DAIFUKU

Consolidated Financial Results
for the Fiscal Year Ended March 31, 2016
[Japan GAAP]

Prepared in accordance with accounting principles generally accepted in Japan
Translated from the original Japanese-language document

May 12, 2016

Daifuku Co., Ltd.
Stock code: 6383, First Section of Tokyo Stock Exchange
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Scheduled date of general meeting of shareholders: June 24, 2016
Scheduled date of commencing dividend payment: June 27, 2016
Scheduled date for filing financial statements: June 27, 2016
Earnings supplementary materials: Yes
Earnings presentation: Yes (for institutional investors and securities analysts)

Note: Figures are rounded down to the nearest one million yen.

1. Consolidated Financial Results for Fiscal 2015
(April 1, 2015 - March 31, 2016)

(1) Operating results (Figures in percentages denote the year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2015	**336,184**	**25.8**	**20,878**	**40.3**	**21,995**	**39.4**	**13,652**	**39.2**
Fiscal 2014	267,284	10.5	14,883	18.5	15,783	19.6	9,810	26.7

Note: Comprehensive income
Fiscal 2015: 7,780 million yen (-42.8 %)
Fiscal 2014: 13,599 million yen (-23.4 %)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal 2015	**118.72**	**112.14**	**11.6**	**7.8**	**6.2**
Fiscal 2014	88.59	80.60	9.6	6.1	5.6

Reference: Equity in earnings of affiliates during the period
Fiscal 2015: 503 million yen
Fiscal 2014: 113 million yen

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

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal 2015	**296,055**	**130,116**	**42.9**	**1,044.40**
Fiscal 2014	271,011	111,521	39.8	972.75

Reference: Shareholders' equity

Fiscal 2015: 127,052 million yen
Fiscal 2014: 107,797 million yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of year
	Million yen	Million yen	Million yen	Million yen
Fiscal 2015	**7,206**	**-2,099**	**-8,702**	**49,084**
Fiscal 2014	6,295	-5,846	-509	54,081

2. Dividends

	Dividend per share					Total cash dividends (annual)	Dividends payout (consolidated)	Net assets dividend ratio (consolidated)
	End of Q1	End of Q2	End of Q3	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal 2014	–	7.00	–	15.00	22.00	2,443	24.8	2.4
Fiscal 2015	–	10.00	–	20.00	30.00	3,547	25.3	3.0
Fiscal 2016 (forecast)	–	**12.00**	–	**23.00**	**35.00**		**29.4**	

Note: Fiscal 2016 dividends breakdown (forecast)

Ordinary dividend: 30 yen
Commemorative dividend: 5 yen (for celebrating our 80th anniversary)

3. Consolidated Earnings Forecast for the Fiscal 2016

(April 1, 2016- March 31, 2017)

(Figures in percentage denote the year-on-year change from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim	154,000	0.8	9,700	13.5	9,800	7.3	7,000	13.2	57.54
Full-year	330,000	-1.8	21,000	0.6	21,500	-2.3	14,500	6.2	119.19

Notes:

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

(2) Changes in accounting policies, accounting estimates, and restatement
1) Changes in accounting standards associated with the revisions of accounting standards: Yes
2) Other changes: None
3) Changes in accounting estimates: None
4) Restatement: None

For more details, please see 2-(1) "Changes in accounting policies, accounting estimates, and restatement."

(3) Number of shares issued (Common stock)

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

Fiscal 2015:	**123,610,077 shares**
Fiscal 2014:	113,671,494 shares

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

Fiscal 2015:	**1,958,836 shares**
Fiscal 2014:	2,853,707 shares

3) Average number of shares during the period

Fiscal 2015:	**114,994,693 shares**
Fiscal 2014:	110,746,022 shares

Note: For the number of shares, which is the basis for the calculation of net income per share, please see "Per Share Information" on page 37. In addition, the Company introduces the Employee Shareholding Incentive Plan (E-Ship). Common stock in the consolidated financial statements includes the shares owned by Daifuku employees' shareholding association through E-Ship, stated as treasury stock. Accordingly, with respect to the Company's shares owned by the Daifuku employees' shareholding association, 133,400 shares are included in above "2) Number of treasury stock at the end of the period" and 191,267 shares are deducted from above "3) Average number of shares during the period."

Audit status

These consolidated financial statements are exempted from audit requirements as provided in Japan's Financial Instruments and Exchange Act. At the time of disclosure of these statements, the audit for the financial statements under this Act has not been completed.

Disclaimer

The business forecasts contained in this document are based on information available to management at the present time and certain assumptions judged to be rational. As such, actual sales and income may differ from this forecast due to uncertain factors present in the forecast or future changes in business circumstances. For the business forecasts, please see 1-(1) "Analysis of operating results, Outlook for the fiscal year ending March 31, 2017."

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

Contents

1. Operating and Financial Review

(1) Analysis of operating results

During the fiscal year under review, the global economy benefited from a moderate recovery in the United States and other developed nations, while facing negative factors in the wake of the slowdown in economic growth in China and other emerging countries, declining prices of oil and other commodities, and increased geopolitical risks.

The Japanese economy has continued its moderate recovery, underpinned by increased investment in factory upgrades aiming at streamlining and labor-saving in the manufacturing sector while the distribution and service sectors have enjoyed improved business sentiment thanks to stronger e-commerce and inbound tourism. Since the beginning of 2016, however, economy uncertainty has been growing given a stronger yen and lower stock prices.

Daifuku Group's mainstay material handling systems have growth potential, since logistics-related investments from the e-commerce sector are expanding globally, demand for automation and larger facilities is increasing, and capital investment is being used to resolve labor shortages and increase productivity.

Amid these conditions, the operating results of the Daifuku Group made steady progress with record orders, sales, operating income, ordinary income and net income attributable to shareholders of the parent company, which resulted in increased sales and profits being achieved for the sixth year in a row.

