. Financial instruments

(1) Status of financial instruments

(a) Policy for financial instruments
In consideration of capital investment plans to conduct the manufacturing and sales 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 payments 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 risk 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 discern and lessen the risks resulting from a downturn of the financial situations on a customer-by-customer basis, 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 managed and mitigated principally by using forward foreign exchange contracts and currency options.

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 the risk of impairment, the Group periodically monitors market prices of the securities and financial conditions of the issuers.

Trade payables (notes and accounts payable and construction contracts payable) are mostly due within one year. Trade payables include amounts related to overseas construction work and are denominated in foreign currencies and, as such, are exposed to currency exchange rate fluctuation risk. However, the balance of these accounts consistently stays within the outstanding total amount of foreign currency-denominated trade accounts receivable.

Of the borrowings, 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 the methods of hedging, hedge 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, besides values based on the market price, 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 the 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, 2013 and 2012 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, 2013: (Millions of yen)

	Carrying amount on the consolidated balance sheets	Fair value	Variance
(1) Cash on hand and in banks	¥ 33,735	¥ 33,735	¥ —
(2) Notes and accounts receivable and unbilled receivables	68,826	68,826	—
(3) Costs and estimated earnings in excess of billings on uncompleted contracts	13,138	13,138	—
(4) Investments in securities "Other securities"	9,897	9,897	—
Total assets	¥125,597	¥125,597	¥ —
(1) Notes and accounts payable and construction contracts payable	¥ 36,553	¥ 36,553	¥ —
(2) Short-term borrowings and current portion of long-term borrowings	28,221	28,221	—
(3) Current portion of bonds	6,000	6,000	—
(5) Long-term borrowings	19,163	19,127	36
Total liabilities	¥ 89,939	¥ 89,903	¥ 36
Derivative transactions (*)	¥ (9)	¥ (9)	¥ —

For the year ended March 31, 2012: (Millions of yen)

	Carrying amount on the consolidated balance sheets	Fair value	Variance
(1) Cash on hand and in banks	¥ 29,577	¥ 29,577	¥ —
(2) Notes and accounts receivable and unbilled receivables	68,676	68,676	—
(3) Costs and estimated earnings in excess of billings on uncompleted contracts	10,481	10,481	—
(4) Investments in securities "Other securities"	7,572	7,572	—
Total assets	¥116,307	¥116,307	¥ —
(1) Notes and accounts payable and construction contracts payable	¥ 33,070	¥ 33,070	¥ —
(2) Short-term borrowings and current portion of long-term borrowings	13,861	13,861	—
(3) Current portion of bonds	4,000	4,000	—
(4) Bonds	6,000	6,042	(42)
(5) Long-term borrowings	27,149	27,278	(128)
Total liabilities	¥ 84,081	¥ 84,252	¥ (171)
Derivative transactions (*)	¥ 17	¥ 17	¥ —

For the year ended March 31, 2013: (Thousands of U.S. dollars)

	Carrying amount on the consolidated balance sheets	Fair value	Variance
(1) Cash on hand and in banks	$ 358,922	$ 358,922	$ —
(2) Notes and accounts receivable and unbilled receivables	732,277	732,277	—
(3) Costs and estimated earnings in excess of billings on uncompleted contracts	139,784	139,784	—
(4) Investments in securities "Other securities"	105,305	105,305	—
Total assets	$1,336,291	$1,336,291	$ —
(1) Notes and accounts payable and construction contracts payable	$ 388,913	$ 388,913	$ —
(2) Short-term borrowings and current portion of long-term borrowings	300,264	300,264	—
(3) Current portion of bonds	63,836	63,836	—
(5) Long-term borrowings	203,886	203,503	(383)
Total liabilities	$ 956,901	$ 956,518	$ (383)
Derivative transactions (*)	$ (97)	$ (97)	$ —

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

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

Assets

(1) Cash on hand and in banks, (2) Notes and accounts receivable and unbilled receivables, (3) Costs and estimated earnings in excess of billings on uncompleted contracts

These assets are recorded using book values because their fair values approximate book values reflective of their short-term maturity nature.

(4) Investments in securities

The fair values of these securities are determined using the quoted prices at the stock exchange. For information concerning marketable securities classified by the category of holding purposes, see Note 9 "Investments in securities."

Liabilities

(1) Notes and accounts payable and construction contracts payable, (2) Short-term borrowings and current portion of long-term borrowings, (3) Current portion of bonds

These liabilities are recorded using book values because their fair values approximate book values 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 same type of bonds and borrowings were newly made. Long-term borrowings bearing variable interest rates (floating-rate borrowings) are subject to the exceptional treatment applicable to interest rate 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 were treated together with the relevant interest rate swap transactions) using the reasonably estimated interest rates, assuming that the same type of borrowings were newly made.

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, 2013 and 2012:

For the year ended March 31, 2013: (Millions of yen)

Category	Carrying amount on the consolidated balance sheets
Unlisted securities	¥9,479

For the year ended March 31, 2012: (Millions of yen)

Category	Carrying amount on the consolidated balance sheets
Unlisted securities	¥2,770

For the year ended March 31, 2013: (Thousands of U.S. dollars)

Category	Carrying amount on the consolidated balance sheets
Unlisted securities	$100,853

These securities have no quoted market prices, and the future cash flows thereof are not estimable. As their fair values are not readily determinable, they are excluded from "Assets (4) Investments in securities." The unlisted securities include the investments in non-consolidated subsidiaries and affiliates, amounting to ¥8,722 million ($92,803 thousand) and ¥313 million as of March 31, 2013 and 2012, respectively.

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

(Millions of yen)

For the year ended March 31, 2013:	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	¥ 33,735	¥—	¥—	¥—
Notes and accounts receivable and unbilled receivables	68,826	—	—	—
Costs and estimated earnings in excess of billings on uncompleted contracts	13,138	—	—	—
Total	¥115,700	¥—	¥—	¥—

(Millions of yen)

For the year ended March 31, 2012:	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	¥ 29,577	¥—	¥—	¥—
Notes and accounts receivable and unbilled receivables	68,676	—	—	—
Costs and estimated earnings in excess of billings on uncompleted contracts	10,481	—	—	—
Total	¥108,735	¥—	¥—	¥—

(Thousands of U.S. dollars)

For the year ended March 31, 2013:	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	$ 358,922	$—	$—	$—
Notes and accounts receivable and unbilled receivables	732,277	—	—	—
Costs and estimated earnings in excess of billings on uncompleted contracts	139,784	—	—	—
Total	$1,230,985	$—	$—	$—

[Note 4] The amount of redemption expected settlement subsequent to the balance sheet date for bonds, long-term borrowings, lease obligations, and other interest-bearing liabilities:

(Millions of yen)

For the year ended March 31, 2013:	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	¥28,221	¥ —	¥ —	¥ —	¥ —	¥ —
Current portion of bonds	6,000	—	—	—	—	—
Long-term borrowings	—	88	4,459	114	14,500	—
Total	¥34,221	¥88	¥4,459	¥114	¥14,500	¥ —

(Millions of yen)

For the year ended March 31, 2012:	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	¥13,861	¥ —	¥ —	¥ —	¥ —	¥ —
Current portion of bonds	4,000	—	—	—	—	—
Bonds	—	6,000	—	—	—	—
Long-term borrowings	—	23,907	74	3,054	113	—
Total	¥17,861	¥29,907	¥74	¥3,054	¥113	¥ —

(Thousands of U.S. dollars)

