DAIFUKU
Material Handling **and Beyond**

ANNUAL REPORT 2011

Year ended March 31, 2011

Material Handling **and Beyond**

Contents

Airport baggage handling systems produced by new Group member Logan Teleflex have become an integral part of Daifuku's steadily globalizing airport baggage handling system business. Tilt tray sorters (upper left and lower left photographs) used for delivering baggage to connecting flights at hub airports are core products of Logan Teleflex.

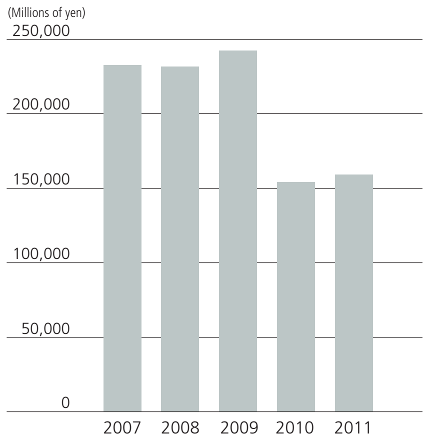
Financial Highlights

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2011 and 2010

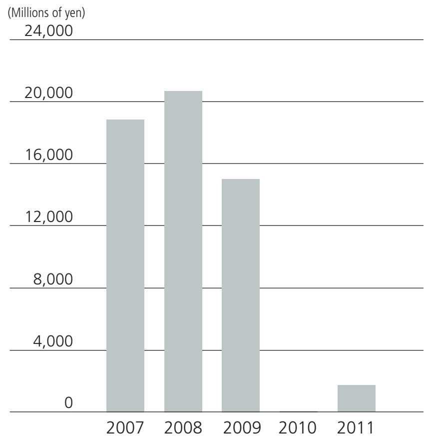
	(Millions of yen)		(Thousands of U.S. dollars)
	2011	2010	**2011**
For the Year			
Orders received	**¥ 180,241**	¥ 133,211	**$ 2,167,672**
Net sales	**159,263**	154,208	**1,915,370**
Operating income	**1,726**	80	**20,763**
Net income	**269**	1,018	**3,239**
Net income per share (Yen and U.S. dollars)	**2.43**	9.20	**0.02**
Cash dividends per share (Yen and U.S. dollars)	**15.00**	20.00	**0.18**
Capital investment	**3,221**	2,280	**38,747**
R&D expenditures	**6,370**	6,075	**76,610**
At Year-End			
Total assets	**¥ 163,388**	¥ 165,430	**$ 1,964,988**
Net assets	**77,714**	81,295	**934,631**
Number of employees	**5,209**	5,395	
Ratios			
Operating income/net sales	**1.1%**	0.1%	
Net income/net sales	**0.2**	0.7	
Return on shareholders' equity (ROE)	**0.3**	1.3	
Shareholders' equity/total assets	**46.3**	47.9	

Note: The U.S. dollar amounts in this annual report represent translations of Japanese yen, for convenience only, at ¥83.15 = U.S. $1.00, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2011.

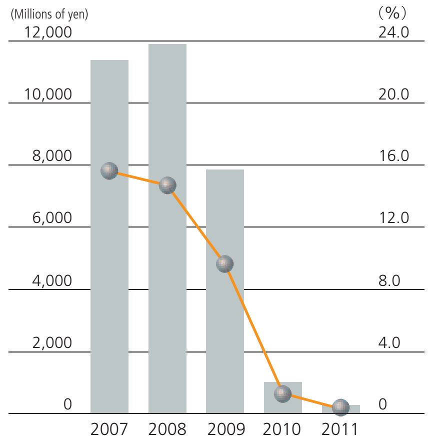
Net sales



Operating income



Net income/ROE



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 international threats, war, acts of terrorism, strikes, plagues. Moreover, there are other factors that may adversely affect the Company's performance.

Chairman's Message

The Daifuku Group focuses primarily on material handling systems and equipment. The Group also consists of businesses engaged in car wash machines, bowling alley equipment, and wheelchair lifts for care-provider vehicles as well as such electronic devices as interface boards for measurement controls and industrial computers. In global terms, the Group is currently in the top echelons of the specialty material handling industry.

In light of the severe operating environment following the Lehman Shock, the Daifuku Group launched the three-year business plan, *Material Handling and Beyond* in April 2010. Through this plan, we intend to establish a business foundation within three years capable of maintaining sustainable growth into the future.

Material Handling and Beyond outlines a vision of the Group's future as creator of new products, markets and businesses firmly based on its core material handling business and through an accurate understanding of changes in the business environment from a varied and broad perspective. In particular, the Group is taking on five new challenges: entering new markets; creating new products and systems; developing new production methods; building new global partnerships; and launching new businesses.

In fiscal 2010, we actively engaged in developing new markets and launching new businesses. As a result, the Group's overall operating framework expanded, with orders received for transport and storage systems for lithium-ion battery factories, a new business area, and entry into an alliance involving capital participation with Austria-based Knapp AG to improve sales in Europe. In addition, we acquired YASUI Corporation's car wash equipment business operations in Japan and reached a share acquisition agreement with three companies, including Logan Teleflex (UK) Ltd., which operates an airport baggage handling system business.

Targets for the second year of *Material Handling and Beyond* are as follows:

Sales: 190,000 million yen
Operating income: 3,000 million yen
Net income: 800 million yen

We will focus our efforts on achieving these targets in order to bring this business plan to a successful conclusion.

We respectfully ask for the support of our stakeholders, including shareholders and investors.

Katsumi Takeuchi
Chairman and Co-CEO
K. Takeuchi

Interview with the President

In the second year of the three-year business plan *Material Handling and Beyond*, Daifuku will focus on obtaining orders to achieve targets set in the final year.

Q Amid severe operating conditions during the first year of the plan, Daifuku worked mainly to expand its operating framework. What aspects of the Company's management policy will be promoted in fiscal 2011, the second year of the plan?

A To summarize the previous fiscal year, although sales increased only slightly year on year, operating income improved significantly and orders grew substantially. However, on March 11, 2011, just as we were finally passing through the worst of the recession and returning to a firm growth trajectory, the Great East Japan Earthquake struck. Although we have not been significantly impacted by the disaster, uncertainty remains in its aftermath.

The targets for fiscal 2012, the final year of *Material Handling and Beyond*, are net sales of 220 billion yen and operating income of 11 billion yen. Expanding orders in fiscal 2011 is a key to achieving these targets. Accordingly, we will place a strong emphasis on obtaining orders in fiscal 2011. With half of our sales accounted for by markets outside of Japan, we are fortunate enough to benefit from steady performance in China, India, Thailand and Indonesia. At the same time, momentum is increasing in North America and Brazil, particularly in automobile-related markets. Regarding Japan, I believe that if production among automakers normalizes, interest in investment among industrial circles will return.

Given the positive effects of a backlog of orders and M&As, it is highly likely that we will meet sales targets. In terms of operating income (which we expected to rise 3 billion yen during the current fiscal year), if Daifuku can secure sufficient orders and increase the operational capacity of its factories, profitability and profit margin will rise rapidly. In that event, reaching our target of 11 billion yen in the following fiscal year is a distinct possibility.

Q Please provide more details of these measures.

A We have positioned the next fiscal year as an important period for achieving a recovery in business performance and meeting the targets of the three-year business plan by responding quickly and flexibly to changes in the market. Accordingly, we will focus on the following four initiatives:

1. Restoring Daifuku Co., Ltd.'s operating income to the black by developing new markets and new products

Daifuku is recovering more slowly than its subsidiaries in Japan and overseas. To achieve a positive turnaround in its non-consolidated operating income, the Company will focus more on developing new markets and new products while raising the utilization rate of factories by taking in new demand.

In fiscal 2010, Daifuku achieved satisfactory results that included acquiring orders for lithium-ion battery factories; expanding orders for products in the agricultural area, such as fruit sorting systems; delivering E-DIP, a conveyor system for paint lines at automotive factories; and receiving orders for large systems using DUOSYS, a superfast mini load AS/RS (automated storage and retrieval system). Daifuku will differentiate itself from other companies with these advanced systems while developing its products at lower costs for emerging markets.

To confront global warming, an increasingly urgent issue, the Group has developed the *Daifuku Environmental Vision 2020*. The Group will develop and provide throughout society environmentally friendly services and products that are lightweight, use regenerated electric power and save water.

2. Strengthening cost competitiveness through global production and procurement

Daifuku focuses on manufacturing and installation operations worldwide. In the area of manufacturing, the Group is stepping up local production in China of standard-type stacker cranes, the core unit of its mainstay AS/RSs. In addition, the Group will overcome fierce cost competition by organically networking its global production resources through such initiatives as using its factory in South Korea for an automotive project in Turkey.

In the area of installation, forming expert partnerships with local companies has become a major issue since many of our products and systems are highly specialized. While fostering longstanding relationships with local partners, Daifuku will increase its competitiveness by improving the accuracy of delivery schedule and budget management. Such actions will enable us to reliably undertake projects with shorter delivery periods while increasing quality and will, in turn, help us gain the trust of our customers.

3. Increasing profitability through service business expansion

The Group has been aiming to raise the ratio of the service business to total net sales to 25% or above. In fiscal 2010, we exceeded this target, reaching 27%. This result was attributable to our efforts to increase the number of customers who use our services by acquiring business from industry peers; to develop products suitable for use in upgrading projects, including nitrogen purge stockers for semiconductor miniaturization; and to enhance our 24-hour telephone support.

Daifuku's business model involves sales teams taking the initiative in acquiring greater shares of markets in which profits from services can be expected in two to three years time. Amid fierce competition, it is not easy for marketing and sales divisions to gain orders for new projects, and, as markets shrink, so does demand for services. Since services and marketing are closely connected, we will further strengthen the linkages between them.

4. Bolstering global operations by fostering personnel

To date, the Daifuku Group has expanded its business worldwide alongside its Japanese customers. Looking ahead, we need to increase orders from local customers to ensure sustainable growth. The Group is proud of being a system integrator that can offer comprehensive systems centered on Daifuku products. For this reason, in addition to reinforcing sales staff, we will bolster our engineering staff—especially at global affiliates—who make proposals in tandem with sales staff. In businesses geared toward the North American automobile industry, personnel from Jervis B. Webb Company have already been dispatched to conduct employee training at Daifuku America Corporation.

In businesses oriented to flat-panel displays and semiconductors, "made in Japan" is synonymous with quality. Given this, it is necessary to dispatch personnel from Japan to subsidiaries in Taiwan and South Korea in order to provide training in marketing style and technologies. For businesses serving customers in such disparate industries as general manufacturing and distribution, further market development hinges on recruiting local employees who are knowledgeable in these industries.

In the near future, we expect to nurture personnel able to oversee local operations.

Q Are you working to strengthen Daifuku's financial position or improve shareholder return?

A Interest-bearing liabilities stood at 40.9 billion yen, a fall of 4.3 billion yen from the previous fiscal year. The ratio of interest-bearing liabilities to net assets (the debt-equity ratio) was thus 0.53, a slight improvement year on year. Targeting a debt-equity ratio of less than 0.5, Daifuku will work to further strengthen its financial position.

Daifuku regards the return of profits to shareholders as its most important management task. Based on a comprehensive review of business conditions and results in fiscal 2010, we plan to pay an annual dividend of 15 yen per share in fiscal 2011. With regard to the payment of dividends from retained surplus, Daifuku has adopted a dividend policy based on performance, with determinations as to payouts made with consideration of performance as well as our dividend history. It is also Daifuku policy to appropriate the remaining surplus for internal reserves in order to support future growth.

Q How has Daifuku responded to the March 2011 Great East Japan Earthquake?

A Daifuku would like to extend its deepest condolences to all those affected by this tragic disaster. The Daifuku Group did not suffer any casualties or damage to its main production facilities, which are located a significant distance from the epicenter. We immediately set in motion our prepared business continuity plan (BCP) and took such actions as confirming the safety of employees, determining the extent of damage to Group and customer facilities, and delivering relief supplies to affected areas. With customers located in 1,040 locations throughout the affected areas, we moved quickly to assist with their restoration work. In the two months following the earthquake, 90% of our customers were able to resume operations, for which Daifuku received high praise. Amid such numerous difficulties as aftershocks, impassible roads and material shortages, I would like to express the immense sense of pride I feel for all the employees of the Daifuku Group as well as its partner companies, who have done their utmost to restore customer operations.

In the face of the hardships suffered by customers who have made such great efforts to rapidly restore production and distribution operations—which form the foundation of the economy and society—we were able to once again reaffirm our traditional capabilities and cohesion during this emergency. Furthermore, we will augment human resource training that integrates and passes along the best of Daifuku's values to its employees.

As an upcoming issue to be addressed, Daifuku will strengthen its disaster countermeasures. To this end, we will work together with government authorities to survey the extent of damage to logistic systems across all industries due to the recent disaster while taking steps to establish unified policies in response to this issue.

I would like to take this opportunity to ask all stakeholders for their ongoing understanding and support.

Masaki Hojo
President and Co-CEO

Beyond Borders

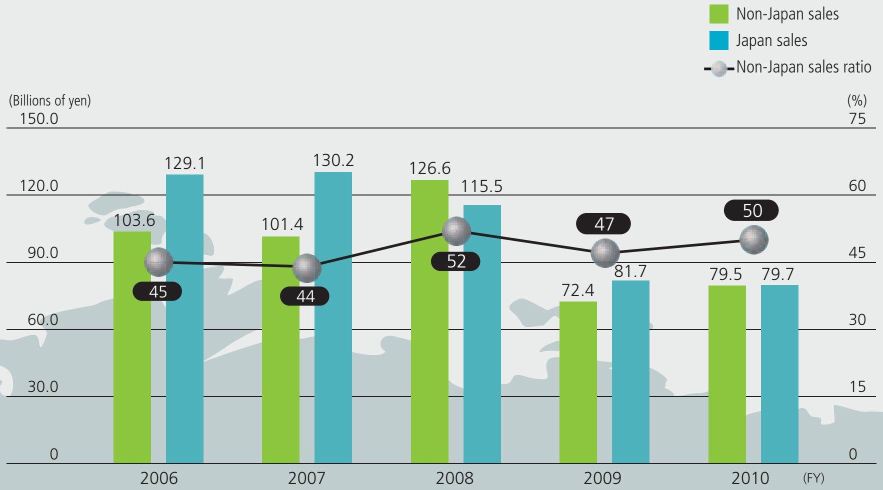
Accelerating Daifuku's Global Expansion by Taking Advantage of Its Worldwide Manufacturing Operations

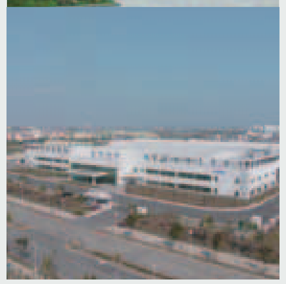
The Great East Japan Earthquake on March 11, 2011, forced us to recognize that supply chains worldwide are increasingly interconnected. Daifuku systems provide assistance in the area of material handling related to transnational manufacturing and distribution. Having expanded into 20 countries and regions worldwide, the Daifuku Group works to maintain optimal local production and procurement systems. As a result, net sales outside of Japan currently account for approximately 50% of the Company's consolidated net sales. As long as there are people and goods, Daifuku's material handling operations will continue to expand beyond borders.