Orders remained favorable in major regions and core sectors, such as distribution, food, and pharmaceuticals in Japan, other Asian regions and North America, semiconductors and flat-panel displays (FPDs) in Japan and other Asian regions, and automobiles in North America. In Europe, demand for capital investment for airports, which had been sluggish for years, has rebounded. The Group won a series of large orders for systems used in airports. Sales were positive, underpinned by strong order volumes.

Specifically, the Group received orders of 359,427 million yen, increasing 17.6% from a year earlier, and recorded net sales of 336,184 million yen, an increase of 25.8%.

Income significantly surpassed the year-ago figure, reflecting the increased profitability generated by increased sales and cost improvements by Daifuku Co., Ltd., and the increased sales of Asian subsidiaries.

Consequently, the Group posted operating income of 20,878 million yen, up 40.3% from a year earlier, and ordinary income of 21,995 million yen, up 39.4%. Net income attributable to shareholders of the parent company was 13,652 million yen, up 39.2%. This was mainly due to the favorable results, despite an extraordinary loss from the review of non-current assets in Japan and overseas.

Results by reportable segment are described below. Orders from and sales to outside customers are described as segment orders and sales, and quarterly net income attributable to shareholders of the parent company is recorded as segment income.

For more details about segments, please see “Segment Information” below. Daifuku Plusmore Co., Ltd., which was previously included in Other, was changed to a reportable segment due to its increased quantitative significance from the first quarter.

Daifuku Co., Ltd.

<Orders>

In our mainstay systems for manufacturers and distributors, orders for large projects remained steady in the distribution sectors, including e-commerce and supermarkets, and in the warehousing, pharmaceutical, food, and electrical equipment sectors. These orders include a pharmaceutical wholesaler’s large distribution center, which features a heavy use of robots, and B2B online stores that sell dental health materials and laboratory tools, anticipating social trends. In systems for semiconductor and FPD factories, orders rose sharply in Japan and in other parts of Asia.

<Sales>

Sales of systems for semiconductor and FPD factories increased significantly. Sales of systems for manufacturers and distributors also rose. In automobile production line systems, orders for services and small upgrade projects remained firm in Japan, while customers are increasingly investing in new factories outside of Japan.

<Income>

Profits benefited from further cost improvements in productions and installations, increased sales, and strong services.

As a result, the Company recorded orders of 142,135 million yen, up 3.7% from the previous fiscal year, net sales of 144,989 million yen, up 26.0%, and segment income of 8,462 million yen, up 20.2%.

Contec group (Contec Co., Ltd. and its subsidiaries)

- Industrial computers

In the Japanese market, sales of products for the electronics related sector remained unfavorable; however, sales of products for the semiconductor manufacturing equipment sector rebounded in part during the fourth quarter of the fiscal year under review. In the U.S. market, sales of industrial-use computers for the medical device sector remained solid.

- Measuring and control boards

Sales of measuring and control boards for manufacturing facilities in Japan declined, reflecting the impact of the peaking of corporate capital investment.

- Networking products

Contec strove to identify new markets by expanding sales of wireless LAN products for educational institutions.

- Solution products

Sales of photovoltaic data measuring systems were down, reflecting the impact from environmental changes in the photovoltaic market.

As a result, Contec posted orders of 14,762 million yen, down 4.0% from the previous fiscal year, net sales of 15,155 million yen, up 3.6%, and segment income of 589 million yen, down 30.3%.

Daifuku North America group (Daifuku North America Holding Company and its affiliates)

In systems for manufacturers and distributors, orders remained firm, bolstered by large projects for the confectionery, online industrial supply, transportation, and other sectors.

In systems for semiconductor manufacturers, business remained firm.

In automobile production line systems, Daifuku North America received multiple large orders for new automobile paint line systems for an American automaker and achieved further cost improvements, mainly for continued orders from Japanese automakers. This business has been growing to a substantial revenue stream in North America. Earnings benefited from solid sales of automatic guided carts for parts supply used in automobile factories.

In systems for airports, planned orders and sales fell below the initial plan of the fiscal year, mainly due to delayed orders for large projects. However, earnings capacity is rising significantly, underpinned by the termination of unprofitable projects and cost improvements, and growth should turn positive for the next fiscal year.

Earnings were affected by the amortization of goodwill associated with a U.S. company that joined the group through M&A, which was reflected in Daifuku North America's results.

As a result, Daifuku North America achieved orders of 95,713 million yen, up 26.4% from the previous fiscal year, net sales of 77,066 million yen, up 0.7%, and segment income of 1,503 million yen, down 3.3%.

Daifuku Plusmore Co., Ltd.

Daifuku Plusmore mainly sells car wash machines and bowling-related products and provides rental roll box pallets in Japan. Sales of car wash machines for car service stations remained steady, underpinned by demand for upgrades of aging machines and subsidies operated by Japan's Agency for Natural Resources and Energy's business stabilization and support operations. Daifuku Plusmore consequently achieved record annual unit sales.

As a result, Daifuku Plusmore reported orders of 12,387 million yen, up 19.7% from the previous fiscal year, net sales of 12,284 million yen, up 18.3%, and segment income of 143 million yen, up 117.0%.

Other

The Other segment includes all other Daifuku Group companies, excluding the aforementioned Contec and Daifuku North America group companies and Daifuku Plusmore. The Group has 58 consolidated subsidiaries and affiliates in total located worldwide.

Outside Japan, major subsidiaries include Daifuku (China) Co., Ltd. in China; Taiwan Daifuku Co., Ltd. in Taiwan; Daifuku Korea Co., Ltd. and Clean Factomation, Inc. in South Korea; and Daifuku (Thailand) Ltd. in Thailand, which primarily sell and manufacture material handling systems and equipment. These companies have boosted exports to markets in other countries and are playing a global role in optimizing the local production and procurement framework of the Group.