For the year ended March 31, 2013:	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	$300,264	$ —	$ —	$ —	$ —	$ —
Current portion of bonds	63,836	—	—	—	—	—
Long-term borrowings	—	941	47,450	1,223	154,271	—
Total	$364,100	$941	$47,450	$ 1,223	$154,271	$ —

9. Investments in securities

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

	Millions of yen		
	March 31, 2013		
	Acquisition cost	Carrying amount on the consolidated balance sheets	Difference
Investments in securities:			
Equity securities	**¥6,913**	**¥9,558**	**¥2,644**

	Millions of yen		
	March 31, 2012		
	Acquisition cost	Carrying amount on the consolidated balance sheets	Difference
Investments in securities:			
Equity securities	¥4,054	¥4,810	¥755

	Thousands of U.S. dollars		
	March 31, 2013		
	Acquisition cost	Carrying amount on the consolidated balance sheets	Difference
Investments in securities:			
Equity securities	**$73,555**	**$101,695**	**$28,140**

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

	Millions of yen		
	March 31, 2013		
	Acquisition cost	Carrying amount on the consolidated balance sheets	Difference
Investments in securities:			
Equity securities	**¥369**	**¥339**	**¥(30)**

	Millions of yen		
	March 31, 2012		
	Acquisition cost	Carrying amount on the consolidated balance sheets	Difference
Investments in securities:			
Equity securities	¥3,171	¥2,761	¥(410)

	Thousands of U.S. dollars		
	March 31, 2013		
	Acquisition cost	Carrying amount on the consolidated balance sheets	Difference
Investments in securities:			
Equity securities	**$3,930**	**$3,610**	**$(319)**

The acquisition costs in the above tables are representative of book value after impairment adjustment.

The Company did not recognize an impairment loss for the year ended March 31, 2013 and recognized a ¥718 million impairment loss for the year ended March 31, 2012.

In general, the Company recognizes an impairment loss when the fair value of the security decreases by 50% or more from the acquisition cost. 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" with market value as of March 31, 2013 and 2012:

Omitted due to no material securities being held

"Held-to-maturity debt securities" sold during the year ended March 31, 2013 and 2012:

Not applicable

"Other securities" sold during the years ended March 31, 2013 and 2012:

Not applicable

10. Investments in non-consolidated subsidiaries and affiliates

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

March 31	(Millions of yen) 2013	2012	(Thousands of U.S. dollars) 2013
Investments in securities	**¥8,722**	¥313	**$92,803**

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, 2013, was 1.8 %.

Short-term borrowings outstanding as of March 31, 2013 and 2012, were as follows:

March 31	(Millions of yen) 2013	2012	(Thousands of U.S. dollars) 2013
Borrowings from banks:			
Unsecured	**¥4,286**	¥11,897	**$45,607**

Long-term borrowings are principally bank borrowings.

The weighted average interest rate applicable to the long-term borrowings outstanding as of March 31, 2013, was 0.9%.

Long-term borrowings and bonds outstanding as of March 31, 2013 and 2012, were as follows:

March 31	(Millions of yen) 2013	2012	(Thousands of U.S. dollars) 2013
Borrowings, principally from banks:			
Secured and unsecured	**¥43,098**	¥29,113	**$458,543**
Less: portion due within one year	**23,935**	1,964	**254,656**
Sub total	**19,163**	27,149	**203,886**
Bonds			
1.35% yen unsecured bonds, due 2013	**—**	2,500	**—**
1.36% yen unsecured bonds, due 2013	**—**	800	**—**
1.35% yen unsecured bonds, due 2013	**—**	700	**—**
1.70% yen unsecured bonds, due 2014	**2,000**	2,000	**21,278**
2.02% yen unsecured bonds, due 2014	**2,000**	2,000	**21,278**
1.80% yen unsecured bonds, due 2014	**2,000**	2,000	**21,278**
Sub total	**6,000**	10,000	**63,836**
Total	**¥25,163**	¥37,149	**$267,723**

The 1.35% unsecured bonds in the principal amount of ¥2,500 million, due 2013, issued on February 15, 2008, were issued in Japan at their face value.

The 1.36% unsecured bonds in the principal amount of ¥800 million, due 2013, issued on February 15, 2008, were issued in Japan at their face value.

The 1.35% unsecured bonds in the principal amount of ¥700 million, due 2013, issued on February 15, 2008, were issued in Japan at their face value.

The 1.70% unsecured bonds in the principal amount of ¥2,000 million, due 2014, issued on January 30, 2009, were issued in Japan at their face value.

The 2.02% unsecured bonds in the principal amount of ¥2,000 million, due 2014, issued on March 25, 2009, were issued in Japan at their face value.

The 1.80% unsecured bonds in the principal amount of ¥2,000 million, due 2014, issued on March 25, 2009, were issued in Japan at their face value.

Borrowings details

The aggregate annual maturity of long-term borrowings, other than the portion due within one year outstanding as of March 31, 2013, was as follows:

Year ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
2015	¥ 88	$ 941
2016	4,459	47,450
2017	114	1,223
2018	14,500	154,271
Total	¥19,163	$203,886

Lease obligation details

Lease obligations outstanding as of March 31, 2013 and 2012, were as follows:

March 31	(Millions of yen) 2013	2012	(Thousands of U.S. dollars) 2013
Lease obligations	**¥848**	¥986	**$9,030**
Less: portion due within one year	**400**	150	**4,258**
Total	**¥448**	¥836	**$4,772**

[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 amounts payable as part of the total lease payments.

[Note 2] The aggregate annual maturity of lease obligations, other than the portion due within one year, for five years subsequent to March 31, 2013, was as follows:

Year ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
2015	¥ 87	$ 928
2016	74	790
2017	63	674
2018	56	603
Total	¥281	$2,996

[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, 2013 and 2012, were less than 1% of the total liabilities and net assets as of March 31, 2013 and 2012, asset retirement obligations details were 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 hybrid type of pension plans (cash balance plans).

Certain of the overseas consolidated subsidiaries have defined contribution plans.

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

The provision for retirement benefits as of March 31, 2013 and 2012, were as follows:

March 31	(Millions of yen) 2013	2012	(Thousands of U.S. dollars) 2013
(1) Projected benefit obligations	**¥(50,309)**	¥(44,044)	**$(535,269)**
(2) Plan assets	**37,209**	31,271	**395,883**
(3) Funded status (1)+(2)	**(13,100)**	(12,773)	**(139,386)**
(4) Unrecognized actuarial differences	**8,713**	9,760	**92,707**
(5) Unrecognized prior service cost	**0**	0	**0**
(6) Prepaid pension cost	**325**	306	**3,461**
(7) Provision for retirement benefits recognized on balance sheet ((3)+(4)+(5)-(6))	**¥ (4,712)**	¥ (3,318)	**$ (50,139)**

Net pension expense relating to the retirement benefits for the years ended March 31, 2013 and 2012, were as follows:

March 31	2013 (Millions of yen)	2012 (Millions of yen)	2013 (Thousands of U.S. dollars)
Service cost	**¥ 1,137**	¥ 1,170	**$ 12,104**
Interest cost	**1,404**	1,390	**14,945**
Expected return on plan assets	**(1,398)**	(1,297)	**(14,884)**
Amortization of actuarial differences	**2,550**	2,590	**27,139**
Amortization of prior service cost	**0**	0	**0**
Net pension expense	**¥ 3,694**	¥ 3,853	**$ 39,305**
Other	**564**	536	**6,002**
Total	**¥ 4,258**	¥ 4,389	**$ 45,307**

[Note] "Other" includes the pension contribution under the defined contribution plan.