Non-Japan Sales Ratio

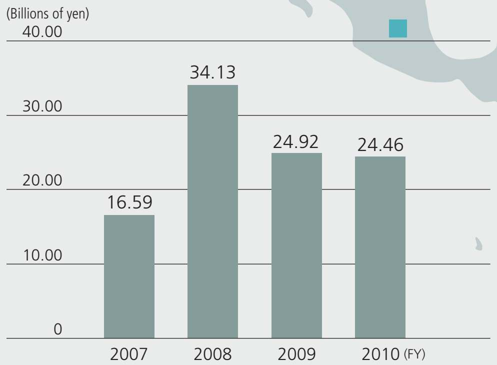
(consolidated)

49.9%





Net Sales in North America



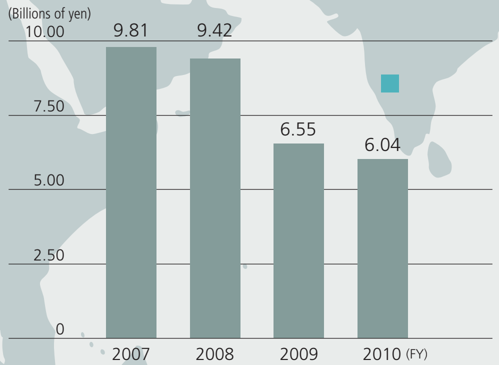
Sales Composition (compared with consolidated net sales)

15.3%

North America

Daifuku America Corporation was established in 1983 as Japanese automobile manufacturers began to penetrate the North American market. In addition to providing conveyor systems for automobile production lines, Daifuku America currently produces material handling systems for general manufacturers and distributors as well as the electronics and other industries. Established in 1919, Jervis B. Webb Company ("Webb") forged a groundbreaking presence in material handling industries worldwide by establishing Ford Motor Company's production system, which single-handedly revolutionized industrial manufacturing. Presently, Webb produces conveyor systems used in production lines for the Detroit Three automakers as well as airport baggage handling systems. The Group is expanding its North American operations primarily through these two companies. Webb joined the Daifuku Group in 2007, and the two entities have already collaborated on projects combining that company's automatic guided vehicles with Daifuku's automated warehouses. In January 2011, we established Daifuku Webb Holding Company to oversee Daifuku America and Webb. By enabling the two companies to share business operations, expertise, products and management resources while implementing further restructuring efforts, the Daifuku Group aims to maintain further growth, expand and improve customer services, and, ultimately, bolster its North American business. In fiscal 2011, Daifuku Webb Holding will become a reportable segment of Daifuku and will replace the Webb and Daifuku America segments.

Net Sales in Europe and Other Regions



Sales Composition (compared with consolidated net sales)

3.8%

Europe and Other Regions

In 2003, Daifuku constructed a logistics system for Scandinavia's largest distribution center, which was set up by Netto A/S, a retail chain that boasts over 700 stores across Europe. Through this and other endeavors, Daifuku has been widening the scope of its operations in the competitive European material handling and manufacturing market.

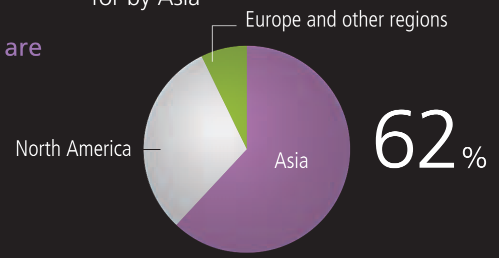
Three companies, including Logan Teleflex (UK) Ltd.—which has a proven track record of delivering more than 400 airport baggage handling systems in 80 countries worldwide, particularly in Europe—became wholly owned subsidiaries of the Daifuku Group in April 2011. Moreover, the Group entered into a business alliance with one of its competitors, Austria's Knapp AG, in October 2010. These developments will allow us to further penetrate the European market while supplementing our product lineups with Knapp AG's forte, automatic picking systems.

The Daifuku Group's performance is improving against the backdrop of firm capital expenditure among Brazilian and Turkish automobile manufacturers. Following China and India, the Middle East is seen as the next growth market for airport baggage handling systems. We are rapidly building sales and production structures owing to Logan Teleflex's entry into the Group. Logan Teleflex's destination coded vehicles and tilt tray sorters, a large number of which are used at hub airports, have further complimented the Group's lineup of products.

Special Feature: Prevailing in Asia

A noteworthy feature of Daifuku's non-Japan net sales is that 60% of the total is accounted for by the Group's sales in Asia. As transactions in this region are conducted almost exclusively in yen, we are able to avoid currency-exchange risks. Daifuku has two production facilities in China, two in South Korea and one each in Taiwan and Thailand. New projects and post-delivery follow-up services are undertaken in cooperation with Daifuku's operations in Japan. In addition, Daifuku's Asian affiliates are making a strong contribution to the Group's operations.

Percentage of Non-Japan Sales Accounted for by Asia



FY1998: 10,842 million yen

FY2002: 21,851 million yen

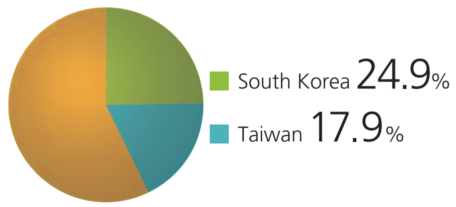
FY2004: 44,681 million yen

FY2008: 83,087 million yen

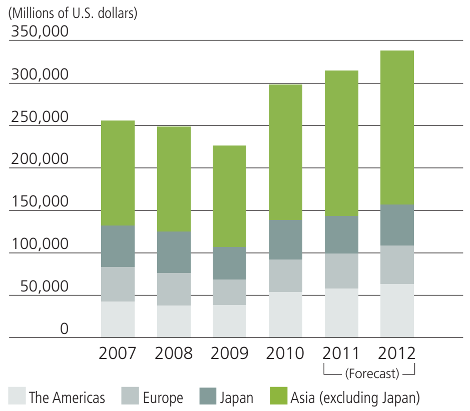
Asian Net Sales FY2010: 49,052 million yen

South Korea and Taiwan

Semiconductor and FPD Sales Share (2011)



Semiconductor Market Forecasts by Region



South Korean and Taiwanese semiconductor and flat-panel display (FPD) manufacturers account for a major portion of Daifuku's Asian customer base. With both countries evolving into the world's information technology (IT) product manufacturing hub, there is a need for Daifuku's transport systems in cleanroom factories.

Investment in semiconductors in South Korea accelerated in fiscal 2010. Daifuku in particular was able to revamp a customer's factory using its unique technologies. For example, we developed nitrogen purge stockers for miniaturization fabrication related to upgrading projects. In addition, we are expanding our participation in projects involving South Korean automobile manufacturers (which are enjoying increasing brand strength worldwide) both in and outside of that country. Producing 4.27 million vehicles annually, South Korean automobile manufacturers are ranked 5th globally. Reflecting a recovery in capital investment during the second half of the previous fiscal year, South Korean factories are playing a major role in global production, including projects for customers in Turkey.

In Taiwan, Daifuku has received orders for major semiconductor-related projects and received orders for touch panel-related projects in Taiwan and China. We expect investments related to touch panels and 3D panels to increase even further.

Taiwan and China signed the Economic Cooperation Framework Agreement (ECFA) in 2010. The ECFA has reduced the customs tariffs on 824 items to zero, and Taiwanese companies are forecasted to aggressively enter into the Chinese market. Accordingly, business opportunities are anticipated to be created on the back of increased investment and economic development enabled by the ECFA.

Active investment in circuit miniaturization technology and touch panels

Electronic circuit miniaturization increases the number of chips that can be produced from a single wafer, leading to decreases in manufacturing costs. Increasing the durability of reticles corresponding to circuit plates is one of the challenges related to developing miniaturization technology. The production of normal circuits is not possible if their components are conventionally stored in a regular air environment since they degrade in a short period. Consequently, the usefulness of nitrogen purge (air removal) is well known, leading to increased demand for stockers with nitrogen purge capabilities.

Despite a lull in the rise in demand for large-sized TVs outside of China, plans are moving forward to construct factories in Japan to produce liquid crystal panels. This drive is attributable to active investment in touch panels, for which demand is rapidly growing based on their use in smartphones and other mobile devices. For Daifuku, this is familiar territory given its wealth of installation achievements in the area of small and medium-sized panel production lines. As such, we are able to respond to customer needs for short delivery times and high quality.

Daifuku's skills training center established at its Taiwanese affiliate in 2010

China

Chinese Gross Domestic Product (GDP) and Average Wage (manufacturing Industry)

China's presence on the world stage continues to gain significance thanks to its rapid economic development. Innovations in distribution systems are expected to gain momentum as living standards in China improve. In turn, distribution system markets in China are anticipated to grow even more in the years ahead.

In fiscal 2010, regional companies in China began full-scale production of LCD panels for TVs amid a threefold increase in the sale of such items compared with the previous fiscal year. Regional manufacturers will continue to expand their facilities, while South Korean and Taiwanese makers make plans to enter this market. We expect further upgrades in such logistical networks as large-scale distribution centers driven by vigorous consumer activity due to improving living standards in China. In particular, growth is anticipated in demand for efficient distribution centers among manufacturers and distributors. In addition, Daifuku will increase its focus on logistics systems in such favorable areas as food, beverages and pharmaceuticals.

Daifuku anticipates the popularization of car wash machines owing to a move away from conventional labor-intensive methods of washing vehicles by hand. We will increase sales in China through the early introduction of car wash models that suit local needs.

At the same time, China is becoming a large market for airport baggage handling systems. We will focus on obtaining orders for airport facilities in China by leveraging the operations of the local joint-venture company owned by Logan Teleflex, which became a consolidated subsidiary of Daifuku in fiscal 2011.

Improving Chinese living standards drive market expansion

Changes in Chinese consumer spending are causing an expansion in the material handling market. This expansion was triggered by consumer desire for safe and reliable pharmaceuticals and food products. Within the powdered milk manufacturing industry, which has been impacted by incidents of melamine poisoning, a manufacturer that uses Daifuku's AS/RSs has become an industry leader. In the pharmaceutical industry, national policies to restructure the wholesale drug industry are planned for the distribution of good quality drugs in regional cities and rural areas.

Chinese lifestyles are also changing. For example, although the amount of cola consumed per person in China in 2010 was 34 bottles (compared with 178 bottles in Japan and a global average of 89 bottles), this amount is expected to continue to rise. In light of 18 million children born annually, demand for disposable diapers in China is rapidly growing. Also, with the accelerated rise of mail-order sales in China, advanced distribution systems are required to handle the tens of thousands of orders that are shipped daily. Moreover, a rise in wages is spurring on efforts to increase automation.

AS/RS installed at a pharmaceutical wholesaler

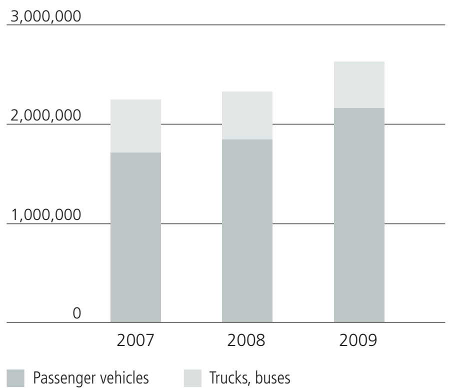
Southeast Asia and India

World's Top 10 Populous Countries (2010)

(Millions)

1	China	1,354
2	India	1,214
3	United States	318
4	Indonesia	233
5	Brazil	195
6	Pakistan	185
7	Bangladesh	164
8	Nigeria	158
9	Russia	140
10	Japan	127

Number of Automobiles Produced in India



Centering on Singapore and Thailand, Daifuku is expanding its business across a wide area that includes Malaysia, Indonesia and the rest of the Asia-Pacific region.

Nissan Motor's decision to manufacture its compact model, Micra (known in Latin America and in most of Asia as the Nissan March), in Thailand for export to Japan became a topic of interest in 2010. In addition to Japanese companies, automakers from the United States and other countries have aggressively moved forward with plans to construct, upgrade and increase the capacity of factories in Thailand. Against this backdrop, Daifuku's Thai subsidiary produces conveyor systems for these companies both within and outside Thailand.

Amid the rapid spread of automobile and motorcycle sales in Indonesia, which has the world's fourth largest population, Japanese manufacturers have established and are augmenting production systems in that country. In Malaysia, inquiries for automated warehouses are increasing, triggered by the presence of two dominant local automakers. In three years' time, India is poised to become the fourth highest purchaser of vehicles following Japan, given that its passenger vehicle market is increasing 30% annually and has already reached 2.5 million. Capital investment stemming from active sales in this area is an opportunity that we intend to translate into orders.

As a base for non-automobile-related industries, including semiconductors and distribution systems, Singapore covers a wide range of sectors in the ASEAN region. Daifuku will concentrate its efforts on tapping these markets amid vigorous capacity investment throughout the ASEAN region as well as tax incentives and low-interest credit to encourage investment for rationalizing logistics in Indonesia.

Penetrating new areas through high technology

Singapore aims to secure its status as Asia's high-tech base. The Daifuku Group's Singapore-based affiliate is increasing its installation record in the advanced area of transport and storage systems used in semiconductor factories as well as logistics systems that use radio frequency identification (RFID), including large-sized AS/RSs for port facilities. In November 2010, we delivered to a major semiconductor manufacturer a RFID access control system for clean rooms that monitors the entry and exit of people at its facilities using RF tags attached to cleanroom suits, a world first. Daifuku also attached RFID tags to the more than 300 components carts at an aircraft engine maintenance factory. This technology enables the real-time management and tracking of carts in a 30,000 square meter area.

Utilizing the numerous strengths of experts in the field of IT, Daifuku develops an array of businesses, including supervisor dispatching outside of Singapore and sales of electronics produced by its subsidiary Contec Co., Ltd.

A staff member of Daifuku Singapore introduces case studies for RFID

At a Glance

Daifuku's segment classifications were changed in the first quarter of fiscal 2010 to the following:
Daifuku Co., Ltd., Contec Co., Ltd., Jervis B. Webb Company, Daifuku America Corporation, and Other.
Thus, the net income of each of the aforementioned companies now constitutes the income of individual segments.

Daifuku Co., Ltd.

Orders: 107,279 million yen (up 32.1%)
Net Sales: 100,267 million yen (up 9.1%)
Segment Income: 889 million yen (up 4.4%)

In storage, transport, sorting and picking systems, Daifuku recorded orders for major projects related to lithium-ion battery factories. Also, large-scale project orders and sales increased overseas (especially in North America and China) in such areas as food and pharmaceutical manufacturing, pharmaceutical wholesaling, agriculture, and distribution. Conversely, the market for small and midsize storage systems and material handling equipment remained severe.

Sales of products for flat-panel display (FPD) factories were strong in China, where major television-related projects are under way. Higher sales were also recorded for products aimed at semiconductor factories in South Korea and North America. In addition, Daifuku's efforts to acquire orders in China helped establish a foothold in that market.

In automobile production line systems, performance improved significantly year on year owing to orders received in emerging markets and North America, which offset harsh conditions in Japan. Moreover, orders were firm from Japanese and North American automobile manufacturers operating in emerging countries for new factory and renovation projects in connection with the introduction of new models.

Unit sales and prices of car wash machines exceeded initial projections thanks to the successful transfer of YASUI Corporation's car wash equipment business to Daifuku.