In China, the economic situation has been shifting from exporting to domestic demand, with a concurrent move from manufacturing to service-oriented sectors. To meet market needs, demand for material handling systems is rising rapidly in the food, pharmaceutical, and distribution sectors. In 2015, Daifuku reorganized its three Chinese subsidiaries and affiliates to strengthen their production and sales divisions and further expand their businesses, especially in systems for general manufacturers and distributors and systems for automobile production lines. In each company, production and sales divisions are united for the same business operations. In systems for FPD factories, orders and sales increased significantly, bolstered by China's national policy of becoming the world's No. 1 in FPD production in fiscal 2017. In automobile production line systems, orders for conveyors and automatic guided vehicles for Euro-American automobile factories remained firm.

In Taiwan, business performance improved significantly, with large orders for systems for semiconductor and FPD factories and systems for the distribution centers of online stores.

In South Korea, orders from semiconductor manufacturers, projects to upgrade automobile production lines, and sales of car wash machines were steady.

Given unfavorable business sentiment in ASEAN countries, orders grew at a sluggish pace at subsidiaries in Thailand, Singapore, Indonesia, and Malaysia. In consideration of ASEAN's potential, however, these subsidiaries will continue to strengthen their local operating frameworks, including production, sales, services, and information infrastructure, to receive orders for automobile production lines that need to upgrade or replace their facilities, as well as to meet demand for low-temperature logistics in the food and beverage sectors.

In Europe, service business for systems for manufacturers and distributors remained steady. Daifuku Logan Ltd., which sells systems and technologies for airports, posted expenses generated from the company's structural reform, while offsetting a loss by winning large orders in the U.K. and France during the fourth quarter.

Sales reported by BCS Group Limited, which sells systems and technologies for airports in Oceania and Asia, remained firm. Looking ahead, BCS will collaborate with Daifuku Logan in Europe and expand sales of automated check-in systems, demand for which is increasing.

Consequently, the segment recorded orders of 94,428 million yen, up 40.7% from the previous fiscal year, net sales of 81,792 million yen, up 50.8%, and segment income of 3,233 million yen, down 20.4%.

Outlook for the fiscal year ending March 31, 2017

Given the initiatives above, Daifuku has made the following earnings forecasts for the fiscal year ending March 31, 2016, with the expectation of sustainable growth.

Consolidated earnings forecast for the fiscal year ending March 31, 2017

Orders received	330 billion yen	(Down 8.2% year on year)
Net sales	330 billion yen	(Down 1.8% year on year)
Operating income	21.0 billion yen	(Up 0.6% year on year)
Ordinary income	21.5 billion yen	(Down 2.3% year on year)
Net income attributable to shareholders of the parent company	14.5 billion yen	(Up 6.2% year on year)

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

Impact from currency exchange

The actual exchange rate of 121 yen per U.S. dollar was used for the results of the fiscal year under review. An estimated rate of 110 yen per dollar is used in preparing the plan for the next fiscal year. Due to the appreciation of the yen, decreases of 35 billion yen in orders received, 20 billion yen in net sales, and 0.8 billion yen in operating income are projected.

Orders received

In systems for FPD factories, orders were clustered in the fiscal year under review. In the next fiscal year, orders are expected to decline in response to this trend. In systems for automobile factories, the absence of large orders of the volume received in North America and Central America during the fiscal year under review is expected to have an impact.

In contrast, in systems for general manufacturers and distributors, orders are expected to increase in Japan and overseas, driven by demand from the e-commerce sector. Increased capital investment in the semiconductor sector in Taiwan and other nations is also expected. Capital investment in the airport segment has begun to recover.

Net sales

Firm progress is anticipated, based on the strong order backlog at the end of the fiscal year under review.

Operating income

Profits should continue to increase, given robust business in systems for general manufacturers and distributors and the expected move into profitability in systems for airports, offsetting lower sales of systems for FPD factories and unprofitable sales of systems for automobile factories.

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

(2) Analysis of financial position

Assets, liabilities and net assets

Total assets at the end of the fiscal year under review stood at 296,055 million yen, an increase of 25,043 million yen from the end of the previous fiscal year. The result principally reflected an increase of 26,618 million yen in notes and accounts receivable and unbilled receivables.

Total liabilities at the end of the fiscal year under review amounted to 165,938 million yen, an increase of 6,448 million yen from the end of the previous fiscal year. Primary factors included increases of 6,442 million yen in electronically recorded obligations, 4,708 million yen in income taxes payable, and 9,633 million yen in other current liabilities such as excess charges for uncompleted construction and advances received, offset by a decrease of 15,093 million yen in yen convertible bonds with stock acquisition rights due 2017.

Net assets at the end of the fiscal year under review were 130,116 million yen, an increase of 18,594 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 10,874 million yen in retained earnings, as well as increases of 6,555 million yen in capital surplus and 6,992 million yen in paid-in capital or common stock with the proceeds from the issuance of new shares following the exercise of stock acquisition rights mentioned above. Daifuku issued convertible bonds with stock acquisition rights in October 2013 as a pillar of the financial strategy described in its current medium-term business plan, aiming to convert the bonds into shares by October 2017. As its stock price has been favorable since then, the Company was able to boost its capital before the maturity date of October 2, 2017.

Cash flows

Cash and cash equivalents at the end of the fiscal year under review decreased 4,996 million yen from the end of the previous fiscal year, to 49,084 million yen, compared with 54,081 million yen in the same period of the previous fiscal year.

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

Cash flows from operating activities

Cash provided by operating activities totaled 7,206 million yen, compared with cash provided of 6,295 million yen in the same period of the previous fiscal year. This primarily reflects 20,650 million yen in Income before income taxes and minority interests, an increase of 11,964 million yen in notes and accounts payable as well as the depreciation of 4,587 million yen, offsetting an increase of 28,060 million yen in notes and accounts receivable.

Cash flows from investing activities

Cash used in investing activities was 2,099 million yen, compared with cash used of 5,846 million yen in the same period of the previous fiscal year. Major factors included an outlay of 3,158 million yen for the purchase of property, plant and equipment.