The basis for the calculation of the above information was as follows:

March 31	2013	2012
Discount rate	**Mainly 1.4%**	Mainly 2.0%
Expected rate of return on plan assets	**Mainly 1.0%**	Mainly 1.0%
Method of attributing the projected benefits to periods of services	**Straight-line basis**	Straight-line basis
Amortization of unrecognized actuarial differences	**Mainly 5 years**	Mainly 5 years
Amortization of unrecognized prior service cost	**Mainly 5 years**	Mainly 5 years

14. Lease commitments

The finance lease transactions, which do not transfer the ownership of the leased assets, other than those for which the commencement of lease transactions fell prior to the initial fiscal year of the application of "Accounting Standard for Lease Transactions," for the years ended March 31, 2013 and 2012, were summarized as follows:

(1) Amount of leased assets for acquisition cost equivalent, accumulated depreciation equivalent and net book value equivalent:

March 31	2013 (Millions of yen)	2012 (Millions of yen)	2013 (Thousands of U.S. dollars)
Machinery and vehicles	**¥628**	¥763	**$6,690**
Tools and fixtures	**16**	50	**172**
Other	**—**	95	**—**
Subtotal	**645**	909	**6,863**
Accumulated depreciation equivalent	**469**	633	**4,991**
Net book value equivalent	**¥175**	¥276	**$1,871**

The amounts equivalent to the acquisition cost of leased assets are calculated based upon the inputted interest method because future minimum lease payments account for only a small proportion of property, plant and equipment.

(2) The future minimum lease payments required under the terms of these finance leases as of March 31, 2013 and 2012, were as follows:

March 31	2013 (Millions of yen)	2012 (Millions of yen)	2013 (Thousands of U.S. dollars)
Due within one year	**¥ 71**	¥100	**$ 759**
Due after one year	**104**	175	**1,112**
Total	**¥175**	¥276	**$1,871**

The amounts equivalent to the future minimum lease payments are calculated based upon the inputted interest method because future minimum lease payments account for only a small proportion of property, plant and equipment.

(3) Lease payments and depreciation equivalent

March 31	2013 (Millions of yen)	2012 (Millions of yen)	2013 (Thousands of U.S. dollars)
Lease payments	**¥100**	¥126	**$1,068**
Depreciation equivalent	**¥100**	¥126	**$1,068**

(4) Method of calculating depreciation equivalent amount and interest equivalent for leases

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

Operating leases

The future minimum lease payments for non-cancellable leases as of March 31, 2013 and 2012, were as follows:

March 31	2013 (Millions of yen)	2012 (Millions of yen)	2013 (Thousands of U.S. dollars)
Due within one year	**¥ 307**	¥ 296	**$ 3,268**
Due after one year	**1,456**	1,285	**15,495**
Total	**¥1,763**	¥1,582	**$18,764**

Impairment loss on leased assets

For the years ended March 31, 2013 and 2012, there was no impairment loss on leased assets.

15. Contingent liabilities

The contingent liabilities as of March 31, 2013 and 2012, were as follows:

March 31	2013 (Millions of yen)	2012 (Millions of yen)	2013 (Thousands of U.S. dollars)
Bank borrowings of non-consolidated subsidiaries and affiliates	**¥65**	¥75	**$691**
Bank borrowings of the Company employees	**—**	1	**—**
Total	**¥65**	¥76	**$691**

16. Derivatives and hedging activities

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

For the years ended March 31, 2013 and 2012:

Not applicable

(2) Derivative transactions subject to hedge accounting

(a) Currency-related

For the year ended March 31, 2013: (Millions of yen)

Method of hedge accounting	Category of derivative transaction	Principal hedge 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 forward exchange rates market
	Sell	Accounts receivable (future transactions)				
	U.S. dollar		**¥ 433**	**¥ —**	**¥ 486**	
	Euro		**70**	**—**	**70**	
	Canadian dollar		**110**	**—**	**110**	
	Buy	Accounts payable (future transactions)				
	U.S. dollar		**(247)**	**—**	**(283)**	
	KRW		**(67)**	**—**	**(75)**	
Exceptional treatment of forward exchange contracts	Forward exchange contracts	Accounts receivable			**(*1)**	
	Sell					
	U.S. dollar		**1,077**	**—**		
	Euro		**409**	**—**		
	Canadian dollar		**12**	**—**		
	Buy	Accounts payable				
	U.S. dollar		**(24)**	**—**		
	Currency swaps	Long-term borrowings			**(*2)**	
	U.S. dollar		**4,000**	**4,000**		
Total			**¥5,774**	**¥4,000**	**¥ 308**	

For the year ended March 31, 2012: (Millions of yen)

Method of hedge accounting	Category of derivative transaction	Principal hedge 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 forward exchange rates market
	Sell	Accounts receivable (future transactions)				
	U.S. dollar		¥1,976	¥—	¥1,987	
	KRW		61	—	61	
	JPY		335	—	336	
	Buy	Accounts payable (future transactions)				
	U.S. dollar		(475)	—	(505)	
Exceptional treatment of forward exchange contracts	Forward exchange contracts	Accounts receivable			(*1)	
	Sell					
	U.S. dollar		990	—		
Total			¥2,887	¥—	¥1,880	

For the year ended March 31, 2013: (Thousands of U.S. dollars)

Method of hedge accounting	Category of derivative transaction	Principal hedge item	Contract amount	Of which due after one year	Fair value	Method of calculating the fair value
Principal method	Forward exchange contracts Sell U.S. dollar	Accounts receivable (future transactions)	$ 4,614	$ —	$ 5,171	Determined at the quoted prices at forward exchange rates market
	Euro		751	—	751	
	Canadian dollar		1,175	—	1,175	
	Buy U.S. dollar	Accounts payable (future transactions)	(2,637)	—	(3,015)	
	KRW		(719)	—	(800)	
Exceptional treatment of forward exchange contracts	Forward exchange contracts Sell U.S. dollar	Accounts receivable	11,465	—	(*1)	
	Euro		4,361	—		
	Canadian dollar		132	—		
	Buy U.S. dollar	Accounts payable	(264)	—		
	Currency swaps U.S. dollar	Long-term borrowings	42,557	42,557	(*2)	
Total			$61,437	$42,557	$ 3,282	

(*1) Forward exchange contracts with exceptional treatment are accounted for as applied to the principal hedge item 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 as applied to the principal hedge 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, 2013: (Millions of yen)

Method of hedge accounting	Category of derivative transactions	Principal hedge 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	¥38,544	¥15,904	(*)	
Total			¥38,544	¥15,904	¥—	

For the year ended March 31, 2012: (Millions of yen)

Method of hedge accounting	Category of derivative transactions	Principal hedge 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	¥26,970	¥25,170	(*)	
Total			¥26,970	¥25,170	¥—	

For the year ended March 31, 2013: (Thousands of U.S. dollars)

Method of hedge accounting	Category of derivative transactions	Principal hedge 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	$410,094	$169,212	(*)	
Total			$410,094	$169,212	$—	

(*) Interest rate swaps with exceptional treatment are accounted for as applied to the principal hedge 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, 2013: (In thousands of shares)

Class of shares	As of April 1, 2012	Increase	Decrease	As of March 31, 2013
Common stock	113,671	—	—	113,671

For the year ended March 31, 2012: (In thousands of shares)

Class of shares	As of April 1, 2011	Increase	Decrease	As of March 31, 2012
Common stock	113,671	—	—	113,671

(2) Matters regarding treasury stock:

For the year ended March 31, 2013: (In shares)

Class of shares	As of April 1, 2012	Increase	Decrease	As of March 31, 2013
Common stock	3,016,058	6,605	—	3,022,663

[Note] Treasury stock increased by 6,605 shares due to the purchase of less-than-a-unit shares.