Unit sales of wheelchair lifts for care-provider vehicles were above initial projections primarily due to higher demand, which reflected model changes of vehicles installed with this equipment as well as the introduction of a subsidy system for purchasing clean diesel automobiles.

As a result, Daifuku recorded orders of 107,279 million yen, up 32.1% from the previous fiscal year, net sales of 100,267 million yen, up 9.1% and segment income of 889 million yen, up 4.4%.


Picking system (agricultural market)


Cleanroom transport system for semiconductor factories

Contec Co., Ltd.

Orders: 8,458 million yen (up 35.2%)
Net Sales: 8,583 million yen (up 44.9%)
Segment Income: 428 million yen (up 605 million yen)

Performance in this segment improved substantially owing to a positive turnaround in orders and structural reforms centering on marketing. While benefiting from increased capital expenditure in the semiconductor industry, Contec worked to expand sales of compact industrial personal computers for the digital signage and security markets. In addition, sales were favorable for photovoltaic data measurement and display systems, security systems and inventory control systems.

Consequently, Contec recorded orders of 8,458 million yen, up 35.2% from the previous fiscal year, net sales of 8,583 million yen, up 44.9% and segment income of 428 million yen, up 605 million yen.

Digital signage

Jervis B. Webb Company

Orders: 19,603 million yen (up 134.5%)
Net Sales: 14,120 million yen (down 10.4%)
Segment Income: 379 million yen (up 43.3%)

Orders made a firm return to pre-Lehman Shock levels following a rebound in the North American economy. Despite a delay in orders for its mainstay airport baggage handling systems, Jervis B. Webb Company received major project orders from the Detroit Three automakers and recorded robust sales, particularly for automatic guided vehicles.

Despite an overall decline in sales, earnings exceeded initial projections mainly due to cost improvements and SG&A reductions stemming from exacting project management as well as favorable sales in the service business, factors that helped counter the impact of delays in orders for airport baggage handling systems. Sales for fiscal 2011 are forecasted to be strong thanks to the securing of sufficient order backlogs.

Accordingly, Jervis B. Webb Company recorded orders of 19,603 million yen, up 134.5% from the previous fiscal year, net sales of 14,120 million yen, down 10.4% and segment income of 379 million yen, up 43.3%.


Airport baggage handling system

Daifuku America Corporation

Orders: 10,390 million yen (up 40.7%)
Net Sales: 6,049 million yen (down 27.7%)
Segment Income: 332 million yen (down 43.1%)

Daifuku America Corporation experienced a significant gain in orders compared with initial projections. This result was largely attributable to a recovery in capital expenditures by automobile manufacturers, including Japanese makers, and semiconductor makers in North America, as well as the acquisition of major projects related to lithium-ion battery factories and food manufacturers. Sales to automobile and semiconductor manufacturers were favorable. In addition to these factors, reductions in indirect and other costs along with thorough project management and streamlining measures contributed to a rise in earnings.

As part of efforts to increase the management efficiency of its North American operations, Daifuku America Corporation changed the end of its fiscal term from March to December so that it would match that of Jervis B. Webb Company. Consequently, Daifuku America Corporation's consolidated fiscal year under review was nine months, from April 2010 to December 2010.

As a result, Daifuku America Corporation recorded orders of 10,390 million yen, up 40.7% from the previous fiscal year, net sales of 6,049 million yen, down 27.7% and segment income of 332 million yen, down 43.1%.


A tractor assembly line

Other

Orders: 34,510 million yen (up 30.0%)
Net Sales: 31,524 million yen (up 9.4%)
Segment Income: 597 million yen (up 127.8%)

The Other segment includes Daifuku Group companies excluding the aforementioned four companies. The Group has 40 consolidated affiliates located in Japan and overseas. In this segment, sales mainly to FPD, food and pharmaceutical manufacturers in China increased during the year. In Taiwan, projects connected with such manufacturers as FPD and other makers contributed to higher sales, while in South Korea sales of products for semiconductor factories were favorable. In Thailand, which we are positioning as a key area of operations for the entire Asia-Pacific region, we saw a rise in business inquiries from ASEAN countries. Conversely, sales in Europe were adversely impacted by a decrease in earnings from major projects. In response, the Company will work to improve performance in Europe through its business alliance with Austria-based Knapp AG. From fiscal 2011, Logan Teleflex (a new addition to the Group) will leverage its existing operations in China on the back of its strong performance record in the delivery of airport baggage handling systems, particularly in Europe. The Other segment will bolster the airport baggage handling system business through its collaboration with and the complementary products of Jervis B. Webb Company.

Consequently, the Other segment recorded orders of 34,510 million yen, up 30.0% from the previous fiscal year, net sales of 31,524 million yen, up 9.4%, and segment income of 597 million yen, a jump of 127.8%.

Basic Stance/ Principal Initiatives

- Focus on improving corporate governance with a view to building a robust business structure in keeping with two key aspects of our management philosophy: "contribute to the development of industry" and "healthy, growth-driven management"
- Maintain objective and appropriate management primarily through audits conducted by highly independent outside corporate auditors and the advice of external specialists
- Reduced the number of directors and introduced a corporate officer system in June 2011 in order to accelerate management decision making and facilitate functional and efficient business operations
- Upgraded in April 2010 Daifuku's management structure, which includes internal controls related to risk management and financial reporting, to further bolster the Company's internal control system

Reform Management Decision Making and Executive Structures

Reducing the number of directors and introducing a corporate officer system

To date, Daifuku takes steps to improve the effectiveness of the Board of Directors by scheduling meetings in regular workday hours and encouraging directors to express opinions based on their own judgment. In addition, the Company initiated the Management Advisory Committee, which is composed of representative directors, as a body that makes recommendations to the Board of Directors. The Committee solicits the opinions of related directors, corporate auditors and, when necessary, external specialists.

Daifuku introduced a corporate officer system* on June 24, 2011. Through the introduction of the corporate officer system, the Company will:

(1) Accelerate management decision making through a reduction in the number of directors and the establishment of this consultative body, as well as further revitalize the Board of Directors by promoting more rigorous deliberation.

(2) Engage in functional and efficient management operations by recruiting younger employees knowledgeable in management to serve as corporate officers and execute operations based on authority bestowed upon them by the Board.

Through the above actions, Daifuku will work to improve its corporate value.

Following the introduction of the corporate officer system, the Company convenes officer meetings, at which all directors, corporate officers and full-time corporate auditors attend and participate in deliberations. Corporate officers are appointed by directors for one-year terms. Initially, 17 officers (including those serving concurrently as directors) were inaugurated. The directors' term of office will continue to be one year and each director's mandate will be examined annually at the annual shareholders meeting. In addition, Board of Directors' meetings will continue to be held each month, while extraordinary meetings will be held as needed.

Currently, Daifuku has no outside directors on its Board. However, it is considered that the management oversight system functions sufficiently by means of an enhanced and strengthened corporate governance system based on the management oversight framework of corporate auditors collaborating closely with the Board of Directors, which is itself made up of internal directors well versed in Daifuku's business content, manufacturing and markets.

* Corporate officer systems and officer meetings established within companies with corporate auditors are voluntary corporate bodies not specified in the Corporation Law.

Corporate auditors and audit system

Daifuku maintains a Board of Corporate Auditors made up of five corporate auditors, three of whom are elected from outside the Company. The Board of Corporate Auditors met on six occasions during the fiscal year under review. Based on an audit plan formulated at the start of the fiscal year, corporate auditors, who attend and have a voice in key meetings, including Board of Directors' meetings, conduct their audits by receiving reports on directors' execution of duties, reviewing financial reporting documents, and monitoring and visiting various operating divisions, including factories and sales offices, as well as Group companies in and outside Japan. Corporate auditors also monitor the status of the Company's internal control systems while carrying out business execution audits in collaboration with an internal audit entity (Internal Audit Department), mutually exchanging information. In addition, accounting auditors raise mutual cooperation by accompanying corporate auditors on inventory inspections and on-site audits, describing audit plans, exchanging opinions on audit result reports. Corporate auditors also participate in the tests conducted by accounting auditors to assess the status of internal control system upgrades and operational status, and assessed the effectiveness of the tests.

Boasting a wealth of experience in fields that include the law, press reporting as well as science and technology, the three outside corporate auditors offer a wide range of insight, fulfilling their audit role from various perspectives by, for example, exchanging opinions with full-time corporate auditors at Board of Corporate Auditors' meetings, attending the monthly Board of Directors' meetings and gathering information. Based on their partially revised regulations, the Tokyo Stock Exchange and Osaka Securities Exchange have been notified that two of the outside corporate auditors are independent officers who have no conflict of interest with shareholders.

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

Internal control system upgrades

Daifuku has set up and maintains a robust internal control system to maximize the effectiveness of its corporate governance. Recognizing that the system heightens its corporate trustworthiness and the efficiency of its operations, the Company focuses on ensuring the reliability of its compliance, risk management, asset conservation and financial reporting. Within this, Daifuku established a Compliance Committee chaired by the president (the Company's most fundamental compliance-related body) and formulated its Corporate Code of Conduct. Daifuku also conducts activities to ensure legal compliance, fairness and high ethical standards in its corporate activities.

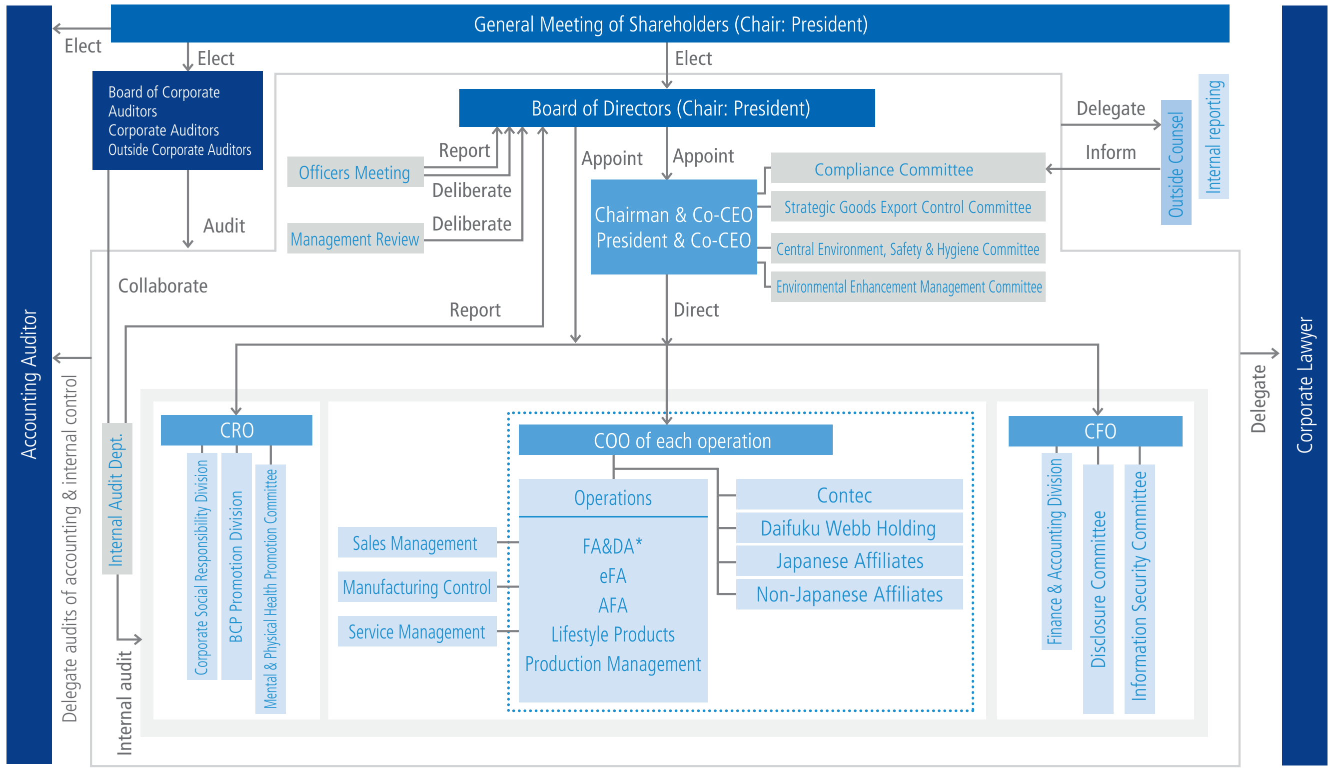
Regarding risk management, the Company established a CRO (Chief Risk Officer) and risk management regulations to appropriately address various management risks in such areas as disasters, business continuity and credit.

The Company upgraded its general internal control system by a Board of Directors' resolution when the Corporation Law came into effect in 2006. Following this, Daifuku established an internal control reporting system related to financial reporting in accordance with the Financial Instruments and Exchange Act. After subsequent reviews, the current system is as shown in the chart at the end of this section. To enhance the internal control system that covers financial reporting, including unified compliance with international financial reporting standards, the CFO (Chief Financial Officer) oversees the Finance and Accounting Division, as well as the Disclosure and Information Security committees.

Daifuku's preventative measures against hostile large-scale acquisitions of company shares

Partial revisions of Daifuku's preventative measures against large-scale acquisitions of Company shares established in 2006 were approved at the General Meeting of Shareholders held in June 2009. The measures' limit was set at three years. The content of the measures remained essentially the same. In the event of an acquisition of 20% or more of the Company's shares, which could erode Daifuku's corporate value, Daifuku shall request that the acquirer(s) submit the purpose, content and other related information concerning the acquisition proposal. Upon submission of this information, a Special Committee made up of outside corporate auditors and outside experts shall judge whether such an acquisition would be detrimental to Daifuku's corporate value and the common interests of Daifuku's shareholders and offer its advice to the Board of Directors.

Corporate Governance Structure



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

Corporate Social Responsibility (CSR)

Main Initiatives

- Formulated the *Daifuku Environmental Vision 2020*
- Environmental initiatives through product development 1: Developed an energy-saving AS-RS
- Environmental initiatives through product development 2: Developed an environmentally friendly car wash machine for heavy vehicles
- Enhanced safety training Companywide by establishing the Anzen-Taikan Dojo (first-hand experience safety training facilities)
- Initiated a business continuity plan (BCP) in response to the Great East Japan Earthquake
- Nurturing personnel: Established skills training centers in South Korea and Taiwan and implemented manufacturing skills testing in China

Through corporate activities

Trusted by stakeholders in all aspects of its corporate activities, Daifuku undertakes a variety of CSR activities, having formulated its Corporate Code of Conduct to contribute widely to society.

Environmental initiatives: Conservation activities

In the course of its production activities, Daifuku uses a wide variety of chemicals, which the Company independently and painstakingly controls in compliance with the relevant regulations and by working to prevent adverse environmental impact.

With regard to CO_2 emissions, the main cause of global warming, Daifuku takes daily action to achieve its own reduction targets and those set for Japan in the Kyoto Protocol, all in accordance with its own environmental management system.

As a member of the international community, Daifuku formulated the Daifuku Environmental Vision 2020 in April 2011 to clarify the Daifuku Group's vision for the future with goals that must be achieved by 2020. The plan involves efforts to "promote environmentally friendly activities in business operations," "increase the number of environmentally friendly products and services," and "enhance the foundations for environmental management."