Cash flows from financing activities

Cash used in financing activities was 8,702 million yen, compared with cash used of 509 million yen in the same period of the previous fiscal year. Major factors were an outlay of 4,232 million yen in interest-bearing liabilities, a dividend payment of 2,794 million yen, and an outlay of 1,556 million yen for the acquisition of shares in subsidiaries that does not affect the scope of consolidation.

<Reference> Changes in cash flow indicators

	FY ended March 2012	FY ended March 2013	FY ended March 2014	FY ended March 2015	FY ended March 2016
Equity ratio (%)	40.3	40.4	38.8	39.8	42.9
Equity ratio based on market capitalization (%)	28.7	41.2	56.6	64.9	77.9
Ratio of interest-bearing liabilities to cash flows (Year)	–	3.4	2.8	9.6	5.7
Interest coverage ratio (Times)	–	17.6	23.9	12.9	14.4

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

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

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

Instant coverage ratio: Cash flows/Interest paid

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

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

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

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

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

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

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

Under its four-year business plan, *Value Innovation 2017*, Daifuku aims to achieve a dividend payout ratio of 30% and increase its corporate value through investment in growth.

For the fiscal year ended March 31, 2016, Daifuku paid an interim dividend of 10 yen per share, and the Board of Directors passed a resolution to pay a year-end dividend of 20 yen per share at a meeting held on May 12, 2016, making the annual dividend 30 yen per share.

With respect to dividends for the fiscal year ending March 31, 2017, the Company plans to pay an annual dividend of 35 yen per share (an interim dividend of 12 yen per share and a year-end dividend of 18 yen as common dividends, plus a commemorative dividend of 5 yen to mark its 80th anniversary), taking into consideration the earnings forecast for the fiscal year ending March 31, 2017 and the basic policy described above.

2. Management Policy

(1) Basic management policy

The Daifuku Group has grown to become a manufacturer and systems integrator vying for the No. 1 or No. 2 positions within the material handling field, as a result of consistently seeking to achieve sustainable growth based on its medium-term business plans. For the fiscal year ended March 31, 2016, the Group maintained its top world ranking in sales in the material handling industry, according to the May 2016 issue of the U.S. magazine *Modern Materials Handling*.

The Group is seeking innovative ways to enhance its corporate value every day, as stated in its company creed (Hini Arata, or progressing every day). In the four-year business plan, *Value Innovation 2017* (hereinafter "the medium-term business plan"), which operates during the fiscal years ended March 2014 to 2017, the Group adopted the following 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.

Under the medium-term business plan, the Group aims to evolve into a top-class Value Innovator that provides the best solutions for customers worldwide by capitalizing on the experience and technologies it has accumulated as a comprehensive manufacturer and integrator of material handling systems.

(2) Target management indicators

In the medium-term business plan, Daifuku set management targets to achieve sales of 280 billion yen and an operating income ratio of 7% for the fiscal year ending March 31, 2017. In May 2015, the Company revised its management targets as follows.

(The numbers in parentheses are initial targets.)

- Consolidated sales: 340 billion yen (280 billion yen)
- Operating Income: 210 billion yen (Operating income ratio of 7%)
- ROE: 10% (N/A)
- Non-Japan sales ratio: 70% (60%)

Since its sales increased significantly from the initially planned target, Daifuku aimed to surpass its operating income record (20.6 billion yen for the fiscal year ended March 2008), instead of focusing on the planned ratio of operating income.

In the fiscal year ended March 31, 2016, sales stood at 336,184 million yen, and operating income was 20,878 million yen, both record highs. The probability of achieving the operating income target in the medium-term business plan has increased.

As for capital policy, Daifuku aims to keep ROE (return on equity) above 10% for some time to come, chiefly by increasing net income. In the fiscal year ended March 31, 2016, the Company expanded its shareholders' equity, the denominator of ROE, by converting bonds with stock acquisition rights to shares, but ROE increased to 11.6% from 9.6%, reflecting an increase in net income, the numerator. Net income per share rose 34%. With respect to shareholder return, improving corporate value through growth investment, while achieving a consolidated payout ratio of 30%, shall be the primary objective.

As for financial targets, Daifuku aims to upgrade its rating by improving its operating income ratio.

Daifuku has begun to discuss its next medium-term business plan from the fiscal year ending March 31, 2018, planning to announce it in February 2017.

(3) Medium- and long-term management strategies

The Group achieved its initial sales target in the medium-term business plan ahead of schedule. The Group also achieved its initial target for the non-Japan sales ratio to total sales, 60%. In the fiscal year ended March 31, 2016, the non-Japan sales ratio stood at 66%. The e-commerce business, which is growing globally, has also become a new key to driving the Group's growth.

The Group's challenges now are improving profitability and achieving sustainable growth in the medium to long term.

The next profitability target to achieve is an operating income ratio of 7%, our initial target. In the fiscal year ending March 31, 2017, the Group aims to maximize its income ratio, thereby raising the baseline for the next medium-term business plan. The Group has three objectives:

1) Shore up non-Japanese affiliates where profitability is lower than in Japan
2) Further improve profitability in Japan
3) Expand after-sales services through application of the IoT (Internet of Things)

Of non-Japanese affiliates, Wynright Corporation, which has impressive sales in North America, will work to expand its product lineup for the general manufacturers and distributors and to reduce the cost of manufacturing by raising the ratio of in-house production. The Group has been manufacturing and selling airport baggage handling systems focusing on hardware at non-Japanese affiliates. However, the Group will expand the scope of its business to provide Airport Technologies (ATec), which integrate O&M (operation and maintenance), software, and the automatic check-in system.

In Japan, Daifuku will further promote structural reform for purchases and in-house production and the quality improvement.

In the IoT field, subsidiary Contec developed and launched CONPROSYS, an M2M* and IoT solution series in the fiscal year ended March 31, 2016. The development of cloud computing and communications technology has made the remote monitoring of infrastructure and the preventive maintenance of plants possible at low prices. Against this backdrop, CONPROSYS integrates different manufacturers' sensors and machines having different communication methods and data formats and links them to high-order systems.