For the year ended March 31, 2012: (In shares)

Class of shares	As of April 1, 2011	Increase	Decrease	As of March 31, 2012
Common stock	3,008,514	8,040	496	3,016,058

[Note 1] Treasury stock increased by 8,040 shares due to the purchase of less-than-a-unit shares.
[Note 2] Treasury stock decreased by 496 shares due to the sale of less-than-a-unit shares to shareholders owning such shares.

(3) Matters regarding dividends:

(a) Dividends paid during the year ended March 31, 2013:

Resolution adopted	Class of shares	Aggregate amount (Millions of yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 14, 2012	Common stock	¥1,106	¥10	March 31, 2012	June 29, 2012
Board of Directors' meeting on November 12, 2012	Common stock	553	5	September 30, 2012	December 7, 2012

For the year ended March 31, 2012:

Resolution adopted	Class of shares	Aggregate amount (Millions of yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 13, 2011	Common stock	¥1,106	¥10	March 31, 2011	June 27, 2011
Board of Directors' meeting on November 10, 2011	Common stock	553	5	September 30, 2011	December 9, 2011

For the year ended March 31, 2013:

Resolution adopted	Class of shares	Aggregate amount (Thousands of U.S. dollars)	Amount per share (U.S. Dollars)	Record date	Effective date
Board of Directors' meeting on May 14, 2012	Common stock	$11,773	$0.10	March 31, 2012	June 29, 2012
Board of Directors' meeting on November 12, 2012	Common stock	5,886	0.05	September 30, 2012	December 7, 2012

(b) Dividends with a record date during the year ended March 31, 2013, payable in the following fiscal year

Resolution adopted	Class of shares	Source of dividends	Aggregate amount (Millions of yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 14, 2013	Common stock	Retained earnings	¥1,106	¥10	March 31, 2013	June 27, 2013

For the year ended March 31, 2012:

Resolution adopted	Class of shares	Source of dividends	Aggregate amount (Millions of yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 14, 2012	Common stock	Retained earnings	¥1,106	¥10	March 31, 2012	June 29, 2012

For the year ended March 31, 2013:

Resolution adopted	Class of shares	Source of dividends	Aggregate amount (Thousands of U.S. dollars)	Amount per share (U.S. Dollars)	Record date	Effective date
Board of Directors' meeting on May 14, 2013	Common stock	Retained earnings	$11,772	$0.10	March 31, 2013	June 27, 2013

18. Major items of selling, general and administrative expenses

Major items of selling, general and administrative expenses for the years ended March 31, 2013 and 2012, were as follows:

Selling expenses

	(Millions of yen)		(Thousands of U.S. dollars)
March 31	2013	2012	2013
Sales commissions	¥ 416	¥ 747	$ 4,433
Advertising	143	133	1,531
Outsourcing	744	762	7,918
Salaries and bonuses	6,524	6,276	69,421
Provision for retirement benefits	582	708	6,194
Welfare	1,299	1,282	13,824
Travel and transportation	1,407	1,398	14,971
Rent	598	588	6,370
Depreciation	198	229	2,107

General and administrative expenses

	(Millions of yen)		(Thousands of U.S. dollars)
March 31	2013	2012	2013
Outsourcing	¥2,373	¥2,153	$25,249
Directors' compensation	815	893	8,680
Salaries and bonuses	5,122	5,152	54,501
Provision for retirement benefits	1,001	859	10,650
Welfare	783	688	8,336
Depreciation	1,330	1,392	14,153
Research and development	1,899	1,755	20,208

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

For the years ended March 31, 2013 and 2012, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
March 31	2013	2012	2013
Provision for losses on construction contracts	¥(107)	¥(26)	$(1,143)

20. Research and development

Research and development expenditures included in general expenses and manufacturing costs were ¥6,855 million ($72,938 thousand) and ¥6,484 million for the years ended March 31, 2013 and 2012, 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, 2013 and 2012, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
March 31	2013	2012	2013
Buildings and structures	¥ 8	¥31	$ 95
Machinery and vehicles	86	65	925
Tools and fixtures	5	6	54
Software	12	0	134
Other	45	1	482

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, 2013 and 2012, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
March 31	2013	2012	2013
Buildings and structures	¥ 9	¥—	$ 102
Machinery and vehicles	3	2	41
Land	146	—	1,554

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, 2013 and 2012, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
March 31	2013	2012	2013
Buildings and structures	¥14	¥14	$152
Machinery and vehicles	31	4	335
Tools and fixtures	0	4	4

24. Consolidated statements of comprehensive income

Reclassified adjustment and deferred tax related to other comprehensive income for the years ended March 31, 2013 and 2012, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
March 31	2013	2012	2013
Net unrealized gain on securities:			
Amount arising during the period	¥2,277	¥ 417	$24,228
Reclassification adjustment	—	718	—
Pretax amount	2,277	1,135	24,228
Deferred tax	(709)	(403)	(7,545)
Net unrealized gain on securities	¥1,568	¥ 731	$16,683
Deferred gain (loss) on hedges:			
Amount arising during the period	¥ (9)	¥ 18	$ (97)
Reclassification adjustment	(18)	55	(194)
Pretax amount	(27)	73	(291)
Deferred tax	10	(29)	110
Deferred gain (loss) on hedges	¥ (17)	¥ 43	$ (181)
Foreign currency translation adjustments:			
Amount arising during the period	¥3,853	¥(1,285)	$40,994
Share of other comprehensive income (loss) of affiliates accounted for by the equity method:			
Amount arising during the period	¥1,113	¥ (34)	$11,850
Total other comprehensive income (loss)	¥6,517	¥ (545)	$69,346

25. Impairment loss

In December 2006, the Group entered into an exclusive distributor agreement with QubicaAMF, a U.S. firm, to sell QubicaAMF brand products in Japan and has been working to expand the bowling business since then. However, the bowling market in Japan has been declining rapidly, and based on the performance and business plan of the bowling operation the Company re-evaluated the recoverability of the Group's bowling business-related assets during the year ended March 31, 2013. As a result, the Company reduced the book value of the license of trademark QubicaAMF (long-term prepaid expense) owned by the Group to the recoverable amount and recorded the reduction of ¥544 million ($5,797 thousand) as an impairment loss under special losses. The recoverable amount was measured using value in use and calculated by discounting the future cash flows at a discount rate of 6.7%.

26. Income taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2013 and 2012, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
March 31	2013	2012	2013
Deferred tax assets:			
Current assets			
Research and development	¥ 937	¥ 773	$ 9,975
Accrued expenses	836	336	8,902
Provision for losses on construction contracts	136	175	1,451
Unrealized profit on inventories	60	12	645
Other	627	510	6,672
Sub total	2,598	1,809	27,647
Less valuation allowance	(112)	(52)	(1,195)
Offset against deferred tax liabilities (current)	(15)	(143)	(160)
Total deferred tax assets (current)	¥ 2,471	¥ 1,613	$ 26,291
Non-current assets			
Provision for retirement benefits	¥ 5,876	¥ 5,434	$ 62,522
Loss carried forward	2,164	3,324	23,030
Unrealized gain on sales of property, plant and equipment	597	597	6,534
Loss on valuation of investments in securities	415	457	4,425
Asset retirement obligations	160	184	1,703
Excess depreciation	172	159	1,840
Trademarks	200	—	2,131
Asset adjustment accounts	157	—	1,674
Other	316	545	3,372
Sub total	10,062	10,704	107,054
Less valuation allowance	(2,842)	(2,610)	(30,238)
Offset against deferred tax liabilities (non-current)	(3,296)	(2,826)	(35,074)
Total deferred tax assets (non-current)	¥ 3,923	¥ 5,267	$ 41,741
Deferred tax liabilities:			
Current liabilities			
Other	¥ 15	¥ 152	$ 160
Offset against deferred tax assets (current)	(15)	(143)	(160)
Total deferred tax liabilities (current)	¥ —	¥ 8	$ —
Non-current liabilities			
Net unrealized gain on assets of consolidated subsidiaries	¥ 2,296	¥ 2,165	$ 24,436
Gain on securities to employees retirement benefit trust	541	541	5,757
Provision for retirement benefits	55	468	586
Provision of reserve for advanced depreciation of property, plant and equipment	239	301	2,546
Retained earnings for overseas subsidiaries	96	178	1,030
Net unrealized gain on securities	789	83	8,396
Other	285	97	3,040
Offset against deferred tax assets (non-current)	(3,296)	(2,826)	(35,074)
Total deferred tax liabilities (non-current)	¥ 1,007	¥ 1,009	$ 10,719