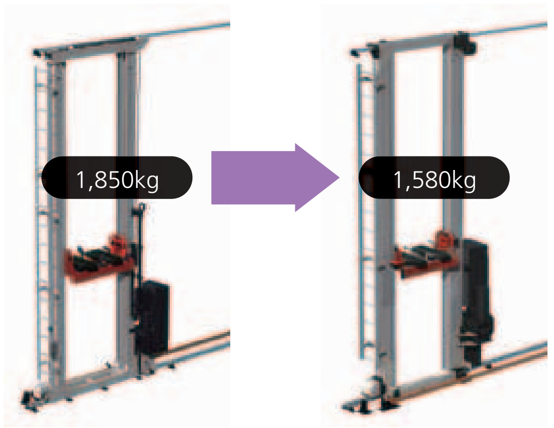
Specifically, we will reduce CO_2 emissions from our business activities to 25% below fiscal 2005 levels while decreasing CO_2 emissions produced by consumer activities through the provision of environmentally friendly products and services.

In fiscal 2010, the Company reduced total CO_2 emissions 45% against a fiscal 2005 reduction target of 15% and achieved a 17.3% reduction compared with net sales per unit. In March 2010, Daifuku completed the installation of a photovoltaic system on top of the Hini Arata Kan full-scale exhibition center located within the Shiga Works. This system is able to decrease CO_2 emissions by approximately 77.3 tons per year.

Water contamination is a serious problem that can affect soil, agricultural products, living environments and various other areas. Accordingly, efforts are made to control and reduce drainage from works, taking meticulous care, while, of course, observing relevant laws and regulations.

Environmental initiatives through product development 1

Able to optimally store containers and cardboard, Daifuku's mini load AS/RS has a wide array of uses in customer distribution centers and factories in various industries. Developed in fiscal 2010, Daifuku's new mini load AS/RS has been fundamentally redesigned to meet customers' energy conservation needs. Specifically, the AS/RS's main body has been made 10% smaller and 15% lighter. Moreover, the AS/RS reduces customers' running costs thanks to its lightweight design—which decreases motor size—and by effectively utilizing regenerated power.



Mini load AS/RS

Environmental initiatives through product development 2

The Daifuku Group launched the Waxmor Camion car wash machine for heavy vehicles such as trucks and buses in August 2010. The Waxmor Camion requires only 190 liters of water to clean one 10-ton truck, the lowest volume in the industry and less than half the 400 liters used by conventional car washers. In addition, the Waxmor Camion uses plant-based liquid detergents in its shampoo and wax cycles.


Waxmor Camion

Safety initiatives: Safety promotion activities

Making safety a paramount issue, the Daifuku Group addresses the issue of eliminating accidents through its Central Environment, Safety and Hygiene Committee, under the direct control of the CEO.

In June 2010, Daifuku's Anzen-Taikan Dojo safety training facilities were opened on the premises of its Osaka headquarters. At the dojo, the hazards associated with, for example, automated warehouse installation work can be experienced. The aim is to impress on trainees the importance of safety by simulating such occupational hazards as falls, electric shocks and being caught in operating equipment. Daifuku expanded the safety training of those directly involved in installation work and new employees to help them ensure installation safety. In fiscal 2010, approximately 400 employees of the Group and its subcontractors graduated from this program and about 100 others from outside the Group participated.

Business continuity planning

Daifuku is very much aware that its core material handling business represents one aspect of infrastructure that provides support for society. The Company also realizes that its contribution to its customers includes the need to maintain a business system capable of remaining in operation even when a natural disaster, such as a major earthquake, has occurred.

In fiscal 2009, Daifuku formulated BCP measures based on the assumption that an earthquake has struck with an intensity of a lower 6 on the Japanese scale. Our BCP measures have since been revised to respond to stronger earthquakes. The BCP sets standards for establishing an emergency task force and recovery time objectives, making preparations so that recovery can be achieved quickly in the event of a disaster. The BCP, which was implemented in the immediate aftermath of the Great East Japan Earthquake on March 11, 2011, involved such actions as confirming employee safety, assessing damage status and transporting relief supplies to stricken areas. Daifuku's key production facility in Shiga Prefecture sustained no damage during the earthquake, and we expect future disruptions to component supply to be minimal. Moreover, we will be able to address power conservation measures following the delayed resumption of nuclear generation by utilizing our cogeneration facility located within the Shiga Works.

Nurturing personnel

Targeting a ratio of non-Japan sales to net sales of 50% (49.9% in fiscal 2010), the Daifuku Group maintains a focus on enhancing its training system to ensure that customers are offered products, systems and services that are of the same high quality wherever they are in the world. In such front-line skills as welding and assembly alone, a total of more than 3,700 people participated in this training in fiscal 2010.

In fiscal 2010, we established skills training centers in South Korea and Taiwan for service staff while implementing unique manufacturing skills testing in China.


Manufacturing skills testing in China

For more details on Daifuku's corporate social responsibility (CSR) activities, please refer to the English-language version of Daifuku's *Corporate Social Responsibility Report,* which is available on our website at:

www.daifuku.com/csr/

Directors and Corporate Auditors

(As of June 24, 2011)

Representative Directors

Front row, from left

Katsumi Takeuchi
Chairman and Co-CEO

Masaki Hojo
President and Co-CEO

Back row, from left

Yutaka Hirai
Executive Vice President and COO
Cleanroom Automation

Fumio Kobayashi
Executive Vice President and COO
Manufacturing & Distribution Automation

Seiki Kakinuma
Senior Managing Director and COO
Lifestyle Products

Takahiro Taniguchi
Senior Managing Director and COO
Production & Services

Directors

Front row, from left

Masayoshi Inoue
Director and CRO
CSR & Internal Control

Mikio Inohara
Director and CFO
Finance & Accounting

Takashi Hiramoto
Director and COO
Airport Baggage Handling

Back row, from left

Susumu Moriya
Director
Cleanroom Automation (FPD)

Katsutoshi Fujiki
Director and COO
China's Affiliate Management

Hiroyoshi Takeda
Director and COO
Automotive Automation

Akio Tanaka
Director
Manufacturing & Distribution Automation

Corporate Auditors

Front row, from left

Harumichi Uchida
Outside Corporate Auditor

Isao Kitamoto
Outside Corporate Auditor
Independent Officer

Hiroyuki Torii
Outside Corporate Auditor
Independent Officer

Back row, from left

Setsuo Idehara
Corporate Auditor

Hiroshi Fujishima
Corporate Auditor

Corporate Officers

Naoki Tahara
Managing Officer
Manufacturing & Distribution Automation Sales

Yoshiyuki Nakashima
Managing Officer
Corporate Social Responsibility (CSR)

Hidenori Iwamoto
Managing Officer
Automotive Automation Sales

Seiji Sato
Managing Officer
Cleanroom Automation (Semiconductor)

Masanobu Touma
Corporate Officer
Manufacturing & Distribution Automation Services

Akira Ikari
Corporate Officer
Lifestyle Products Production

Financial Section

Five-Year Summary

Daifuku Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2011, 2010, 2009, 2008 and 2007

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

	2011		2010	2009	2008	2007
For the Year						
Net sales	**¥159,263**	**$1,915,370**	¥154,208	¥242,182	¥231,619	¥232,703
Cost of sales	**131,639**	**1,583,157**	128,195	195,430	182,260	186,991
Selling, general and administrative expenses	**25,897**	**311,449**	25,932	31,736	28,680	26,876
Operating income	**1,726**	**20,763**	80	15,015	20,677	18,837
Income before income taxes and minority interests	**703**	**8,456**	862	13,956	20,592	18,356
Net income	**269**	**3,239**	1,018	7,851	11,893	11,382
Net income per share (Yen and U.S. dollars)	**¥ 2.43**	**$ 0.02**	¥ 9.20	¥ 70.29	¥ 105.05	¥ 100.50
Cash dividends per share (Yen and U.S. dollars)	**15.00**	**0.18**	20.00	26.00	26.00	25.00
Capital investment	**¥ 3,221**	**$ 38,747**	¥ 2,280	¥ 4,613	¥ 4,071	¥ 8,281
Depreciation	**3,577**	**43,018**	3,679	3,930	3,401	2,886
R&D expenditures	**6,370**	**76,610**	6,075	8,018	6,964	7,564
At Year-End						
Total assets	**¥163,388**	**$1,964,988**	¥165,430	¥194,727	¥222,386	¥195,016
Working capital	**65,908**	**792,648**	66,265	75,087	64,840	60,351
Interest-bearing liabilities	**40,912**	**492,033**	45,295	55,417	33,559	33,764
Net assets	**77,714**	**934,631**	81,295	82,810	88,709	80,718
Net assets per share (Yen and U.S. dollars)	**¥ 683.39**	**$ 8.21**	¥ 716.07	¥ 718.68	¥ 746.59	¥ 682.01
No. of employees	**5,209**		5,395	5,660	5,663	4,702
Ratios						
Operating income/net sales	**1.1%**		0.1%	6.2%	8.9%	8.1%
Income before income taxes and minority interests/net sales	**0.4**		0.6	5.8	8.9	7.9
Net income/net sales	**0.2**		0.7	3.2	5.1	4.9
Return on shareholders' equity (ROE)	**0.3**		1.3	9.6	14.7	15.6
Shareholders' equity/total assets	**46.3**		47.9	40.9	38.0	39.6

Notes: 1. The U.S. dollar amounts in this annual report are translated from Japanese yen for convenience only, at the rate of ¥83.15 = U.S.$1.00, on the Tokyo Foreign Exchange Market on March 31, 2011.
2. Effective the year ended March 31, 2007, the Daifuku Group adopted the Accounting Standards Board of Japan (ASBJ) accounting standard and related guidelines for the presentation of net assets in the balance sheet. For prior years, conventional shareholders' equity amounts, rather than net assets, are presented in this line item.
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

Consolidated Financial Review

Management Overview

In the fiscal year ended March 31, 2011, global economic conditions continued to struggle, with concerns centering primarily on financial insecurity in certain European countries and rising crude oil prices that reflected political upheavals in North Africa and the Middle East. Nonetheless, the U.S. economy showed signs of improvement, driven by the strength of emerging markets, particularly in Asia. The Japanese economy continued to be adversely affected by minimal growth rates mainly on the back of the strong yen and lingering deflation. Against this backdrop, uncertainty about the future increased rapidly in the aftermath of the Great East Japan Earthquake in March 2011.

The material handling and logistics industry also confronted a difficult business environment. In light of this, despite remaining cautious about engaging in domestic capital investment, Japanese companies stepped up their investment activities overseas. In terms of profitability, the industry faced intensified competition for orders, which was largely attributable to the rise of Asian competitors and price-setting tailored to emerging markets.

In response to these operating conditions, the Daifuku Group took proactive steps to develop new markets and launch new businesses under its new three-year business plan, *Material Handling and Beyond*, which commenced in the fiscal year under review.

Reflecting these efforts, we expanded the Group's overall operating framework by procuring orders for transport and storage systems for lithium-ion battery factories, a new business area, and agreeing to an alliance that included capital participation with Austria-based Knapp AG ("Knapp") in order to strengthen that company's business in Europe. We also reached an agreement with YASUI Corporation ("YASUI") to acquire YASUI's car wash equipment business. Finally, the Group entered into a share acquisition agreement with three companies including Logan Teleflex (UK) Ltd. (hereinafter collectively referred to as "Logan"), which operates an airport baggage handling system business.

As a result of these initiatives, the Daifuku Group received orders of 180,241 million yen, a significant increase of 35.3% from the previous fiscal year, and posted consolidated net sales of 159,263 million yen, up only 3.3%. This minimal increase in sales mainly reflected a delay in orders being fulfilled. Of consolidated net sales, domestic net sales (sales to customers in Japan) fell 2.5% to 79,709 million yen, while sales outside Japan rose 9.8% to 79,553 million yen. Consequently, the overseas net sales ratio increased from the 47.0% in the previous fiscal year to 50.0%.

In terms of profits, such positive factors as a recovery in the performance of global subsidiaries, Companywide cost cutting, cuts in SG&A expenses, and strict project management resulted in operating income of 1,726 million yen, a considerable improvement from the 80 million yen reported during the previous fiscal year. Ordinary income amounted to 1,345 million yen, a positive turnaround from an ordinary loss of 135 million yen during the previous fiscal year. However, the Group's net income dropped 73.5% to 269 million yen, mainly due to the temporary effect of applying the accounting standards for asset retirement obligations and tax expenses.

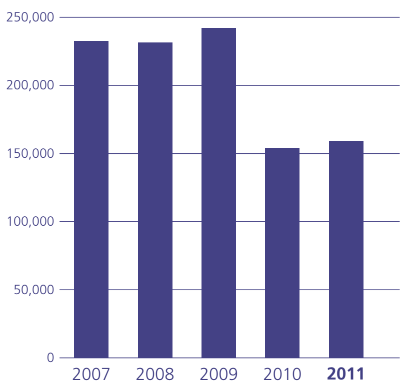
Operating Results by Business Segment

Due to changes in accounting standards for segment information, reportable segment classifications changed during the fiscal year under review from a business category-based to an overall management-oriented structure.

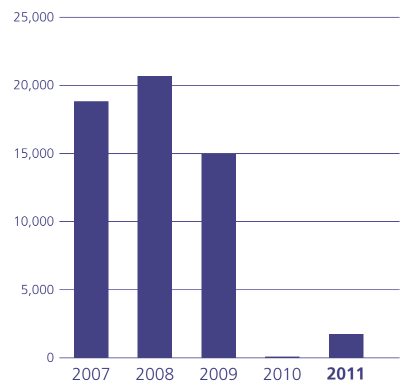
Examining performance by each new segment, Daifuku Co., Ltd. ("Daifuku"), Contec Co., Ltd. ("Contec"), Jervis B. Webb Company ("Webb"), Daifuku America Corporation ("Daifuku America") and the Other business saw notable recoveries in orders along with a bottoming out of the decline in net sales. In particular, Daifuku, Contec and the Other business reported increases in revenue. Regarding segment income (net income (loss) before adjustments for consolidation), all segments, except for Daifuku America, posted increased earnings.

For more details regarding performance per segment, please refer to At a Glance on page 12.

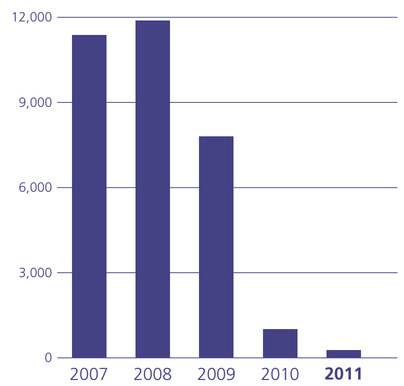
Net Sales
(Millions of yen)



Operating Income
(Millions of yen)



Net Income
(Millions of yen)



Earnings

As mentioned above, although net sales increased only slightly, the cost to sales and the SG&A ratios fell, owing largely to efforts to cut Companywide costs and SG&A expenses as well as strict project management. As a result, operating income in fiscal 2010 jumped 80 million yen year on year to 1,726 million yen, while the operating income margin improved from 0.1% to 1.1%.

Turning to other income and expenses, ordinary income in fiscal 2010 stood at 1,345 million yen, a positive turnaround from an ordinary loss of 135 million yen in fiscal 2009. This result primarily reflects the lack of any major fluctuation in the Group's financial account balance. Nevertheless, net income before income taxes and minority interests fell 18.4% year on year to 703 million yen, mainly due to the temporary effect of adopting the loss on adjustment for changes of accounting standard for asset retirement obligations listed under special income and loss. Reflecting an increase in tax expenses, net income decreased 73.5% to 269 million yen, while the ratio of income to net sales declined from 0.7% to 0.2%.