* M2M: Machine to Machine

Since 2004, Daifuku has been providing DREMOS, a remote monitoring and preventive maintenance system for its logistics systems, as an after-sales service. To add value to products and services, the Company will encourage the use of the IoT.

To achieve sustainable growth in the medium to long term, our challenge is developing and identifying new products and new businesses. To meet that challenge, the Company is strengthening its device business as well as its plant business. In February 2016, in a world first, Daifuku put into practical use a wireless battery charging system for electric forklifts, D-PAD.

Daifuku will consider introducing core technologies for innovation, including the IoT, devices, and software, from outside sources. M&A will remain part of the Company's management strategy to complement its existing businesses and enhance its corporate value.

(4) Challenges to address

Daifuku also emphasizes compliance. The Company has bolstered awareness-raising activities from different perspectives, including the creation of a database collecting information on examples at other companies, training for complying with competition law and anti-bribery law globally, and the establishment of compliance months.

The Company emphasizes corporate social responsibility and has been particularly focused on safety. Top priority should be given to safety. The Company reaffirms this, and management will continue to take the lead in creating its own safety culture.

In November 2015, the Company submitted a corporate governance report under the Corporate Governance Code (hereinafter "the Code") to the Tokyo Stock Exchange. The Company has discussed the spirit of the Code and has systematized it in its own way to establish corporate governance guidelines. The guidelines have been disclosed separately on May 12, 2016.

Initiatives of the Company other than the establishment of the corporate governance guidelines are as follows:

- Two independent outside directors have been appointed.
- An optional Advisory Committee was established in order to strengthen the independence, objectivity and accountability of the Board of Directors with respect to the nomination and remuneration of the management team. The Advisory Committee comprises three representative directors and two outside directors and is chaired by one of the outside directors.
- With the approval of the 100th Ordinary General Meeting of Shareholders, Daifuku will clarify the interrelationship between the directors (excluding outside directors) and corporate officers' remuneration system and its results and stock price, and will change the system so that it contributes to an improvement in results and an increase in corporate value over the medium to long term.
- The effectiveness of the Board of Directors has been evaluated, with the results assessed by outside directors and reported at a meeting of the Board of Directors. Daifuku will strive to improve effectiveness continuously through the PDCA (plan-do-check-act) cycle.
- Daifuku has established strong relationships with customers through the delivery of products and after-sales services. Considering these relationships, the Company examines the economic rationality of cross-shareholdings and decides whether to retain them. The Company will decide on the exercise of voting rights individually, considering the medium- to long-term shareholder value of the companies whose shares are held and whether the shareholdings will contribute to improving the Company's corporate value.

The Company will continue to increase the effectiveness of its corporate governance through the PDCA cycle under its company creed and the spirit of the management philosophy.

Daifuku will celebrate the 80th anniversary of its foundation in May 2017. Since its founding, the Company has proactively undertaken new businesses that reflect the trends of various eras and has survived turbulent social and economic conditions. Moving forward, the Daifuku Group will aim to become the No. 1 material handling company in the world, continuing sound and sustainable growth.

3. Basic Stance on Selecting Accounting Standards

Daifuku has adopted Japan GAAP.

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

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	FY2014 (Year ended March 31, 2015)	FY2015 (Year ended March 31, 2016)
ASSETS		
Current assets:		
Cash on hand and in banks	54,202	49,187
Notes and accounts receivable and unbilled receivables	76,645	103,264
Costs and estimated earnings in excess of billings on uncompleted contracts	19,414	28,033
Merchandise and finished goods	3,561	3,629
Costs incurred on uncompleted construction contracts and other	8,990	7,092
Raw materials and supplies	11,980	11,370
Deferred tax assets	2,810	4,501
Other current assets	7,574	7,390
Allowance for doubtful accounts	(137)	(146)
Total current assets	185,041	214,324
Non-current assets:		
Property, plant and equipment		
Net buildings and structures	14,754	13,954
Net machinery and vehicles	3,507	3,336
Net tools and fixtures	1,830	1,487
Land	12,018	11,881
Other, net	2,562	2,221
Total property, plant and equipment	34,673	32,881
Intangible assets		
Software	3,100	3,152
Goodwill	12,905	11,181
Other	3,040	2,739
Total intangible assets	19,045	17,072
Investments and other assets		
Investments in securities	21,728	19,571
Long-term loans	125	135
Net defined benefit assets	643	1,600
Deferred tax assets	6,130	6,642
Other	3,752	3,952
Allowance for doubtful accounts	(129)	(125)
Total investments and other assets	32,251	31,776
Total non-current assets	85,970	81,731
Total assets	271,011	296,055

(Million yen)

	FY2014 (Year ended March 31, 2015)	FY2015 (Year ended March 31, 2016)
LIABILITIES		
Current liabilities:		
Notes and accounts payable and construction contracts payable	36,568	40,696
Electronically recorded obligations - operating	10,827	17,270
Short-term borrowings	12,904	8,702
Income taxes payable	1,210	5,919
Provision for losses on construction contracts	505	971
Other current liabilities	31,837	41,471
Total current liabilities	93,853	115,031
Non-current liabilities:		
Bonds	2,700	2,700
Bonds with stock acquisition rights	15,093	–
Long-term borrowings	29,849	29,501
Deferred tax liabilities	1,580	1,048
Net defined benefit liabilities	12,142	14,500
Negative goodwill	179	119
Other non-current liabilities	4,091	3,037
Total non-current liabilities	65,636	50,907
Total liabilities	159,490	165,938
NET ASSETS		
Shareholders’ equity:		
Common stock	8,024	15,016
Capital surplus	9,239	15,794
Retained earnings	83,626	94,501
Treasury stock	(2,419)	(1,642)
Total shareholders’ equity	98,469	123,669
Accumulated other comprehensive income:		
Net unrealized gain on securities	4,639	3,206
Deferred gain (loss) on hedges	(72)	22
Foreign currency translation adjustments	10,542	7,730
Retirement benefits reserves adjustment, net of tax	(5,781)	(7,576)
Total accumulated other comprehensive income	9,327	3,383
Non-controlling interests:	3,723	3,063
Total net assets	111,521	130,116
Total liabilities and net assets	271,011	296,055