(Note) “Long-term accounts payable” and “Allowance for doubtful accounts” in “Non-current assets,” which were presented separately on the consolidated financial statements for the year ended March 31, 2012, are included in “Other” in “Non-current assets” for the year ended March 31, 2013, as their amounts have become insignificant. To reflect this change in the presentation method, the consolidated financial statements for the year ended March 31, 2012, have been reclassified. As a result, ¥132 million of “Long-term accounts payable,” ¥55 million of “Allowance for doubtful accounts” and ¥357 million of “Other” in “Non-current assets” in notes for the year ended March 31, 2012, have been reclassified into ¥545 million of “Other” in “Non-current assets.”

(2) Reconciliation of the difference between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2013 and 2012

A reconciliation of the difference between the statutory income tax rate and the effective income tax rate for the year ended March 31, 2013, is omitted as the difference is 5% or below of the statutory income tax rate.

March 31	2012
Statutory tax rate	41.0%
Tax rate difference applied for overseas subsidiaries	(8.5)
Non-deductible expenses for income tax purpose	3.5
Decrease of valuation allowance	(1.3)
Taxation on per capita basis	0.8
Foreign exchange losses eliminated in consolidation	0.1
Amortization for goodwill and negative goodwill	1.4
Income taxes for retroactive years	(5.3)
Retained earnings of overseas subsidiaries	(1.5)
Adjustment for decrease in deferred tax assets at the end of the year due to change in tax rate	21.9
Foreign withholding income tax relating to dividends not deductible for income tax purpose	6.5
Other	0.2
Effective tax rate	58.8%

27. Consolidated statements of cash flows

The components of cash and cash equivalents as of March 31, 2013 and 2012, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
March 31	2013	2012	2013
Cash on hand and in banks	¥33,735	¥29,577	$358,922
Time deposits with original maturities exceeding three months	(12)	(139)	(131)
Total	¥33,722	¥29,438	$358,791

28. Stock options

For the years ended March 31, 2013 and 2012:
Not applicable

29. Related party transactions

For the years ended March 31, 2013 and 2012:
Not applicable

30. Segment information

(1) Overview of reportable segments

Reportable segments comprise components for which discrete financial information is available, and which the Board of Directors review 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 three reportable segments: Daifuku Co., Ltd. (Daifuku), the core company dealing in material handling systems and equipment, and car wash machines; Contec Co., Ltd. (Contec), the core company engaging in the manufacture and sale of industrial personal computers, interface boards, and other equipment in Japan and overseas; and Daifuku Webb Holding Company (Daifuku Webb).

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 Webb is a U.S. subsidiary that is responsible for key business activities, primarily in North America, with significant volume of sales. It manufactures and sells leading airport baggage handling systems on its own as a part of its material handling systems.

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

The accounting methods of reported business segments are the same as those stated in “Basis of presenting consolidated financial statements.” Inter-segment 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 segment for the years ended March 31, 2013 and 2012, were as follows:

For the year ended March 31, 2013:

	(Millions of yen)					
	Reportable segment					
	Daifuku	Contec	Daifuku Webb	Total	Other(*)	Total
Net sales:						
Net sales to outside customers	¥ 110,090	¥ 8,935	¥38,150	¥157,177	¥ 45,370	¥202,547
Inter-segment sales or transfers	23,254	8,493	921	32,668	12,045	44,713
Total	133,344	17,429	39,071	189,845	57,416	247,261
Segment income	5,603	170	562	6,335	2,134	8,470
Segment assets	158,636	16,227	29,662	204,526	43,297	247,824
Segment liabilities	86,342	10,617	23,811	120,772	23,167	143,939
Other						
Depreciation	2,346	265	216	2,827	509	3,337
Amortization of goodwill	129	—	—	129	119	249
Interest income	34	2	2	38	111	150
Interest expenses	787	62	41	891	49	941
Equity in losses of affiliates	—	—	(115)	(115)	—	(115)
Special income	92	—	124	216	159	376
Gain on sales of property, plant and equipment	—	—	*123*	*123*	*157*	*280*
Special loss	736	2	89	829	26	855
Impairment loss	*566*	—	—	*566*	—	*566*
Income taxes	2,211	107	126	2,444	518	2,963
Investment to equity-method affiliates	5,162	—	—	5,162	162	5,325
Increase in property, plant and equipment	2,164	1,592	3,213	6,970	737	7,708

For the year ended March 31, 2012:

	Reportable segment (Millions of yen)					
	Daifuku	Contec	Daifuku Webb	Total	Other(*)	Total
Net sales:						
Net sales to outside customers	¥114,613	¥ 8,161	¥28,273	¥151,049	¥ 45,019	¥196,068
Inter-segment sales or transfers	18,247	8,313	795	27,357	14,851	42,208
Total	132,861	16,475	29,069	178,406	59,871	238,277
Segment income	1,886	68	1,121	3,076	1,698	4,775
Segment assets	149,858	14,370	18,135	182,364	40,885	223,249
Segment liabilities	83,021	9,158	16,740	108,919	22,334	131,253
Other						
Depreciation	2,653	254	198	3,106	507	3,613
Amortization of goodwill	32	—	—	32	116	149
Interest income	34	1	5	41	120	161
Interest expenses	745	60	42	848	71	919
Equity in losses of affiliates	—	—	(56)	(56)	—	(56)
Special income	0	—	121	122	15	137
Gain on sales of property, plant and equipment	*0*	—	*121*	*122*	*1*	*123*
Special loss	771	17	3	793	90	883
Provision of allowance for investment loss	*718*	—	—	*718*	—	*718*
Income taxes	723	97	314	1,135	650	1,786
Investment to equity-method affiliates	—	—	99	99	139	239
Increase in property, plant and equipment	1,255	325	289	1,870	571	2,441

For the year ended March 31, 2013:

	Reportable segment (Thousands of U.S. dollars)					
	Daifuku	Contec	Daifuku Webb	Total	Other(*)	Total
Net sales:						
Net sales to outside customers	**$1,171,302**	**$ 95,071**	**$405,900**	**$1,672,273**	**$ 482,721**	**$2,154,994**
Inter-segment sales or transfers	**247,411**	**90,365**	**9,798**	**347,576**	**128,153**	**475,729**
Total	**1,418,713**	**185,436**	**415,699**	**2,019,849**	**610,874**	**2,630,724**
Segment income	**59,615**	**1,812**	**5,979**	**67,407**	**22,713**	**90,121**
Segment assets	**1,687,802**	**172,653**	**315,591**	**2,176,046**	**460,660**	**2,636,707**
Segment liabilities	**918,637**	**112,966**	**253,343**	**1,284,947**	**246,490**	**1,531,438**
Other						
Depreciation	**24,961**	**2,824**	**2,298**	**30,084**	**5,419**	**35,503**
Amortization of goodwill	**1,381**	**—**	**—**	**1,381**	**1,274**	**2,656**
Interest income	**366**	**21**	**26**	**414**	**1,185**	**1,600**
Interest expenses	**8,378**	**662**	**444**	**9,485**	**527**	**10,013**
Equity in losses of affiliates	**—**	**—**	**(1,224)**	**(1,224)**	**—**	**(1,224)**
Special income	**981**	**—**	**1,325**	**2,307**	**1,693**	**4,000**
Gain on sales of property, plant and equipment	***—***	***—***	***1,311***	***1,311***	***1,672***	***2,983***
Special loss	**7,838**	**30**	**951**	**8,820**	**278**	**9,099**
Impairment loss	***6,029***	***—***	***—***	***6,029***	***—***	***6,029***
Income taxes	**23,527**	**1,143**	**1,342**	**26,012**	**5,519**	**31,532**
Investment to equity-method affiliates	**54,926**	**—**	**—**	**54,926**	**1,728**	**56,655**
Increase in property, plant and equipment	**23,024**	**16,943**	**34,190**	**74,158**	**7,851**	**82,010**

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

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

(a) Net sales

March 31	(Millions of yen) 2013	2012	(Thousands of U.S. dollars) 2013
Reportable segment total	**¥189,845**	¥178,406	**$2,019,849**
Net sales classified in "Other"	**57,416**	59,871	**610,874**
Elimination of inter-segment transactions	**(44,713)**	(42,208)	**(475,729)**
Adjustment of net sales of the percentage-of-completion method	**481**	1,339	**5,121**
Other adjustment for consolidation	**(691)**	643	**(7,361)**
Net sales in consolidated financial statements	**¥202,337**	¥198,052	**$2,152,754**

(b) Segment income

March 31	(Millions of yen) 2013	2012	(Thousands of U.S. dollars) 2013
Reportable segment total	**¥ 6,335**	¥ 3,076	**$ 67,407**
Segment income classified in "Other"	**2,134**	1,698	**22,713**
Elimination of cash dividends from affiliates	**(3,429)**	(3,098)	**(36,489)**
Other adjustment for consolidation	**(601)**	(454)	**(6,402)**
Net income in consolidated financial statements	**¥ 4,439**	¥ 1,223	**$ 47,229**

(c) Segment assets

March 31	(Millions of yen) 2013	2012	(Thousands of U.S. dollars) 2013
Reportable segment total	**¥204,526**	¥182,364	**$2,176,046**
Segment assets classified in "Other"	**43,297**	40,885	**460,660**
Elimination of investment securities in subsidiaries in consolidation process	**(22,377)**	(19,576)	**(238,087)**
Elimination of intercompany receivables	**(17,231)**	(19,455)	**(183,334)**
Other adjustment for consolidation	**(1,339)**	832	**(14,247)**
Total assets in consolidated financial statements	**¥206,875**	¥185,049	**$2,201,038**

(d) Segment liabilities

March 31	(Millions of yen) 2013	2012	(Thousands of U.S. dollars) 2013
Reportable segment total	**¥120,772**	¥108,919	**$1,284,947**
Segment liabilities classified in "Other"	**23,167**	22,334	**246,490**
Elimination of intercompany payables	**(17,231)**	(19,455)	**(183,334)**
Other adjustment for consolidation	**(5,517)**	(3,367)	**(58,708)**
Total liabilities in consolidated financial statements	**¥121,190**	¥108,431	**$1,289,395**

For the year ended March 31, 2013: (Millions of yen)

Other items	Reportable segments total	Other	Adjustment	Consolidated total
Depreciation	**¥2,827**	**¥509**	**¥ (4)**	**¥3,332**
Amortization of goodwill	**129**	**119**	**126**	**376**
Interest income	**38**	**111**	**(53)**	**96**
Amortization of negative goodwill	**—**	**—**	**59**	**59**
Interest expenses	**891**	**49**	**(53)**	**887**
Equity in earnings (losses) of affiliates	**(115)**	**—**	**44**	**(70)**
Special income	**216**	**159**	**(210)**	**165**
Gain on sales of property, plant and equipment	***123***	***157***	***(120)***	***159***
Special loss	**829**	**26**	**(7)**	**847**
Impairment loss	***566***	***—***	***(21)***	***544***
Income taxes	**2,444**	**518**	**(175)**	**2,788**
Investment to equity-method affiliates	**5,162**	**162**	**1,107**	**6,432**
Increase in property, plant and equipment	**6,970**	**737**	**(20)**	**7,687**

For the year ended March 31, 2012: (Millions of yen)

Other items	Reportable segments total	Other	Adjustment	Consolidated total
Depreciation	¥3,106	¥507	¥ (0)	¥3,612
Amortization of goodwill	32	116	194	343
Interest income	41	120	(61)	100
Amortization of negative goodwill	—	—	59	59
Interest expenses	848	71	(61)	858
Equity in earnings (losses) of affiliates	(56)	—	42	(13)
Special income	122	15	(132)	4
Gain on sales of property, plant and equipment	*122*	*1*	*(120)*	*3*
Special loss	793	90	14	898
Loss on valuation of investments in securities	*718*	—	—	*718*
Income taxes	1,135	650	54	1,840
Investment to equity-method affiliates	99	139	69	308
Increase in property, plant and equipment	1,870	571	(47)	2,393

For the year ended March 31, 2013: (Thousands of U.S. dollars)

Other items	Reportable segments total	Other	Adjustment	Consolidated total
Depreciation	**$30,084**	**$ 5,419**	**$ (52)**	**$35,451**
Amortization of goodwill	**1,381**	**1,274**	**1,349**	**4,006**
Interest income	**414**	**1,185**	**(569)**	**1,031**
Amortization of negative goodwill	**—**	**—**	**637**	**637**
Interest expenses	**9,485**	**527**	**(569)**	**9,443**
Equity in earnings (losses) of affiliates	**(1,224)**	**—**	**476**	**(747)**
Special income	**2,307**	**1,693**	**(2,243)**	**1,757**
Gain on sales of property, plant and equipment	***1,311***	***1,672***	***(1,282)***	***1,701***
Special loss	**8,820**	**278**	**(78)**	**9,021**
Impairment loss	***6,029***	***—***	***(231)***	***5,797***
Income taxes	**26,012**	**5,519**	**(1,865)**	**29,666**
Investment to equity-method affiliates	**54,926**	**1,728**	**11,778**	**68,433**
Increase in property, plant and equipment	**74,158**	**7,851**	**(221)**	**81,788**

(Note) The adjustments are principally as follows:
"Investment to equity-method affiliates" amounting to ¥1,107 million ($11,778 thousand) for the year ended March 31, 2013 principally resulted from foreign currency translation adjustments included in Investment in affiliates.