As a result, net income per share of common stock was down from 9.20 yen to 2.43 yen (representing a decrease of 9.08 yen to 2.41 yen on a diluted basis).

Financial Standing

Assets, liabilities and net assets

Total assets at the end of the consolidated fiscal year under review were 163,388 million yen, a decline of 2,041 million yen from the 165,430 million yen recorded in the previous fiscal year.

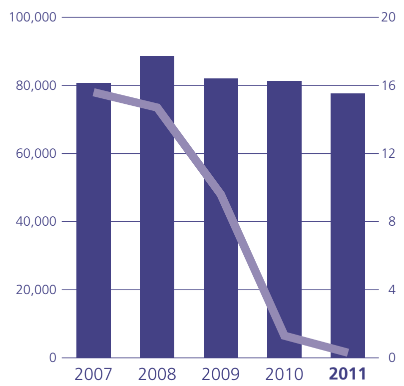
Current assets at the fiscal year-end fell 2,033 million yen from a year ago to 107,218 million yen. This result was mainly attributable to a decline in notes and accounts receivable and unbilled receivable. Fixed assets declined 8 million yen to 56,170 million yen primarily due to a drop in tangible fixed assets. Capital investment for the year under review, which largely consisted of the maintenance and upgrading of production facilities at the Shiga Works and additional development of enterprise resource planning and other backbone information systems, was 3,221 million yen, a year-on-year increase of 941 million yen.

Total liabilities at the end of the consolidated fiscal year under review stood at 85,674 million yen, an upswing of 1,539 million yen year on year. Primary changes under current liabilities included decreases in short-term borrowings and the redemption of bonds with subscription rights to shares. As a result, current liabilities at the end of the fiscal year under review were down 1,677 million yen to 41,309 million yen. Long-term liabilities increased 3,216 million yen to 44,364 million yen because of a rise in long-term borrowings and other factors. Total interest-bearing liabilities, including short- and long-term borrowings and corporate bonds, amounted to 40,911 million yen, ongoing further decrease of 4,383 million yen compared with the previous fiscal year-end.

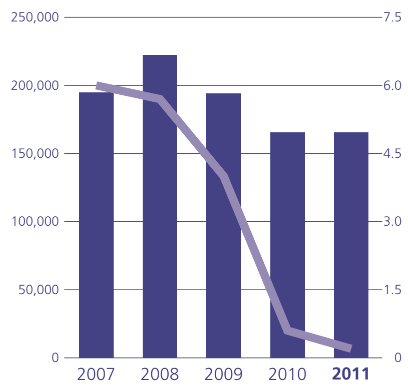
Net assets at the end of the fiscal year under review amounted to 77,714 million yen, a decrease of 3,580 million yen compared with the end of the previous fiscal year. The primary contributory factor was a decline in retained earnings following the payment of dividends. As a result, net assets per share decreased from 716.07 yen at the previous fiscal year-end to 683.39 yen, while the equity ratio dipped slightly from 47.9% to 46.3%. Despite this decline, the Group's financial position remains healthy due to such factors as a decrease in interest-bearing liabilities.

Return on equity (ROE) fell from 1.3% at the end of the previous fiscal year to 0.3%.

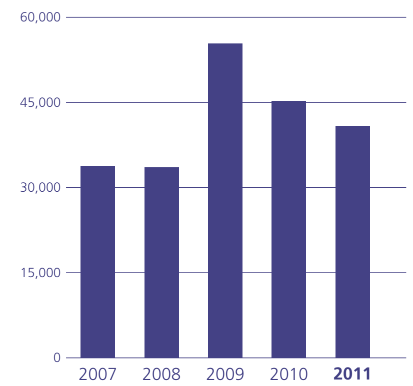
Net Assets and ROE
(Millions of yen) (%)



Total Assets and ROA
(Millions of yen) (%)



Interest-Bearing Liabilities
(Millions of yen)



Cash flows

Cash provided by operating activities totaled 11,417 million yen, compared with cash provided of 20,921 million yen in the previous fiscal year. The major factors were increases in notes and accounts receivable as well as in inventories.

Cash used in investing activities was 3,616 million yen, compared with cash used of 7,303 million yen in the previous fiscal year. Major activities prompting this decrease primarily involved a fall in the acquisition of investment securities and the purchase of stock of affiliates.

Cash used in financing activities was 6,056 million yen, compared with cash used of 11,321 million yen in the previous fiscal year. This was mainly attributable to a decline in payments of long-term borrowings.

After factoring in the effects of exchange rate changes to the above, cash and cash equivalents at the end of the fiscal year rose 571 million yen to 31,672 million yen.

Basic Policy Regarding Dividends for Fiscal Years 2010 and 2011

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 the fiscal year under review, 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 the previous fiscal year, although the interim dividend fell 5 yen per share, the year-end dividend remained on par with the previous fiscal year at 10 yen per share.

With respect to dividends for the next fiscal year (ending March 31, 2012), with comprehensive consideration given to the performance outlook and current business environment, 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).

Outlook for Fiscal 2011

Position and important initiatives during the fiscal year ending March 31, 2012

Daifuku launched a new three-year business plan called *Material Handling and Beyond* in April 2010, with the aim of achieving net sales of 220 billion yen and operating income of 11 billion yen in three years (by the fiscal year ending March 31, 2013). We position the next fiscal year, the second year of the plan, as an important year for achieving a recovery in business performance and meeting the targets in the plan by responding quickly and flexibly to changes in the market. To this end, Daifuku will focus on four objectives throughout the fiscal year ending in March 31, 2012:

1. Restoring Daifuku Co., Ltd.'s operating income to the black by developing new markets and new products
2. Strengthening cost competitiveness through global production and procurement
3. Increasing profitability through service business expansion
4. Bolstering global operations by fostering personnel

Operating environment and outlook for the fiscal year ending March 31, 2012

Looking ahead to the next fiscal year, the economic environment remains extremely uncertain because of the impact of the Great East Japan Earthquake and other recessionary factors. At the same time, competition is expected to intensify in Japan and overseas. Nevertheless, the Group expects to achieve a rise in revenue and earnings during fiscal 2011 owing to the positive effect of an order backlog and M&As in fiscal 2010 as well as efforts to improve income by building up orders and sales primarily in North American and Asian markets.

Daifuku will assist in the early restoration of operations of customers who have incurred damage to production, distribution and other facilities due to the disaster. Despite concerns over the impact that difficulties in procuring components, power shortages and other factors will have on the Group's performance, we will make every possible effort to minimize these difficulties.

Cautionary statement with respect to forward-looking statements

The statements contained herein about the future, such as those in the abovementioned business performance outlook, are forward-looking statements made based on the information currently available to the Company as of June 2011, 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 CRO

(1) Major disruption to production (damage to facilities, etc.)
(2) Impact of natural disasters and intentional threats, war, acts of terrorism, strikes, 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.)

Risks covered by the CFO

(1) Information management (leak of important and/or personal information to outside the Company; use for purposes other than that intended, etc.)
(2) 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) Product quality issues (product defects/failures, quality claims/complaints, etc.)
(3) 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.)

Risk covered by the COO of sales and marketing

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

Risks covered by the COO of production control

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

Risk covered by the Compliance Committee

(1) 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, 2011 and 2010

	(Millions of yen)		(Thousands of U.S. dollars) (Note 6)
	March 31		March 31
ASSETS	**2011**	2010	**2011**
Current assets:			
Cash on hands and in banks (Notes 9 and 27)	**¥ 31,749**	¥ 31,152	**$ 381,834**
Notes and accounts receivable and unbilled receivable (Notes 9 and 12)	**47,268**	48,083	**568,475**
Merchandise and finished goods	**2,776**	2,196	**33,387**
Costs incurred on uncompleted construction contracts and others (Note 8)	**7,682**	7,599	**92,393**
Raw materials and supplies (Note 12)	**6,672**	6,323	**80,242**
Deferred income taxes (Note 26)	**2,069**	2,093	**24,885**
Other current assets (Note 12)	**9,129**	11,910	**109,799**
Less: allowance for doubtful accounts	**(129)**	(107)	**(1,562)**
Total current assets	**107,218**	109,251	**1,289,455**
Fixed assets:			
Property, plant and equipment (Notes 7 and 12)**:**			
Buildings and structures	**15,181**	16,428	**182,580**
Machinery and vehicles	**2,830**	3,573	**34,045**
Tools and fixtures	**849**	996	**10,212**
Land	**11,478**	11,593	**138,040**
Others	**1,241**	498	**14,927**
Total property, plant and equipment	**31,580**	33,090	**379,805**
Intangible assets:			
Software (Note 12)	**2,630**	1,949	**31,640**
Goodwill	**2,229**	—	**26,811**
Others (Note 12)	**185**	2,284	**2,231**
Total intangible assets	**5,045**	4,233	**60,683**
Investments and other assets:			
Investments in securities (Notes 9, 10 and 11)	**9,106**	8,451	**109,519**
Long-term loans	**445**	463	**5,355**
Deferred income taxes (Note 26)	**5,799**	4,665	**69,748**
Others (Notes 12 and 14)	**4,453**	5,558	**53,555**
Less: allowance for doubtful accounts	**(260)**	(285)	**(3,136)**
Total investments and other assets	**19,543**	18,853	**235,043**
Total assets	**¥163,388**	¥165,430	**$1,964,988**

The accompanying notes are an integral part of these statements.

	(Millions of yen)		(Thousands of U.S. dollars) (Note 6)
	March 31		March 31
LIABILITIES	**2011**	2010	**2011**
Current liabilities:			
Notes and accounts payable and construction contracts payable (Notes 9 and 12)	**¥ 25,876**	¥ 21,709	**$ 311,202**
Short-term borrowings and current portion of long-term borrowings (Notes 9 and 12)	**2,826**	6,342	**33,996**
Current portion of bonds with subscription rights to shares (Note 9)	**—**	3,008	**—**
Income taxes payable	**788**	570	**9,479**
Deferred income taxes (Note 26)	**7**	17	**91**
Provision for losses on construction contracts (Notes 8 and 20)	**673**	531	**8,099**
Other current liabilities (Note 12)	**11,136**	10,807	**133,938**
Total current liabilities	**41,309**	42,986	**496,807**
Long-term liabilities:			
Bonds (Notes 9 and 12)	**10,000**	10,000	**120,264**
Long-term borrowings (Notes 9 and 12)	**28,085**	25,944	**337,771**
Deferred income taxes (Note 26)	**1,182**	1,345	**14,219**
Provision for retirement benefits (Note 14)	**2,015**	1,713	**24,235**
Negative goodwill	**419**	479	**5,044**
Other long-term liabilities (Note 12)	**2,661**	1,665	**32,012**
Total long-term liabilities	**44,364**	41,148	**533,548**
Total liabilities	**85,674**	84,135	**1,030,356**
Contingent liabilities (Note 16)			
NET ASSETS			
Shareholders' equity (Note 18)**:**			
Common stock:			
Authorized—250,000,000 shares			
Issued— 113,671,494 shares	**8,024**	8,024	**96,500**
Capital surplus	**9,028**	9,028	**108,580**
Retained earnings	**67,819**	69,210	**815,628**
Less: treasury stock, at cost—March 31, 2011 — 3,008,514 shares	**(2,417)**	(2,410)	**(29,079)**
Total shareholders' equity	**82,454**	83,852	**991,630**
Accumulated other comprehensive income:			
Net unrealized loss on securities	**(482)**	(6)	**(5,805)**
Deferred loss on hedges	**(32)**	(6)	**(392)**
Foreign currency translation adjustments	**(6,313)**	(4,586)	**(75,923)**
Total accumulated other comprehensive income	**(6,828)**	(4,600)	**(82,121)**
Minority interests			
Minority interests	**2,088**	2,042	**25,123**
Total net assets	**77,714**	81,295	**934,631**
Total liabilities and net assets	**¥ 163,388**	¥ 165,430	**$1,964,988**

Consolidated Statements of Comprehensive Income

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2011 and 2010

	(Millions of yen)		(Thousands of U.S. dollars) (Note 6)
	March 31		March 31
	2011	2010	**2011**
Net sales	**¥159,263**	¥154,208	**$1,915,370**
Cost of sales (Notes 20 and 21)	**131,639**	128,195	**1,583,157**
Gross profit	**27,623**	26,012	**332,213**
Selling expenses (Note 19)	**13,615**	12,606	**163,752**
General and administrative expenses (Notes 19 and 21)	**12,281**	13,325	**147,697**
Operating income	**1,726**	80	**20,763**
Other income:			
Interest income	**120**	204	**1,444**
Dividend income	**180**	82	**2,167**
Amortization of negative goodwill	**59**	106	**720**
Land and house rental revenue	**204**	188	**2,461**
Miscellaneous income	**444**	544	**5,346**
Other expenses:			
Interest expenses	**804**	925	**9,677**
Foreign exchange loss	**422**	278	**5,083**
Miscellaneous expenses	**163**	138	**1,964**
Ordinary income (loss)	**1,345**	(135)	**16,178**
Special income:			
Gain on sales of property, plant and equipment (Note 23)	**10**	77	**122**
Reversal of allowance for doubtful accounts	**44**	218	**532**
Reversal of negative goodwill	**—**	683	**—**
Others	**4**	167	**53**
Special loss:			
Loss on sales of property, plant and equipment (Note 24)	**50**	46	**609**
Loss on disposal of property, plant and equipment (Note 22)	**27**	28	**335**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**500**	—	**6,023**
Special retirement benefit	**—**	35	**—**
Loss on repayment of subsidy	**—**	21	**—**
Others	**121**	16	**1,463**
Income before income taxes and minority interests	**703**	862	**8,456**
Income taxes (Note 26)			
Current	**1,157**	539	**13,917**
Deferred	**(957)**	(734)	**(11,510)**
	200	(194)	**2,407**
Income before minority interests	**503**	—	**6,049**
Minority interests in net income	**233**	39	**2,810**
Net income	**269**	1,018	**3,239**
Minority interests in net income	**233**	—	**2,810**
Income before minority interests	**503**	—	**6,049**
Other comprehensive income (Note 25)			
Net unrealized loss on securities	**(477)**	—	**(5,747)**
Deferred loss on hedges	**(26)**	—	**(315)**
Foreign currency translation adjustments	**(1,754)**	—	**(21,106)**
Share of other comprehensive income of affiliates accounted for using equity method	**(18)**	—	**(222)**
Total other comprehensive income	**(2,277)**	—	**(27,391)**
Comprehensive income (Note 25)	**¥ (1,774)**	¥ —	**$ (21,342)**
(Comprehensive income attributable to:)			
Owners of the parent	**(1,959)**	—	**(23,560)**
Minority interests	**184**	—	**2,218**
	(Yen)		(U.S. dollars)
Net income per share (Note 33)	**¥ 2.43**	¥ 9.20	**$0.02**
Cash dividends per share	**15.00**	20.00	**0.18**