(2) Consolidated statements of income and comprehensive income

(Million yen)

	FY2014 (April 1, 2014 - March 31, 2015)	FY2015 (April 1, 2015 - March 31, 2016)
Net sales	267,284	336,184
Cost of sales	215,641	272,832
Gross profit	51,642	63,351
Selling, general and administrative expenses:		
Selling expenses	17,729	18,812
General and administrative expenses	19,029	23,660
Total selling, general and administrative expenses	36,759	42,472
Operating income	14,883	20,878
Other income:		
Interest income	169	189
Dividend income	304	363
Foreign exchange gain	177	101
Amortization of negative goodwill	59	59
Equity in earnings of affiliates	113	503
Land and house rental revenue	173	227
Refunded foreign taxes	168	–
Miscellaneous income	303	329
Total other income	1,470	1,775
Other expenses:		
Interest expenses	463	498
Other	107	159
Total other expenses	570	658
Ordinary income	15,783	21,995
Extraordinary income:		
Gain on sales of property, plant and equipment	167	168
Gain on sales of investments in securities	300	374
Miscellaneous expense	9	0
Total extraordinary income	477	542
Extraordinary loss:		
Loss on sales of property, plant and equipment	36	76
Loss on disposal of property, plant and equipment	138	590
Impairment loss	457	540
Loss on liquidation of subsidiaries and affiliates	160	–
Special retirement benefit	125	113
Environmental expenditures	–	528
Other	130	39
Total extraordinary loss	1,049	1,888
Income before income taxes and minority interests	15,211	20,650
Income taxes - current	3,139	8,094
Income taxes - deferred	1,904	(1,380)
Total income taxes	5,043	6,713
Net income	10,168	13,936
Net income attributable to:		

(Million yen)

	FY2014 (April 1, 2014 - March 31, 2015)	FY2015 (April 1, 2015 - March 31, 2016)
Shareholders of the parent company	9,810	13,652
Non-controlling interests	357	283

(Million yen)

	FY2014 (April 1, 2014 - March 31, 2015)	FY2015 (April 1, 2015 - March 31, 2016)
Other comprehensive income		
Net unrealized gain (loss) on securities	1,541	(1,487)
Deferred gain (loss) on hedges	(6)	85
Foreign currency translation adjustments	5,959	(2,710)
Retirement benefits reserves adjustment, net of tax	(3,500)	(1,886)
Share of other comprehensive loss of affiliates accounted for by the equity method	(562)	(157)
Total other comprehensive income	3,431	(6,155)
Comprehensive income:	13,599	7,780
Comprehensive income attributable to:		
Shareholders of the parent company	12,948	7,708
Non-controlling interests	650	72

(3) Consolidated statements of changes in net assets

FY2014 (April 1, 2014 - March 31, 2015)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	8,024	9,239	76,009	(2,620)	90,652
Cumulative effects of changes in accounting policies			28		28
Restated balance	8,024	9,239	76,038	(2,620)	90,680
Changes of items during the period					
Conversion of the convertible bonds with stock acquisition rights					–
Dividends from surplus			(2,221)		(2,221)
Net income attributable to shareholders of the parent company			9,810		9,810
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock		0		206	206
Decrease due to acquisition of shares in a subsidiary			(1)		(1)
Change in treasury shares of parent arising from transactions with non-controlling shareholders					–
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	0	7,587	201	7,789
Balance at the end of the period	8,024	9,239	83,626	(2,419)	98,469

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gain on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Retirement benefits reserves adjustment, net of tax	Total accumulated other comprehensive income		
Balance at the beginning of the period	3,102	(29)	5,310	(2,194)	6,189	2,848	99,690
Cumulative effects of changes in accounting policies							28
Restated balance	3,102	(29)	5,310	(2,194)	6,189	2,848	99,718
Changes of items during the period							
Conversion of the convertible bonds with stock							

acquisition rights							
Dividends from surplus							(2,221)
Net income attributable to shareholders of the parent company							9,810
Purchase of treasury stock							(5)
Disposal of treasury stock							206
Decrease due to acquisition of shares in a subsidiary							(1)
Change in treasury shares of parent arising from transactions with non-controlling shareholders							–
Net changes of items other than shareholders' equity	1,536	(42)	5,231	(3,587)	3,138	875	4,013
Total changes of items during the period	1,536	(42)	5,231	(3,587)	3,138	875	11,802
Balance at the end of the period	4,639	(72)	10,542	(5,781)	9,327	3,723	111,521

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

(Million yen)

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

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gain on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Retirement benefits reserves adjustment, net of tax	Total accumulated other comprehensive income		
Balance at the beginning of the period	4,639	(72)	10,542	(5,781)	9,327	3,723	111,521
Cumulative effects of changes in accounting policies							–
Restated balance	4,639	(72)	10,542	(5,781)	9,327	3,723	111,521
Changes of items during the period							
Conversion of the convertible bonds with stock acquisition rights							15,069
Dividends from							(2,777)

surplus							
Net income attributable to shareholders of the parent company							13,652
Purchase of treasury stock							(6)
Disposal of treasury stock							161
Decrease due to acquisition of shares in a subsidiary							–
Change in treasury shares of parent arising from transactions with non-controlling shareholders							(900)
Net changes of items other than shareholders' equity	(1,432)	94	(2,811)	(1,794)	(5,944)	(660)	(6,604)
Total changes of items during the period	(1,432)	94	(2,811)	(1,794)	(5,944)	(660)	18,594
Balance at the end of the period	3,206	22	7,730	(7,576)	3,383	3,063	130,116

(4) Consolidated statements of cash flows

(Million yen)