[Related information]

1. Information by products and services

For the year ended March 31, 2013:

(Millions of yen)

	Logistics systems	Electronics	Other	Consolidated total
Net sales to outside customers	**¥178,976**	**¥8,925**	**¥14,435**	**¥202,337**

For the year ended March 31, 2012:

(Millions of yen)

	Logistics systems	Electronics	Other	Consolidated total
Net sales to outside customers	¥175,060	¥8,161	¥14,829	¥198,052

For the year ended March 31, 2013:

(Thousands of U.S. dollars)

	Logistics systems	Electronics	Other	Consolidated total
Net sales to outside customers	**$1,904,207**	**$94,962**	**$153,584**	**$2,152,754**

2. Information by geographic areas

(1) Net sales

For the year ended March 31, 2013:

(Millions of yen)

	Japan	America	Other	Consolidated total
Net sales to outside customers	**¥97,047**	**¥36,442**	**¥68,847**	**¥202,337**

For the year ended March 31, 2012:

(Millions of yen)

	Japan	America	Other	Consolidated total
Net sales to outside customers	¥99,963	¥26,507	¥71,581	¥198,052

For the year ended March 31, 2013:

(Thousands of U.S. dollars)

	Japan	America	Other	Consolidated total
Net sales to outside customers	**$1,032,531**	**$387,725**	**$732,497**	**$2,152,754**

(Note) Net sales are classified by countries or areas where customers are located.

(2) Property, plant and equipment

For the year ended March 31, 2013:

(Millions of yen)

	Japan	Other	Consolidated total
Property, plant and equipment	**¥24,510**	**¥6,786**	**¥31,297**

For the year ended March 31, 2012:

(Millions of yen)

	Japan	Other	Consolidated total
Property, plant and equipment	¥24,965	¥5,464	¥30,430

For the year ended March 31, 2013:

(Thousands of U.S. dollars)

	Japan	Other	Consolidated total
Property, plant and equipment	**$260,778**	**$72,203**	**$332,982**

3. Information by principal customers

It was omitted due to no outside customers to which sales were more than 10% of net sales of the consolidated statements of income and comprehensive income.

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

For the year ended March 31, 2013:

(Millions of yen)

	Reportable segment						
	Daifuku	Contec	Daifuku Webb	Total	Other	Elimination or corporate	Consolidated total
Impairment loss	**¥566**	**¥—**	**¥—**	**¥566**	**¥—**	**¥(21)**	**¥544**

For the year ended March 31, 2012:
Not applicable

For the year ended March 31, 2013:

(Thousands of U.S. dollars)

	Reportable segment						
	Daifuku	Contec	Daifuku Webb	Total	Other	Elimination or corporate	Consolidated total
Impairment loss	**$6,029**	**$—**	**$—**	**$6,029**	**$—**	**¥(231)**	**$5,797**

[Note]
The amount under "Daifuku" resulted from impairment loss of long-term prepaid expenses.

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

For the year ended March 31, 2013:

(Millions of yen)

	Reportable segment						
	Daifuku	Contec	Daifuku Webb	Total	Other	Elimination or corporate	Consolidated total
Ending balance of goodwill	**¥783**	**¥1,509**	**¥2,269**	**¥4,562**	**¥985**	**¥220**	**¥5,768**
Ending balance of negative goodwill	**—**	**—**	**—**	**—**	**—**	**¥299**	**¥ 299**

For the year ended March 31, 2012:

(Millions of yen)

	Reportable segment						
	Daifuku	Contec	Daifuku Webb	Total	Other	Elimination or corporate	Consolidated total
Ending balance of goodwill	¥213	¥—	¥354	¥567	¥935	¥755	¥2,258
Ending balance of negative goodwill	—	—	—	—	—	¥359	¥ 359

For the year ended March 31, 2013:

(Thousands of U.S. dollars)

	Reportable segment						
	Daifuku	Contec	Daifuku Webb	Total	Other	Elimination or corporate	Consolidated total
Ending balance of goodwill	**$8,336**	**$16,060**	**$24,145**	**$48,543**	**$10,485**	**$2,349**	**$61,377**
Ending balance of negative goodwill	**—**	**—**	**—**	**—**	**—**	**$3,187**	**$ 3,187**

[Notes]
1. Information about amortization of goodwill and negative goodwill was omitted because it was disclosed in segment information.
2. "Ending balance of goodwill" under "Contec" resulted from acquisition of shares in DTx Inc.
3. "Ending balance of negative goodwill" under "Daifuku Webb" principally resulted from acquisition of shares in Elite Line Services, LLC.

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

Not applicable

31. Per share information

The amounts of basic and diluted net income per share and net assets per share for the years ended March 31, 2013 and 2012, were as follows:

March 31	(Yen) 2013	2012	(U.S. dollars) 2013
Net assets per share	¥754.98	¥674.72	$8.03
Net income per share —Basic	40.12	11.05	0.43

Diluted net income per share is not shown herein as dilutive shares do not exist.

The basis for the calculation of net income per share for the years ended March 31, 2013 and 2012, were as follows:

Net income per share

March 31	(Millions of yen) 2013	2012	(Thousands of U.S. dollars) 2013
Net income	¥4,439	¥1,223	$47,229
Amount not attributed to holders of common stock	—	—	—
Adjusted net income	¥4,439	¥1,223	$47,229

March 31	(Thousands of shares) 2013	2012
Weighted average number of shares of common stock	110,651	110,659

The basis for the calculation of net assets per share as of March 31, 2013 and 2012, were as follows:

March 31	(Millions of yen) 2013	2012	(Thousands of U.S. dollars) 2013
Total net assets	¥85,685	¥76,618	$911,643
Amount deducted from total net assets	2,147	1,956	22,845
(of which: minority interests)	(2,147)	(1,956)	(22,845)
Total net assets for common stock	¥83,538	¥74,661	$888,798
Number of issued and outstanding shares of common stock at fiscal year-end (thousands of shares)	110,648	110,655	

32. Subsequent events

Not applicable

Independent Auditor's Report

pwc

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, 2013, and the consolidated statement of income and comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2013, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

July 31, 2013

PricewaterhouseCoopers Aarata
Sumitomo Fudosan Shiodome Hamarikyu Bldg., 8-21-1 Ginza, Chuo-ku, Tokyo 104-0061, Japan
T: +81 (3) 3546 8450, F: +81 (3) 3546 8451, www.pwc.com/jp/assurance

Daifuku Global Network

(As of July 1, 2013)

The Americas

Daifuku Webb Holding Company	
	Farmington Hills, MI, U.S.A.
Daifuku America Corporation	
Main Office & Plant	Reynoldsburg, OH, U.S.A.
Other offices:	
Arizona, Austin, Indiana, Kentucky, Michigan, Tennessee, Utah	
Jervis B. Webb Company	
World Headquarters	Farmington Hills, MI, U.S.A.
Boyne City Manufacturing Plant	Boyne City, MI, U.S.A.
Carlisle Forging Plant	Carlisle, SC, U.S.A.
Harbor Springs Manufacturing Plant	Harbor Springs, MI, U.S.A.
Elite Line Services, LLC	
	Carrollton, TX, U.S.A.
American Conveyor and Equipment, Inc.	
	Reynoldsburg, OH, U.S.A.
Logan Teleflex, Inc.	
	Louisville, KY, U.S.A.
Daifuku Canada Inc.	
	Mississauga, Ontario, Canada
Jervis B. Webb Company of Canada, Ltd.	
	Hamilton, Ontario, Canada
Daifuku de México, S.A. de C.V.	
	Querétaro, Qro., Mexico
Contec Microelectronics U.S.A. Inc.	
	Sunnyvale, CA, U.S.A.
DTx Inc.	
	Melbourne, FL, U.S.A.