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, 2011 and 2010

		Shareholders' equity				
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	(Thousands)	(Millions of Yen)				
Balance at March 31, 2009	113,671	¥8,024	¥9,029	¥71,078	¥(2,404)	¥85,727
Cash dividends	—	—	—	(2,877)	—	(2,877)
Net income	—	—	—	1,018	—	1,018
Purchase of treasury stock	—	—		—	(7)	(7)
Disposal of treasury stock	—	—	(0)	—	1	1
Changes in scope of consolidation	—	—	—	(8)	—	(8)
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2010	113,671	¥8,024	¥9,028	¥69,210	¥(2,410)	¥83,852
Cash dividends	—	—	—	(1,660)	—	(1,660)
Net income	—	—	—	269	—	269
Purchase of treasury stock	—	—	—	—	(8)	(8)
Disposal of treasury stock	—	—	(0)	—	0	0
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2011	**113,671**	**¥8,024**	**¥9,028**	**¥67,819**	**¥(2,417)**	**¥82,454**

	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, 2009	¥(387)	¥(32)	¥(5,758)	¥(6,178)	¥3,261	¥82,810
Cash dividends	—	—	—	—	—	(2,877)
Net income	—	—	—	—	—	1,018
Purchase of treasury stock	—	—	—	—	—	(7)
Disposal of treasury stock	—	—	—	—	—	1
Changes in scope of consolidation	—	—	—	—	—	(8)
Net changes of items other than shareholders' equity	380	26	1,171	1,578	(1,219)	358
Balance at March 31, 2010	¥ (6)	¥ (6)	¥(4,586)	¥(4,600)	¥2,042	¥81,295
Cash dividends	—	—	—	—	—	(1,660)
Net income	—	—	—	—	—	269
Purchase of treasury stock	—	—	—	—	—	(8)
Disposal of treasury stock	—	—	—	—	—	0
Net changes of items other than shareholders' equity	(475)	(26)	(1,726)	(2,228)	46	(2,181)
Balance at March 31, 2011	**¥(482)**	**¥(32)**	**¥(6,313)**	**¥(6,828)**	**¥2,088**	**¥77,714**

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, 2011 and 2010

	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 6)				
Balance at March 31, 2010	113,671	$96,500	$108,585	$832,355	$(28,987)	$1,008,454
Cash dividends	—	—	—	(19,965)	—	(19,965)
Net income	—	—	—	3,239	—	3,239
Purchase of treasury stock	—	—	—	—	(104)	(104)
Disposal of treasury stock	—	—	(4)	—	11	6
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2011	**113,671**	**$96,500**	**$108,580**	**$815,628**	**$(29,079)**	**$ 991,630**

	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 6)					
Balance at March 31, 2010	$ (81)	$ (77)	$(55,164)	$(55,322)	$24,559	$977,691
Cash dividends	—	—	—	—	—	(19,965)
Net income	—	—	—	—	—	3,239
Purchase of treasury stock	—	—	—	—	—	(104)
Disposal of treasury stock	—	—	—	—	—	6
Net changes of items other than shareholders' equity	(5,723)	(315)	(20,759)	(26,799)	563	(26,235)
Balance at March 31, 2011	**$(5,805)**	**$(392)**	**$(75,923)**	**$(82,121)**	**$25,123**	**$934,631**

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, 2011 and 2010

	(Millions of yen) March 31 2011	2010	(Thousands of U.S. dollars) (Note 6) March 31 2011
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 703**	¥ 862	**$ 8,456**
Adjustments for:			
Depreciation	**3,577**	3,679	**43,018**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**500**	—	**6,023**
Amortization of goodwill	**238**	184	**2,866**
Amortization of negative goodwill	**(59)**	(106)	**(720)**
Reversal of negative goodwill	**—**	(683)	**—**
Interest and dividend income	**(300)**	(287)	**(3,611)**
Interest expenses	**804**	925	**9,677**
Loss on disposal or sales of property, plant and equipment	**78**	75	**944**
(Increase) decrease in notes and accounts receivable	**(591)**	14,816	**(7,109)**
(Increase) decrease in inventories	**(1,469)**	19,280	**(17,668)**
Increase (decrease) in notes and accounts payable	**4,994**	(6,202)	**60,066**
Decrease in advance received on uncompleted construction	**(492)**	(5,106)	**(5,917)**
Other, net	**3,231**	(2,534)	**38,858**
Subtotal	**11,215**	24,904	**134,884**
Interest and dividend income received	**294**	248	**3,545**
Interest expenses paid	**(808)**	(990)	**(9,717)**
Income taxes refund (paid)	**343**	(3,465)	**4,125**
Other, net	**372**	224	**4,474**
Net cash provided by operating activities	**11,417**	20,921	**137,312**
Cash flows from investing activities:			
Investments in time deposit	**(740)**	(0)	**(8,909)**
Proceeds from refund of time deposit	**714**	344	**8,598**
Payments for purchase of property, plant and equipment	**(1,594)**	(2,238)	**(19,179)**
Proceeds from sales of property, plant and equipment	**374**	132	**4,503**
Payments for purchase of investments in securities	**(1,558)**	(4,477)	**(18,739)**
Payments for purchase of stocks of affiliates	**(13)**	(1,072)	**(157)**
Collection of loans receivable	**2**	4	**34**
Payments for transfer of business (Note 27)	**(799)**	(200)	**(9,620)**
Other, net	**(1)**	203	**(21)**
Net cash used in investing activities	**(3,616)**	(7,303)	**(43,491)**
Cash flows from financing activities:			
Decrease in short-term borrowings, net	**(1,131)**	(1,417)	**(13,606)**
Proceeds from long-term borrowings	**3,021**	4,419	**36,332**
Repayment of long-term borrowings	**(3,042)**	(11,250)	**(36,585)**
Redemption of bonds with subscription rights to shares	**(3,008)**	—	**(36,175)**
Proceeds from disposal of treasury stock	**—**	1	**—**
Payments for purchase of treasury stock	**(8)**	(7)	**(104)**
Payment of cash dividends	**(1,658)**	(2,874)	**(19,951)**
Other, net	**(228)**	(192)	**(2,751)**
Net cash used in financing activities	**(6,056)**	(11,321)	**(72,842)**
Effect of exchange rate change on cash and cash equivalents	**(1,172)**	914	**(14,102)**
Net increase in cash and cash equivalents	**571**	3,209	**6,875**
Cash and cash equivalents at beginning of year	**31,101**	27,902	**374,036**
Decrease in cash and cash equivalents resulting from change of scope of consolidation	**—**	(11)	**—**
Cash and cash equivalents at end of year (Note 27)	**¥31,672**	¥31,101	**$ 380,912**

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2011 and 2010

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 the Japanese Corporate Law 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 Law of Japan.

The accounts of the consolidated overseas subsidiaries are based on their accounting records 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 consolidated overseas 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 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 sum of the individual account balances.

However, certain account balances, as disclosed in the basic consolidated financial statements in Japan, have been reclassified to the extent deemed necessary to enable presentation in a form which is more familiar to readers outside Japan.

2. Summary of significant accounting policies

(1) Principles of consolidation

The consolidated financial statements consist of the accounts of the parent company and 40 subsidiaries as of March 31, 2011 (45 subsidiaries as of March 31, 2010).

Four companies, which were consolidated subsidiaries in the previous fiscal year, were merged: DAIFUKU BUSINESS CREATE CO., LTD. and DAIFUKU FIELD ENGINEER CO., LTD. merged into DAIFUKU BUSINESS SERVICE CORPORATION; OSAKA MACHINERY WORKS CO., LTD. merged into DAIFUKU MANUFACTURING TECHNOLOGY CO., LTD. (formerly named DAIFUKU MANUFACTURING EXPERT CO., LTD.); and SHANGHAI CONTEC MICROELECTRONICS CORPORATION merged into DAIFUKU (CHINA) MANUFACTURING CO., LTD. All of these merged companies have been thus excluded from the scope of consolidation.

CAMPBELL, HENRY & CALVIN, INC. was liquidated and excluded from the scope of consolidation.

As a result, the total number of consolidated subsidiaries decreased by five.

The Company had two affiliates including WEBB INDIA PVT., LTD. as of March 31, 2011 (two affiliates as of March 31, 2010), which are accounted for by the equity method.

These affiliates are consolidated by the accounts as of their fiscal years because their fiscal years were different from the Company's.

Upon the sale of equity interest, CHENGDE WEBB CONVEYOR MACHINERY CO., LTD. was removed from the equity-method affiliates in the fiscal year ended March 31, 2010.

The Company had two affiliates including RENACE LABORATORY, INC. as of March 31, 2011 and 2010, respectively, which were accounted for not by the equity method but cost method since the net income and the balance of retained earnings of these companies were not significant as of March 31, 2011 and 2010, respectively.

The consolidated subsidiaries adopt the same fiscal year as the Company except that 28 foreign consolidated subsidiaries as of March 31, 2011 and 2010 adopt their fiscal years ended December 31. For the consolidation of these foreign subsidiaries, the Company makes appropriate adjustments for any material transactions subsequent to December 31.

DAIFUKU AMERICA CORPORATION and AMERICAN CONVEYOR AND EQUIPMENT, INC. changed the accounting date for the fiscal year end from March 31 to December 31. Therefore, their accounting period for the fiscal year ended March 31, 2011 covered nine months.

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 consolidated foreign 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 consolidated foreign subsidiaries and affiliates are translated into Japanese yen at the annual average rate.

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

A 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 highly liquid investments, generally with an original maturity date of three months or less, those 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 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, that is, "trading securities," "held-to-maturity debt securities," "investment 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 the debt securities that the Company has an intention to hold to maturity.

The Company and its subsidiaries also have "investment in non-consolidated subsidiaries and affiliates" and "other securities."

"Investments in non-consolidated subsidiaries and affiliates" are stated at cost and cost of securities sold is 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 included as a component of net assets in the balance sheets, and cost of securities sold is determined based on the moving average method.

"Other securities" for which market quotations are unavailable are stated at cost and cost of securities sold is 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 which 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 which 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 risk fluctuation of currency rates and interest rates in accordance with internal regulations which provide transaction and authorization limits.

(6) Depreciation of fixed assets

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

Property, plant and equipment are stated at cost. Depreciation of these assets of the Company and its domestic 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. Depreciation of the assets of the consolidated overseas subsidiaries is computed principally on the straight-line method.

The estimated useful life over which the asset is depreciated and the treatment of residual value is principally determined according to the same standards set out in the Corporation Tax Law of Japan.

(b) Intangible 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) Lease assets

Finance lease transactions which transfer the ownership:
The lease assets are depreciated using the same method as the fixed assets in the Company's possession.

Finance lease transactions which do not transfer the ownership:
The leased assets are fully depreciated using the straight-line method over the lease-term equivalent which represents the expected useful life on the basis that residual value equals to zero. (In the case there are any leases with guaranteed residual value, such value is regarded as accounting.)

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 case of 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.

(Additional Information)

Regarding the negative goodwill resulted from the acquisition of 68.67% of the equity in OSAKA MACHINERY WORKS CO., LTD. in January 2008, the Company had proceeded with amortization thereof over ten years in light of the original plan to acquire the rest of the equity in OSAKA MACHINERY WORKS CO., LTD. and wholly own it in ten years.

However, the Company changed the original plan and acquired 100% of the equity in OSAKA MACHINERY WORKS CO., LTD. in March 2010, and accordingly, OSAKA MACHINERY WORKS CO., LTD. is anticipated to earn stable profit from the effects of several measures such as expansion of the consigned manufacture of DAIFUKU products for the purpose of accelerating to realize business synergies. In this connection, the Company reviewed and modified the amortization schedule of the negative goodwill and decided to reverse the outstanding balance of the negative goodwill of ¥372 million as of March 31, 2010. As a result, income before income taxes and minority interests increased by ¥372 million in the fiscal year ended March 31, 2010. The negative goodwill of ¥311 million incurred by making OSAKA MACHINERY WORKS CO., LTD. a wholly owned subsidiary in March 2010 was also reversed and recorded as "Reversal of negative goodwill" of "Special income."

(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 employee (five years) from the time such liability arose.

The actual difference is amortized on a straight-line basis over the period within the average remaining service years of the employee (five years) from the next fiscal year after such gain or loss occurs.

(10) Provision for directors' retirement benefits

Anticipation payment of retirement benefits to directors of one consolidated domestic subsidiary is determined in accordance with company policy and accrued as of the end of the fiscal year.

(11) Provision for directors' bonuses

Bonuses payable to directors and corporate auditors are accrued at an estimated amount incurred for the period.

(12) Provision for losses on construction contracts

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

(13) 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

(14) Japanese consumption taxes

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

3. Accounting changes

(1) Accounting Standard for Asset Retirement Obligations

The Company adopted the "Accounting Standard for Asset Retirement Obligations" (Accounting Standard Board of Japan ("ASBJ") Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008) as of and for the year ended March 31, 2011.

As a result, operating income and ordinary income decreased by ¥6 million ($81 thousand), respectively, and income before income taxes and minority interests decreased by ¥507 million ($6,105 thousand) for the year ended March 31, 2011. The application of the accounting standards resulted in the change of asset retirement obligations by ¥497 million ($5,985 thousand).

The balance of asset retirement obligations includes the amount of ¥6 million ($79 thousand) which some overseas subsidiaries previously booked based on the accounting principles generally accepted in the United States.

(2) Accounting Standard for Business Combinations

The Company adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), "Partial Amendment to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23, December 26, 2008), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, December 26, 2008), "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, announced on December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008) as of and for the year ended March 31, 2011.

(3) Accounting policy for significant revenues and costs

Previously, the Company and its domestic consolidated subsidiaries had recognized revenues from construction contracts using the completed-contract method. However, the Company adopted the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007) from fiscal 2010. For contracts initiated in the year ended March 31, 2010, the 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) was applied to construction work for which the outcome of the percentage completed as of the end of the reporting fiscal year is deemed certain, while the completed- contract method is applied to all other construction work.

As a result of the adoption of this accounting standard, net sales increased by ¥17,685 million, gross profit, operating income and income before income taxes and minority interests, respectively increased by ¥1,729 million, and ordinary loss decreased by ¥1,729 million for the year ended March 31, 2010.

The impact of this application on segment information is described in the relevant part of Note 31.

(4) Adoption of the partial amendments to "Accounting Standard for Retirement Benefits"

The Company adopted the partial amendments to the "Accounting Standard for Retirement Benefits" (Part 3) (ASBJ Statement No. 19, July 31, 2008) from fiscal 2010.

This change had no effect on operating income, ordinary loss and income before income taxes and minority interests for the year ended March 31, 2010.

The application did not cause any adjustments in projected benefit obligations.

4. Reclassification of presentation

(1) Consolidated balance sheets

As the materiality increased, "Goodwill" previously included in "Others" under "Intangible assets" is separately presented as of March 31, 2011. The amount of "Goodwill" included in "Others" under "Intangible assets" as of March 31, 2010 was ¥1,211 million.

(2) Consolidated statements of comprehensive income

(a) Based on the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), the Company adopted the "Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements" (Cabinet Office Ordinance No. 5, March 24, 2009) as of and for the year ended March 31, 2011. Accordingly, "Income before minority interests" is shown as an accounting item in the consolidated financial statements.

(b) As the materiality decreased, the line item previously presented as "Special retirement benefit" under "Special loss" is combined into "Others" under "Special loss" for the year ended March 31, 2011. The amount of "Special retirement benefit" for the year ended March 31, 2011, included in "Others" under "Special loss" was ¥7 million ($89 thousand) for the year ended March 31, 2011.

(3) Consolidated statements of cash flows

As the materiality decreased, the line item previously presented as "Proceeds from disposal of treasury stock" under "Cash flows from financial activities" is combined into "Other, net" under "Cash flows from financial activities" for the year ended March 31, 2011. The amount of "Proceeds from sale of treasury stock" for the year ended March 31, 2011 included in "Other, net" under "Cash flows from financial activities" was ¥0.5 million ($6 thousand).