	FY2014 (April 1, 2014 - March 31, 2015)	FY2015 (April 1, 2015 - March 31, 2016)
Cash flows from operating activities:		
Income before income taxes and minority interests	15,211	20,650
Depreciation	4,157	4,587
Impairment loss	457	540
Amortization of goodwill	914	1,038
Amortization of negative goodwill	(59)	(59)
Interest and dividend income	(474)	(552)
Interest expenses	463	498
Loss on disposal or sales of property, plant and equipment	7	497
Decrease (increase) in notes and accounts receivable	2,624	(28,060)
Decrease (increase) in inventories	(2,686)	2,189
Increase (decrease) in notes and accounts payable	(3,657)	11,964
Increase (decrease) in advances received on uncompleted contracts	(645)	349
Other	(3,185)	(3,608)
Subtotal	13,127	10,035
Interest and dividend income received	473	554
Interest expenses paid	(486)	(501)
Income taxes refund (paid)	(7,021)	(3,032)
Other	202	150
Net cash provided by operating activities	6,295	7,206
Cash flows from investing activities:		
Payments for acquisition of shares in newly consolidated subsidiaries	(3,140)	–
Investments in time deposits	(91)	(96)
Proceeds from refund of time deposits	263	107
Payments for purchase of non-current assets	(3,666)	(3,158)
Proceeds from sales of non-current assets	253	280
Payments for purchase of investments in securities	(227)	(22)
Payments for acquisition of shares in affiliates	(121)	–
Collection of loans receivable	4	4
Other	878	785
Net cash used in investing activities	(5,846)	(2,099)
Cash flows from financing activities:		
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(1,556)
Increase (decrease) in short-term borrowings, net	834	(1,156)
Proceeds from long-term borrowings	1,512	1,841
Repayment of long-term borrowings	(592)	(4,917)
Proceeds from disposal of treasury stock	206	161
Payments for purchase of treasury stock	(5)	(6)
Payments of cash dividends	(2,218)	(2,794)
Other	(245)	(274)

(Million yen)

	FY2014 (April 1, 2014 - March 31, 2015)	FY2015 (April 1, 2015 - March 31, 2016)
Net cash provided by financing activities	(509)	(8,702)
Effect of exchange rate change on cash and cash equivalents	2,170	(1,401)
Net increase (decrease) in cash and cash equivalents	2,109	(4,996)
Cash and cash equivalents, beginning of the year	51,852	54,081
Increase in cash and cash equivalents resulting from change of scope of consolidation	119	–
Cash and cash equivalents, end of the year	54,081	49,084

Note on Going Concern Assumption

Not applicable

Changes in significant accounting policies

(Application of accounting standard for business combination, etc.)

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

The Accounting Standard for Business Combination and other standards are applied in accordance with the transitional treatment provided in Article 58-2 (4) of the Accounting Standard for Business Combination, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Article 57-4 (4) of the Accounting Standard for Business Divestitures, and are applied from the beginning of the fiscal year under review onwards.

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

As a result of this change, capital surplus on the consolidated statements of changes in net assets at the end of the fiscal year under review declines 900 million yen. The effects on per share information are described in the per share information section.

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

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

The application has no effect on the consolidated financial statements or per-share information for the fiscal year under review.

Additional information

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

To enhance employee benefits and welfare, the Company delivers its own stock through a trust to the employee shareholding association.

(1) Outline of the transaction

Under the resolution adopted at a meeting of the Board of Directors on December 12, 2013, the Company introduces an employee shareholding incentive plan through a trust (E-Ship; hereinafter "the Plan"). The purpose of the Plan is to provide an incentive for the Company's employees to help enhance the Company's enterprise value over the medium to long term, to expand employee benefits and welfare, and to encourage the continuous development of the Company by boosting employees' morale through their capital participation as shareholders. In addition, the Company introduced the corporate officer system. Specifically, we aim to increase its corporate value by the following means:

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

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

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

The book value and the number of the treasury stock
331 million yen and 260,000 shares for the fiscal year ended March 31, 2015
169 million yen and 133,000 shares for the fiscal year ended March 31, 2016

(3) The book value of borrowings posted using the gross price method
311 million yen for the fiscal year ended March 31, 2015
70 million yen for the fiscal year ended March 31, 2016

(Revision of deferred tax assets and deferred tax liabilities in response to changes in income tax rates)
With the Act on Partial Revision of the Income Tax Act, Etc. and the Act on Partial Revision of the Local Tax Act enacted in the Diet session on March 29, 2016, the effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities (applicable only to those expected to be eliminated on or after April 1, 2016) for the year ended March 31, 2016 have been changed, from 32.2% for the year ended March 31, 2015, to 30.8% to those expected to be eliminated during the period from April 1, 2016 to March 31, 2018, and to 30.5% to those expected to be eliminated after April 1, 2018.

As a result of the above, the amount of deferred income taxes (after deducting deferred tax liabilities) decreased by 231 million yen, the amount of "income taxes – deferred" posted for the fiscal year under review increased by 286 million yen, and the valuation difference on available-for-sale securities increased by 71 million yen, respectively. Retirement benefits reserves adjustment decreased 16 million yen.

Segment information

1. Overview of reportable segments

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

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

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

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

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

   Formerly:

   Daifuku Co., Ltd.

   Contec group (Contec Co., Ltd. and its affiliates)

Daifuku Webb group (Daifuku Webb Holding Company and its affiliates)

From fiscal 2015:

Daifuku Co., Ltd.

Contec group (Contec Co., Ltd. and its affiliates)

Daifuku North America group (Daifuku North America Holding Company and its affiliates)

Daifuku Plusmore Co., Ltd.

Reportable segments for the fiscal year ended March 31, 2011 were created based on the current reportable segments.