Europe

Daifuku Europe Ltd.	
Main Office	Buckinghamshire, U.K.
Derby Office	Staffordshire, U.K.
Germany Branch	Moenchengladbach, Germany
Jervis B. Webb Company, Ltd.	
	Buckinghamshire, U.K.
Logan Teleflex (UK) Ltd.	
	Hull, U.K.
Jervis B. Webb GmbH	
Main Office	Moenchengladbach, Germany
Spain Branch	Barcelona, Spain
Logan Teleflex (France) S.A.S.	
	Ivry-sur-Seine, France

Asia

Daifuku (China) Co., Ltd.	
Main Office	Shanghai, China
Tianjin Branch	Tianjin, China
Guangzhou Branch	Guangzhou, China
Other offices:	
Beijing, Changchun, Chengdu, Chongqing, Fuzhou, Hangzhou	
Nansha, Shenzhen, Suzhou, TEDA, Wuhan, Xiamen, Zhengzhou	
Daifuku (China) Manufacturing Co., Ltd.	
	Shanghai, China
Daifuku (China) Automation Co., Ltd.	
	Jiangsu, China
Daifuku (Suzhou) Cleanroom Automation Co., Ltd.	
	Jiangsu, China
Daifuku India Private Limited	
Main Office	Haryana, India
Bangalore Office	Bangalore, India
Delhi Office	New Delhi, India
ForgePro India Private Limited	
	Bangalore, India
P.T. Daifuku Indonesia	
	Jakarta, Indonesia
Daifuku Korea Co., Ltd.	
Main Office / R&D Center	Incheon, Korea
Plant	Incheon, Korea
Clean Factomation, Inc.	
Main Office	Gyeonggi-do, Korea
Asan Plant	Chungnam, Korea
Hallim Machinery Co., Ltd.	
Main Office & Plant	Gyeonggi-do, Korea
Daifuku (Malaysia) Sdn. Bhd.	
	Selangor D.E., Malaysia
Daifuku Mechatronics (Singapore) Pte. Ltd.	
	Techplace I, Singapore
Taiwan Daifuku Co., Ltd.	
Main Office & Plant	Tainan, Taiwan
Hsinchu Branch	Hsinchu, Taiwan
Taichung Plant	Taichung, Taiwan
Daifuku (Thailand) Ltd.	
Main Office & Plant	Chonburi, Thailand
Bangkok Office	Bangkok, Thailand
Pinthong Plant	Chonburi, Thailand
Beijing Contec Microelectronics Corporation	
Main Office	Beijing, China
Shanghai Branch Office	Shanghai, China
Contec Solution China Corporation	
	Shanghai, China
Singapore Contec Pte. Ltd.	
	Techplace I, Singapore
Taiwan Contec Co., Ltd.	
	Xinbei, Taiwan
Contec Solution Co., Ltd.	
	Xinbei, Taiwan

Corporate Data

(As of March 31, 2013)

Established	May 20, 1937
Paid-in capital	8,024 million yen
Employees	6,678 (consolidated)
Ratings	Rating & Information, Inc. (R&I)
	Long-term: A- (single A minus)
	Short-term: a-1 (a - one)

Principal Locations

Headquarters	3-2-11 Mitejima, Nishiyodogawa-ku
	Osaka 555-0012 Japan
	Tel: 81-6-6472-1261 Fax: 81-6-6476-2561
Tokyo Head Office	2-14-5 Shiba, Minato-ku, Tokyo 105-0014 Japan
	Tel: 81-3-3456-2231 Fax: 81-3-3456-2258
Shiga Works	1225 Nakazaiji, Hino-cho, Gamo-gun
	Shiga 529-1692 Japan
	Tel: 81-748-53-0321 Fax: 81-748-52-2963
Komaki Works	4-103 Komakihara, Komaki-shi
	Aichi 485-8653 Japan
	Tel: 81-568-74-1500 Fax: 81-568-74-1600

Global Branches

Philippines Branch	108 Aguirre Street, Legaspi Village
	Makati City, Philippines
Czech Branch	Tolarova 317, 533 51 Pardubice, Czech Republic
	Tel: 420-321-800-042 Fax: 420-321-800-045
Germany Branch	Luerriper Strasse 52, D-41065
	Moenchengladbach, Germany
	Tel: 49-2161-49-695-0 Fax: 49-2161-49-695-20
St. Petersburg Branch	Business Center Ligovskiy 266, Office 3.6
	266/V, Ligovskiy Pr., St. Petersburg 196084 Russia
	Tel: 7-812-458-7336 Fax: 7-812-458-7331
Sweden Branch	Stora Avagen 21, 436 34 Askim, Sweden
	Tel: 46-31-7238405 Fax: 46-31-7238499
UK Branch	Unit 5, Dunfermline Court, Kingston
	Milton Keynes, Buckinghamshire
	MK10 0BY U.K.
	Tel: 44-1908-288-780 Fax: 44-1908-288-781
Mexico Branch	Calle Armando Birlain Central Park
	Torre Corporativa 1, Piso 15-C
	Santiago de Querétaro, Qro. C.P. 76090 Mexico
	Tel: 52-442-229-0578

Subsidiaries in Japan

Contec Co., Ltd.
Contec EMS Co., Ltd.
Contec Software Development Co., Ltd.
Daifuku Plusmore Co., Ltd.
Daifuku Business Service Corporation
Hiniaratakan Corporation
Daifuku Institute of Technology Co., Ltd.*
Daifuku Manufacturing Technology Co., Ltd.
Daifuku Renace Co., Ltd.

*As of April 1, 2013, Daifuku Institute of Technology Co., Ltd. was merged into Daifuku Co., Ltd.

Investor Information

(As of March 31, 2013)

Number of authorized shares	250,000,000 shares
Total number of shares issued	113,671,494 shares
Number of shareholders	11,057
Ordinary general meeting of shareholders	Every June
Stock exchange listing	First Section of Tokyo Stock Exchange
Stock transfer agent	Sumitomo Mitsui Trust Bank, Limited
	Transfer Agent Department
	4-5-33 Kitahama, Chuo-ku, Osaka

Major Shareholders

Name	Number of shares held (Thousands)	Percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. (trust account)	**7,778**	**6.84**
Japan Trustee Services Bank, Ltd. (trust account)	**7,145**	**6.28**
Japan Trustee Services Bank, Ltd. (trust account 9)	**5,758**	**5.06**
Mizuho Corporate Bank, Ltd.*	**5,490**	**4.83**
Daifuku Supplier Shareholder Association	**4,162**	**3.66**
Sumitomo Mitsui Banking Corporation	**4,080**	**3.58**
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	**3,833**	**3.37**
Nippon Life Insurance Company	**3,431**	**3.01**
Daifuku Employees' Shareholding Association	**2,135**	**1.87**
NISSHIN TATEMONO Co., Ltd.	**1,889**	**1.66**

Daifuku holds 3,022,663 shares of treasury stock, although these are excluded from the above list of major shareholders.
*As of July 1, 2013, Mizuho Corporate Bank, Ltd. was merged into Mizuho Bank, Ltd.

Cautionary Statement with Respect to Forward-Looking Statements

The strategies, beliefs and plans related to future business performance as described in this annual report are not established facts. They are business prospects based on the assumptions and beliefs of the management team judging from the most current information, and, therefore, these prospects are subject to potential risks and uncertainties. Due to various crucial factors, actual results may differ substantially from these forward-looking statements. These crucial factors that may adversely affect performance include: 1) consumer trends and economic conditions in the Company's operating environment; 2) the effect of yen exchange rates on sales, assets and liabilities denominated in U.S. dollars and other currencies; 3) the tightening of laws and regulations regarding safety and other matters that may lead to higher costs or sales restrictions; and 4) the impact of natural disasters and intentional threats, war, acts of terrorism, strikes, plagues. Moreover, there are other factors that may adversely affect the Company's performance.

For further information, please contact:

dfk_ir@ha.daifuku.co.jp