5. Additional information

The Company adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010) as of and for the year ended March 31, 2011. However, the amounts of "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" for fiscal 2010 represent the reported amounts of "Valuation and translation adjustments" and "Total valuation and translation adjustments," respectively.

6. United States dollar amounts

The Company prepares its consolidated financial statements in Japanese yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetical results of translating yen into dollars at the rate of ¥83.15 to U.S. $1, being the effective rate of exchange at March 31, 2011.

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 ¥83.15 to U.S. $1 or at any other rate.

7. Accumulated depreciation of property, plant and equipment

Accumulated depreciation of property, plant and equipment was ¥44,357 million ($533,463 thousand) and ¥43,413 million for the years ended March 31, 2011 and 2010, respectively.

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

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

The amount of inventories related to construction contracts with probable loss, for which provision for losses on construction contracts is provided, totaled ¥224 million ($2,696 thousand) and ¥89 million for the years ended March 31, 2011 and 2010, respectively (costs incurred on uncompleted construction contracts and others).

9. Financial instruments

Effective the year ended March 31, 2010, the Company adopted the "Accounting Standard for Financial Instruments (ASBJ Statement No. 10, March 10, 2008) and the "Guidance on Accounting Standard for Financial Instruments (ASBJ Guidance No. 19, March 10, 2008).

(1) Status of financial instruments

(a) Policy for financial instruments

In consideration of capital investment plans to conduct the business of manufacture and sales principally in 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 receivable) are exposed to customer credit risk. The Group manages such risk through means provided in the Group's credit control regulations: entering into a transaction with a new customer, as a rule it makes careful judgment as to the credit line to be provided to the new customer; while, with respect to ongoing customers, the sales administration department of each operating division conducts periodic monitoring of customers' conditions and monitors due dates and outstanding receivables balances on a customer-by-customer basis, to identify any new or elevated risk of collection.

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, they 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 (investment 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 such matters as transaction authorization and administrative structure and minimum credit ratings for the 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-mentioned "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 17 "Derivatives and hedging activities" are not necessarily indicative of the amounts of the actual market risk involved in derivative transactions.

(2) Fair values of financial instruments

The balance sheet carrying amounts, fair values and unrealized gains/losses of the financial instruments as of March 31, 2011 and 2010 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, 2011: (Millions of yen)

	Carrying amount on the consolidated balance sheet	Fair value	Variance
(1) Cash on hands and in banks	**¥31,749**	**¥31,749**	**¥ —**
(2) Notes and accounts receivable and unbilled receivable	**47,268**	**47,268**	**—**
(3) Investments in securities Other securities	**7,040**	**7,040**	**—**
Total assets	**¥86,059**	**¥86,059**	**¥ —**
(1) Notes and accounts payable and construction contracts payable	**¥25,876**	**¥25,876**	**¥ —**
(2) Short-term borrowings and current portion of long-term borrowings (*1)	**2,826**	**2,826**	**—**
(4) Bonds	**10,000**	**10,070**	**(70)**
(5) Long-term borrowings	**28,085**	**28,192**	**(106)**
Total liabilities	**¥66,789**	**¥66,966**	**¥ (177)**
Derivative transactions (*2)	**¥ (55)**	**¥ (55)**	**¥ —**

For the year ended March 31, 2010: (Millions of yen)

	Carrying amount on the consolidated balance sheet	Fair value	Variance
(1) Cash on hands and in banks	¥31,152	¥31,152	¥ —
(2) Notes and accounts receivable and unbilled receivable	48,083	48,083	—
(3) Investments in securities Other securities	7,471	7,471	—
Total assets	¥86,707	¥86,707	¥ —
(1) Notes and accounts payable and construction contracts payable	¥21,709	¥21,709	¥ —
(2) Short-term borrowings and current portion of long-term borrowings (*1)	6,342	6,342	—
(3) Current portion of bonds with subscription rights to shares	3,008	2,976	31
(4) Bonds	10,000	10,074	(74)
(5) Long-term borrowings	25,944	25,887	57
Total liabilities	¥67,005	¥66,990	¥ 15
Derivative transactions (*2)	¥ (19)	¥ (19)	¥ —

For the year ended March 31, 2011: (Thousands of U.S. dollars)

	Carrying amount on the consolidated balance sheet	Fair value	Variance
(1) Cash on hands and in banks	**$ 381,834**	**$ 381,834**	**$ —**
(2) Notes and accounts receivable and unbilled receivable	**568,475**	**568,475**	**—**
(3) Investments in securities Other securities	**84,675**	**84,675**	**—**
Total assets	**$1,034,985**	**$1,034,985**	**$ —**
(1) Notes and accounts payable and construction contracts payable	**$ 311,202**	**$ 311,202**	**$ —**
(2) Short-term borrowings and current portion of long-term borrowings (*1)	**33,996**	**33,996**	**—**
(4) Bonds	**120,264**	**121,116**	**(852)**
(5) Long-term borrowings	**337,771**	**339,050**	**(1,278)**
Total liabilities	**$ 803,235**	**$ 805,366**	**$(2,130)**
Derivative transactions (*2)	**$ (665)**	**$ (665)**	**$ —**

(*1) Short-term borrowings include the current portion of long-term borrowings.
(*2) 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 marketable securities and derivative transactions:

Assets

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

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

(3) 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 10 "Investments in securities."

Liabilities

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

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

(3) Current portion of bonds with subscription rights to shares

The fair values of current portion of bonds with subscription rights to shares issued by the Company are determined using the quoted prices at the stock exchange.

(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 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 17 "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 17 "Derivatives and hedging activities."

[Note 2] Financial instruments, fair values of which are not readily determinable as of March 31, 2011 and 2010:

For the year ended March 31, 2011: (Millions of yen)

Category	Balance sheet carrying amount
Unlisted securities	**¥2,065**

For the year ended March 31, 2010: (Millions of yen)

Category	Balance sheet carrying amount
Unlisted securities	¥979

For the year ended March 31, 2011: (Thousands of U.S. dollars)

Category	Balance sheet carrying amount
Unlisted securities	**$24,843**

These securities have no market quoted prices and the future cash flows thereof are not estimable. As their fair values are not readily determinable, they are excluded from "Assets (3) Investments in securities." The unlisted securities include the investments in affiliated companies amounting to ¥212 million ($2,552 thousand) and ¥268 million for the years ended March 31, 2011 and 2010.

[Note 3] The expected settlement subsequent to the balance sheet date for monetary assets and held-to-maturity securities

For the year ended March 31, 2011: (Millions of yen)

	Within one year	Due after one year and due within five years	Due after five years and due within ten years	Due after ten years
Cash on hands and in banks	**¥31,749**	**¥—**	**¥—**	**¥—**
Notes and accounts receivable and unbilled receivable	**47,268**	**—**	**—**	**—**
Total	**¥79,018**	**¥—**	**¥—**	**¥—**

For the year ended March 31, 2010: (Millions of yen)

	Within one year	Due after one year and due within five years	Due after five years and due within ten years	Due after ten years
Cash on hands and in banks	¥31,152	¥—	¥—	¥—
Notes and accounts receivable and unbilled receivable	48,083	—	—	—
Total	¥79,235	¥—	¥—	¥—

For the year ended March 31, 2011: (Thousands of U.S. dollars)

	Within one year	Due after one year and due within five years	Due after five years and due within ten years	Due after ten years
Cash on hands and in banks	**$381,834**	**$—**	**$—**	**$—**
Notes and accounts receivable and unbilled receivable	**568,475**	**—**	**—**	**—**
Total	**$950,309**	**$—**	**$—**	**$—**

[Note 4]

The amount of redemption expected settlement subsequent to the balance sheet date for bonds, long-term borrowings, and other interest bearing debt

For the year ended March 31, 2011: (Millions of yen)

	Within one year	Due after one year and due within two years	Due after two years and due within three years	Due after three years and due within four years	Due after four years and due within five years	Due after five years
Short-term borrowings and current portion of long-term borrowings	**¥2,826**	**¥ —**	**¥ —**	**¥—**	**¥ —**	**¥—**
Bonds	**—**	**4,000**	**6,000**	**—**	**—**	**—**
Long-term borrowings	**—**	**1,862**	**23,068**	**68**	**3,068**	**18**
Total	**¥2,826**	**¥5,862**	**¥29,068**	**¥68**	**¥3,068**	**¥18**

For the year ended March 31, 2010: (Millions of yen)

	Within one year	Due after one year and due within two years	Due after two years and due within three years	Due after three years and due within four years	Due after four years and due within five years	Due after five years
Short-term borrowings and current portion of long-term borrowings	¥6,342	¥ —	¥ —	¥ —	¥—	¥—
Bonds with subscription rights to shares	3,008	—	—	—	—	—
Bonds	—	—	4,000	6,000	—	—
Long-term borrowings	—	842	1,867	23,074	74	85
Total	¥9,350	¥842	¥5,867	¥29,074	¥74	¥85

For the year ended March 31, 2011: (Thousands of U.S. dollars)

	Within one year	Due after one year and due within two years	Due after two years and due within three years	Due after three years and due within four years	Due after four years and due within five years	Due after five years
Short-term borrowings and current portion of long-term borrowings	$33,996	$ —	$ —	$ —	$ —	$ —
Bonds	—	48,105	72,158	—	—	—
Long-term borrowings	—	22,393	277,429	821	36,900	226
Total	$33,996	$70,499	$349,588	$821	$36,900	$226

10. Investments in securities

Securities with carrying amounts on the consolidated balance sheets that exceed their acquisition cost were as follows:

Millions of yen

March 31, 2011	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Investments in securities:			
Equity securities	¥1,231	¥1,677	¥446

Millions of yen

March 31, 2010	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Investments in securities:			
Equity securities	¥3,765	¥4,400	¥635

Thousands of U.S. dollars

March 31, 2011	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Investments in securities:			
Equity securities	$14,810	$20,179	$5,369

Securities with carrying amounts on the consolidated balance sheets that do not exceed their acquisition cost were as follows:

Millions of yen

March 31, 2011	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Investments in securities:			
Equity securities	¥6,636	¥5,362	¥(1,274)

Millions of yen

March 31, 2010	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Investments in securities:			
Equity securities	¥3,679	¥3,070	¥(608)

Thousands of U.S. dollars

March 31, 2011	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Investments in securities:			
Equity securities	$79,817	$64,495	$(15,322)

The acquisition cost in the above tables is representative of book value after impairment adjustment.

The Company recognized impairment loss of ¥32 million ($ 389 thousand) for the year ended March 31, 2011.

In general, the Company recognizes an impairment loss when the value of the security decreases by more than 50% from the acquisition cost. Furthermore, the Company recognizes impairment loss when the value of security continuously decreases for two years by more than 40% and below 50% of the acquisition cost.

Held-to maturity bonds with market value as of March 31, 2011:
It is omitted due to no materiality.

Held-to maturity bonds with market value as of March 31, 2010:
Not applicable

"Other securities" sold during the years ended March 31, 2011 and 2010:
Not applicable

11. Investments in non-consolidated subsidiaries and affiliates

Investments in non-consolidated subsidiaries and affiliates included in respective accounts were as follows:

March 31,	(Millions of yen) 2011	2010	(Thousands of U.S. dollars) 2011
Investments in securities	¥212	¥268	$2,552

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

Short-term borrowings are principally bank borrowings.

The weighted average interest rates applicable to the short-term borrowings outstanding as of March 31, 2011 were 2.2%.

Short-term borrowings outstanding as of March 31, 2011 and 2010 consisted of the following:

March 31,	(Millions of yen) 2011	2010	(Thousands of U.S. dollars) 2011
Borrowings from banks			
Secured and unsecured	¥1,949	¥3,322	$23,444

Long-term borrowings are principally bank borrowings.

The weighted average interest rates applicable to the long-term borrowings outstanding as of March 31, 2011 were 1.9%.

Long-term borrowings outstanding as of March 31, 2011 and 2010, consisted of the following:

March 31,	(Millions of yen) 2011	2010	(Thousands of U.S. dollars) 2011
Borrowings, principally from banks			
Secured and unsecured	¥28,963	¥28,965	$348,324
Less: portion due within one year	877	3,020	10,552
Sub total	28,085	25,944	337,771
Bonds			
Zero coupon yen unsecured convertible bonds, due 2011	—	3,008	—
1.35% yen unsecured bonds, due 2013	3,200	3,200	38,484
1.36% yen unsecured bonds, due 2013	800	800	9,621
1.70% yen unsecured bonds, due 2014	2,000	2,000	24,052
2.02% yen unsecured bonds, due 2014	2,000	2,000	24,052
1.80% yen unsecured bonds, due 2014	2,000	2,000	24,052
Bonds total	10,000	13,008	120,264
Sub total	10,000	13,008	120,264
Total	¥38,085	¥38,952	$458,036

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 zero coupon unsecured convertible bonds with subscription rights to shares in the principal amount of ¥3,008 million, due 2011, issued on February 7, 2006, were issued in Japan at their face value (¥5,000 million) and fully redeemed in the year ended March 31,2011.

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.

Bond details

The aggregate annual maturity of bonds other than the portion due within one year outstanding as of March 31, 2011 was as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2013	¥ 4,000	$ 48,105
2014	6,000	72,158
	¥10,000	$120,264

Borrowings details

The aggregate annual maturity of long-term borrowings other than the portion due within one year outstanding as of March 31, 2011 was as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2013	¥ 1,862	$ 22,393
2014	23,068	277,429
2015	68	821
2016	3,068	36,900
	¥28,066	$337,545

Convertible bonds with subscription rights to shares, unless previously redeemed, are convertible into shares of common stock of the Company at the following current conversion prices:

Convertible bonds	Conversion price per share	Conversion period
Zero coupon yen unsecured bonds, due 2011	¥2,586 ($27.79)	March 1, 2006–March 30, 2011

When requested by bondholders who intend to exercise the stock subscriptions rights, in lieu of paying redemptions of the bonds, the Company acknowledges that subscription payment necessary upon the exercise of subscription right is wholly paid. Such request is deemed to be made when bondholders exercise their subscription rights.

Lease obligation details

Lease obligations outstanding as of March 31, 2011 and 2010 consisted of the following:

March 31,	(Millions of yen) 2011	2010	(Thousands of U.S. dollars) 2011
Lease obligations	¥1,021	¥217	$12,293
Less: portion due within one year	141	55	1,707
	¥ 880	¥162	$10,585

[Note 1] The average interest rates provided in the above table are the weighted average interest rates on year-end borrowing balances. Average interest rates of lease obligations are not provided herein because on the consolidated balance sheets the amounts of lease obligations are presented before subtracting the amounts that correspond to interest from the total lease payments.

[Note 2] The aggregate annual maturity of lease obligations other than the portion due within one year outstanding as of March 31, 2011 was as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2013	¥127	$1,537
2014	379	4,559
2015	66	795
2016	244	2,936
	¥817	$9,829

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

Assets pledged as collateral for short-term borrowings with banks as of March 31, 2011 and 2010 were as follows:

March 31,	(Millions of yen) 2011	2010	(Thousands of U.S. dollars) 2011
Buildings, less accumulated depreciation	**¥127**	¥129	**$1,533**
Machinery and vehicles	**188**	215	**2,270**
Others	**97**	163	**1,169**
Total	**¥413**	¥509	**$4,973**

Secured liabilities

March 31,	(Millions of yen) 2011	2010	(Thousands of U.S. dollars) 2011
Short-term borrowings	**¥ 77**	¥72	**$ 931**
Long-term borrowings	**285**	344	**3,486**
	¥362	¥417	**$4,367**

13. Asset retirement obligations details

Since the amount of asset retirement obligations as of March 31, 2011 was less than 1% of the net assets and liabilities, asset retirement obligation details was omitted.