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

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

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

Fiscal year under review (April 1, 2015 - March 31, 2016)

(Million yen)

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

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

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

(Million yen)

Net sales	Fiscal year ended March 31, 2016
Reportable segment total	285,984
Net sales classified in "Other"	102,516
Elimination of intersegment transactions	-57,213
Adjustment for consolidation of sales on the percentage-of-completion basis	5,078
Other adjustment for consolidation	-182
Net sales in consolidated financial statements	336,184

(Million yen)

Segment income	Fiscal year ended March 31, 2016
Reportable segment total	10,699
Segment income classified in "Other"	3,233
Elimination of dividends from affiliates	-2,010
Other adjustment for consolidation	1,729
Net income in consolidated financial statements	13,652

(Million yen)

Segment assets	Fiscal year ended March 31, 2015
Reportable segment total	266,439
Segment assets classified in "Other"	73,375
Elimination of investment securities in affiliates in consolidation process	-32,022
Elimination of intercompany receivables	-22,675
Other adjustment for consolidation	10,938
Total assets in consolidated financial statements	296,055

(Million yen)

Segment liabilities	Fiscal year ended March 31, 2015
Reportable segment total	135,745
Segment liabilities classified in "Other"	43,707
Elimination of intercompany payables	-22,675
Other adjustments for consolidation	9,161
Total liabilities in consolidated financial statements	165,938

(Million yen)

Other	Reportable segment total	Other	Adjustment	Consolidated total
Depreciation	3,655	937	-5	4,587
Amortization of goodwill	1,006	0	31	1,038
Interest income	74	169	-53	189
Amortization of negative goodwill	–	–	59	59
Interest expenses	381	170	-53	498
Equity in earnings of non-consolidated subsidiaries and affiliates	–	–	503	503
Extraordinary income	722	2	-182	542
(Gain on sales of property, plant and equipment)	(347)	(2)	(-182)	(168)
(Gain on sales of investments in securities)	(374)	(–)	(–)	(374)
Extraordinary loss	3,290	356	-1,759	1,888
(Loss on liquidation of subsidiaries and affiliates)	(576)	(13)	(–)	(590)
(Impairment loss)	(–)	(–)	(540)	(540)
(Loss on liquidation of subsidiaries and affiliates)	(2,164)	(–)	(-2,164)	(–)
(Special retirement benefit)	(–)	(113)	(–)	(113)
(Environmental expenditures)	(528)	(–)	(–)	(528)
Income tax expenses	5,408	1,318	-13	6,713
Investments in equity-method affiliates	5,193	208	1,298	6,699
Increase in property, plant and equipment and intangible assets	3,680	529	–	4,210

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

1. An adjustment of -2,164 million yen in loss on liquidation of subsidiaries and affiliates during the fiscal year under review was due to consolidated elimination of loss on liquidation of subsidiaries and affiliates.

2. An adjustment of 1,298 million yen in investments in equity-method affiliates during the fiscal year under review was mainly due to foreign currency translation adjustments included in shares in affiliates.

Related Information

Fiscal year under review (April 1, 2015 - March 31, 2016)

1. Information by product and service

(Million yen)

	Logistics Systems	Electronics	Other	Total
Sales to outside customers	301,736	15,154	19,293	336,184

2. Information by region

   Sales

(Million yen)

Japan	Americas	China	South Korea	Other	Total
114,217	75,501	39,589	34,457	72,418	336,184

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

Per Share Information

(Yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net assets per share	972. 75	1,044.40
Net income per share	88. 59	118.72
Diluted net income per share	80. 60	112.14

Notes:

1. The shares of Daifuku remaining on trust, which are recorded as treasury stock among the equity capital, are included in the treasury stock to be deducted in calculation of the average number of shares during the fiscal year under review for the purpose of calculation of the net income per share, and are also included in the number of treasury stock to be deducted from the aggregate number of issued shares as of the end of the fiscal year under review for the purpose of calculation of the net assets per share.

   The average number of shares of treasury stock deducted during the fiscal year under review for the purpose of calculation of the net income per share was 334,408 shares for the previous fiscal year and 191,267 shares for the fiscal year under review. The number of shares of treasury stock deducted at the end of the fiscal year for calculation of the net assets per share was 260,600 shares for the previous fiscal year and 133,400 shares for the fiscal year under review.

2. The basis for the calculation of net income per share and diluted net income per share was as shown in the table below.

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net income per share		
Net income (million yen)	9,810	13,652
Amount not attributable to common shareholders (million yen)	–	–
Net income attributable to common stock (million yen)	9,810	13,652
Average number of common shares during the period (thousand shares)	110,746	114,994
Diluted net income per share*[1]		
Adjusted amount of net income (million yen)	-24	-16
(Of which, amortization of bond premiums (after tax) (million yen))*[2]	(-24)	(-16)
Number of common shares increased (thousand shares)	10,680	6,600
(Of which, convertible bonds with stock acquisition rights (thousand shares))	(10,680)	(6,600)
Dilutive shares not included in the calculation of diluted net income per share because absence of dilutive effect	–	–

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

*[2] The amount of amortization of the difference in the fiscal year under review due to the issuance of

bonds at a higher price than the face value (after subtracting the amount equivalent to taxes)

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

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Total net assets (million yen)	111,521	130,116
Amount to subtract from total net assets (million yen)	3,723	3,063
(Of which, minority interests) (million yen)	(3,723)	(3,063)
Net assets at the end of the period attributable to common stock (million yen)	107,797	127,052
Number of common shares at the end of the period used for the calculation of net assets per share (thousand shares)	110,817	121,651

4. The Company applied application of accounting standard for business combination, etc., as described changes in significant accounting policies. As a results, net assets per share under review decreased 7.40 yen.

Major Subsequent Events

Not applicable

5. Other

Changes in Officers

Effective June 24, 2016

(1) Changes in representative directors

Not applicable

(2) Nominee for Audit and Supervisory Board members

Outside member of Audit and Supervisory Board

Ryosuke Aihara

Representative of Aihara Law Office

(3) Audit and Supervisory Board members to be retired

Outside member of Audit and Supervisory Board

Harumichi Uchida