14. Retirement benefit plans

Employees who terminate their services with the Company or its domestic 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 subsidiaries have defined contribution plans and hybrid type of pension plans (cash balance plans).

Certain of the overseas subsidiaries have defined contribution plans.

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

The provision for retirement benefits as of March 31, 2011 and 2010 were as follows:

March 31,	(Millions of yen) 2011	2010	(Thousands of U.S. dollars) 2011
(1) Projected benefit obligations	**¥(39,882)**	¥(40,374)	**$(479,646)**
(2) Plan assets	**29,616**	30,409	**356,181**
(3) Funded status (1)+(2)	**(10,266)**	(9,964)	**(123,465)**
(4) Unrecognized actuarial differences	**8,900**	9,404	**107,042**
(5) Unrecognized prior service cost	**0**	0	**0**
(6) Prepaid pension cost	**649**	1,152	**7,813**
(7) Provision for retirement benefits recognized on balance sheet ((3)+(4)+(5)-(6))	**¥ (2,015)**	¥ (1,713)	**$ (24,235)**

Net pension expense relating to the retirement benefits for the years ended March 31, 2011 and 2010 were as follows:

March 31,	(Millions of yen) 2011	2010	(Thousands of U.S. dollars) 2011
Service cost	**¥ 1,078**	¥ 993	**$ 12,972**
Interest cost	**1,503**	1,590	**18,077**
Expected return on plan assets	**(1,330)**	(1,166)	**(16,001)**
Amortization of actuarial differences	**1,469**	1,706	**17,671**
Amortization of prior service cost	**0**	(283)	**0**
Net pension expense	**¥ 2,720**	¥ 2,841	**$ 32,720**
Other	**498**	471	**5,993**
	¥ 3,219	¥ 3,312	**$ 38,714**

Other is the pension contribution under the defined contribution plan.

Assumptions used in calculation of the above information were as follows:

March 31,	2011	2010
Discount rate	**Mainly 2.0%**	Mainly 2.0%
Expected rate of return on plan assets	**Mainly 1.0%**	Mainly 0.0%
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

15. Lease commitments

Rent expenses relating to the finance lease transactions which do not transfer the ownership of the leased assets, other than those for which the commencement day 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, 2011 and 2010 were summarized as follows:

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

March 31,	(Millions of yen) 2011	2010	(Thousands of U.S. dollars) 2011
Machinery and vehicles	**¥772**	¥1,589	**¥ 9,286**
Equipment	**74**	228	**899**
Other	**118**	129	**1,421**
Subtotal	**965**	1,947	**11,607**
Accumulated depreciation	**562**	908	**6,764**
Net book value equivalent	**¥402**	¥1,038	**$ 4,843**

The amounts equivalent to the acquisition cost of leased assets and 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.

(2) The future minimum lease payments required under the terms of these finance leases as of March 31, 2011 and 2010 were as follows:

March 31,	(Millions of yen) 2011	2010	(Thousands of U.S. dollars) 2011
Due within one year	**¥126**	¥ 617	**$1,516**
Due after one year	**276**	420	**3,327**
	¥402	¥1,038	**$4,843**

Interests implicit in these leases are included in the above minimum lease payments because the total lease payments were not material to the total assets of the Company.

(3) Lease payments and depreciation equivalent

March 31,	(Millions of yen) 2011	2010	(Thousands of U.S. dollars) 2011
Lease payments	**¥204**	¥293	**$2,453**
Depreciation equivalent	**¥204**	¥293	**$2,453**

(4) Method of calculating depreciation equivalent amount for leases

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

Operating leases

The future minimum lease payments for non-cancellable leases as of March 31, 2011 and 2010 were as follows:

March 31,	(Millions of yen) 2011	2010	(Thousands of U.S. dollars) 2011
Due within one year	**¥ 317**	¥ 362	**$ 3,820**
Due after one year	**1,524**	1,945	**18,335**
	¥1,842	¥2,307	**$22,156**

Impairment of leased assets

For the years ended March 31, 2011 and 2010, there were no impairment losses on leased assets.

16. Contingent liabilities

The contingent liabilities as of March 31, 2011 and 2010 were as follows:

March 31,	(Millions of yen) 2011	2010	(Thousands of U.S. dollars) 2011
Bank borrowings of non-consolidated subsidiaries, and affiliates	**¥80**	¥83	**$ 962**
Bank borrowings of the company employees	**4**	8	**49**
	¥84	¥91	**$1,011**

17. Derivatives and hedging activities

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

For the years ended March 31, 2011 and 2010:

Not applicable

(2) Derivative transactions subject to hedge accounting

(a) Currency-related

For the year ended March 31, 2011: (Millions of yen)

Method of hedge accounting	Category of derivative transaction	Principal hedge items	Amount of contracts	Of which due after one year	Fair value	Method used to calculate the fair value
Principal method	Forward exchange contracts Sell U.S. dollar	Accounts receivable (forecast transactions)	**¥2,961**	**¥—**	**¥2,971**	Determined at the quoted prices at forward exchange rates market
	Euro		**828**	**—**	**875**	
	Buy U.S. dollar	Accounts payable (forecast transactions)	**(361)**	**—**	**(363)**	
Exceptional treatment of forward exchange contracts	Forward exchange contracts Sell U.S. dollar	Accounts receivable	**1,797**	**—**	**(*)**	
	Euro		**761**	**—**		
Total			**¥5,986**	**¥—**	**¥3,483**	

For the year ended March 31, 2010: (Millions of yen)

Method of hedge accounting	Category of derivative transaction	Principal hedge items	Amount of contracts	Of which due after one year	Fair value	Method used to calculate the fair value
Principal method	Forward exchange contracts Sell U.S. dollar	Accounts receivable (forecast transactions)	¥ 673	¥—	¥ 690	Determined at the quoted prices at forward exchange rates market
	Euro		58	—	58	
	Canadian dollar		10	—	11	
	Buy U.S. dollar	Accounts payable (forecast transactions)	(69)	—	(73)	
	Won		(33)	—	(36)	
	Yen		(295)	—	(287)	
Exceptional treatment of forward exchange contracts	Forward exchange contracts Sell U.S. dollar	Accounts receivable	1,149	—	(*)	
	Euro		546	—		
Total			¥2,039	¥—	¥ 362	

For the year ended March 31, 2011: (Thousands of U.S. dollars)

Method of hedge accounting	Category of derivative transaction	Principal hedge items	Amount of contracts	Of which due after one year	Fair value	Method used to calculate the fair value
Principal method	Forward exchange contracts					Determined at the quoted prices at forward exchange rates market
	Sell	Accounts receivable (forecast transactions)				
	U.S. dollar		$35,613	$—	$35,733	
	Euro		9,961	—	10,532	
	Buy	Accounts payable (forecast transactions)				
	U.S. dollar		(4,348)	—	(4,373)	
Exceptional treatment of forward exchange contracts	Forward exchange contracts Sell	Accounts receivable				
	U.S. dollar		21,615	—	(*)	
	Euro		9,154	—		
Total			$71,966	$—	$41,892	

(*) Forward exchange contracts with exceptional treatment are accounted for as applied to the principal hedge item of notes and accounts receivable and unbilled receivable; therefore, the fair values of notes and accounts receivable and unbilled receivable include those of the forward exchange contracts.

(b) Interest-related

For the year ended March 31, 2011: (Millions of yen)

Method of hedge accounting	Category of derivative transaction	Principal hedge items	Amount of contracts	Of which due after one year	Fair value	Method used to calculate the fair value
Special treatment of interest rate swaps	Interest rate swaps Fixed payment / Variable receipt	Long-term borrowings	¥26,970	¥26,170	(*)	
Total			¥26,970	¥26,170	¥—	

For the year ended March 31, 2010: (Millions of yen)

Method of hedge accounting	Category of derivative transaction	Principal hedge items	Amount of contracts	Of which due after one year	Fair value	Method used to calculate the fair value
Special treatment of interest rate swaps	Interest rate swaps Fixed payment / Variable receipt	Long-term borrowings	¥26,820	¥24,370	(*)	
Total			¥26,820	¥24,370	¥—	

For the year ended March 31, 2011: (Thousands of U.S. dollars)

Method of hedge accounting	Category of derivative transaction	Principal hedge items	Amount of contracts	Of which due after one year	Fair value	Method used to calculate the fair value
Special treatment of interest rate swaps	Interest rate swaps Fixed payment / Variable receipt	Long-term borrowings	$324,353	$314,732	(*)	
Total			$324,353	$314,732	$—	

(*) Interest rate swaps with special treatment are accounted for as applied to the principal hedge item of long-term borrowings; therefore, the fair values of long-term borrowings include those of the interest rate swaps.

18. Consolidated statements of changes in net assets

(1) Matters regarding issued shares:

For the year ended March 31, 2011: (In thousands of shares)

Class of shares	As of March 31, 2010	Increase	Decrease	As of March 31, 2011
Common stock	113,671	—	—	113,671

For the year ended March 31, 2010: (In thousands of shares)

Class of shares	As of March 31, 2009	Increase	Decrease	As of March 31, 2010
Common stock	113,671	—	—	113,671

(2) Matters regarding treasury stock:

For the year ended March 31, 2011: (In shares)

Class of shares	As of March 31, 2010	Increase	Decrease	As of March 31, 2011
Common stock	2,994,194	15,528	1,208	3,008,514

[Note 1] Treasury stock of common stock increased by 15,528 shares due to purchases of less-than-a-unit shares.
[Note 2] The decrease of 1,208 shares of common stock in treasury was due to sale of less-than-a-unit shares to shareholders owning less-than-a-unit shares.

For the year ended March 31, 2010: (In shares)

Class of shares	As of March 31, 2009	Increase	Decrease	As of March 31, 2010
Common stock	2,984,630	11,394	1,830	2,994,194

[Note 1] Treasury stock of common stock increased by 11,394 shares due to purchases of less-than-a-unit shares.
[Note 2] The decrease of 1,830 shares of common stock in treasury was due to sale of less-than-a-unit shares to shareholders owning less-than-a-unit shares.

(3) Matters regarding dividends:

(a) Dividends paid during the year ended March 31, 2011

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, 2010	Common stock	1,106	10	31.Mar.10	28.Jun.10
Board of Directors' meeting on November 12, 2010	Common stock	553	5	30.Sep.10	10.Dec.10

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, 2010	Common stock	13,310	0.12	31.Mar.10	28.Jun.10
Board of Directors' meeting on November 12, 2010	Common stock	6,655	0.06	30.Sep.10	10.Dec.10

Dividends paid during the year ended March 31, 2010

Resolution adopted	Class of shares	Aggregate amount (Millions of yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 15 2009	Common stock	1,770	16	31.Mar.09	29.Jun.09
Board of Directors' meeting on November 12, 2009	Common stock	1,106	10	30.Sep.09	10.Dec.09

(b) Dividends with a record date during the year ended March 31, 2011, 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 13, 2011	Common stock	Retained earnings	1,106	10	31.Mar.11	27.Jun.11

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 13, 2011	Common stock	Retained earnings	13,308	0.12	31.Mar.11	27.Jun.11

19. Major items of selling, general and administrative expenses

Major items of selling, general and administrative expenses for the years ended March 31, 2011 and 2010 were as follows:

Selling expenses

March 31,	2011 (Millions of yen)	2010 (Millions of yen)	2011 (Thousands of U.S. dollars)
Sales commissions	¥ 868	¥ 164	$10,444
Advertising expenses	110	110	1,327
Salaries and bonuses	5,560	5,484	66,872
Provision for retirement benefits	500	528	6,013
Welfare expenses	1,172	1,060	14,098
Traveling and transportation expenses	1,310	1,126	15,758
Rent expenses	558	560	6,722
Depreciation	209	232	2,514
Outsourcing expenses	892	825	10,738

General and administrative expenses

March 31,	2011 (Millions of yen)	2010 (Millions of yen)	2011 (Thousands of U.S. dollars)
Directors' compensations	¥ 793	¥ 876	$ 9,537
Salaries and bonuses	4,478	4,381	53,856
Provision for retirement benefits	639	1,099	7,691
Welfare expenses	458	248	5,512
Research and development expenses	1,640	1,971	19,723
Depreciation	1,320	1,171	15,884
Outsourcing expenses	2,072	2,404	24,924

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

For the years ended March 31, 2011 and 2010 were as follows:

March 31,	2011 (Millions of yen)	2010 (Millions of yen)	2011 (Thousands of U.S. dollars)
Provision for losses on construction contracts	¥183	¥316	$2,208
	¥183	¥316	$2,208

21. Research and development

Research and development expenditures charged to income were ¥6,370 million ($76,610 thousand) and ¥6,075 million for the years ended March 31, 2011 and 2010, respectively.

22. Loss on disposal of property, plant and equipment

Major items of loss on disposal of property, plant and equipment for the years ended March 31, 2011 and 2010 were as follows:

March 31,	2011 (Millions of yen)	2010 (Millions of yen)	2011 (Thousands of U.S. dollars)
Buildings and structures	¥11	¥ 4	$142
Machinery and vehicles	6	15	83
Tools and fixtures	6	5	79
Removal and other	2	3	30

23. Gain on sales of property, plant and equipment

Major items of gain on sales of property, plant and equipment for the years ended March 31, 2011 and 2010 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
March 31,	2011	2010	2011
Buildings and structures	¥—	¥73	$ —
Machinery and vehicles	9	2	116
Tools and fixtures	—	2	—

24. Loss on sales of property, plant and equipment

Major items of loss on sales of property, plant and equipment for the years ended March 31, 2011 and 2010 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
March 31,	2011	2010	2011
Buildings and structures	¥13	¥26	$158
Machinery and vehicles	32	5	390
Tools and fixtures	2	—	29
Land	2	4	30
Intangible assets	—	9	—

25. Consolidated statements of comprehensive income

For the year ended March 31, 2011:

(1) Total comprehensive income for the year ended March 31, 2011 was the following:

	(Millions of yen)
March 31,	2011
Comprehensive income attributable to:	
Owners of the parent	¥2,596
Minority interests	107
Total comprehensive income	¥2,704

(2) Other comprehensive income for the year ended March 31, 2011 consisted of the following:

	(Millions of yen)
March 31,	2011
Other comprehensive income:	
Net unrealized loss on securities	¥ 379
Deferred loss on hedges	26
Foreign currency translation adjustments	1,216
Share of other comprehensive income of affiliates accounted for using equity method	24
Total other comprehensive income	¥1,646

26. Income taxes

The significant components of deferred tax assets and liabilities as of March 31, 2011 and 2010 were summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
March 31,	2011	2010	2011
Deferred tax assets:			
Current assets			
Research and development expenses	¥ 1,417	¥ 1,511	$ 17,051
Accrued expenses	231	162	2,779
Provision for losses on construction contracts	153	119	1,842
Unrealized profit on inventories	19	89	233
Others	386	410	4,643
Sub total	2,207	2,293	26,551
Less valuation allowance	(85)	(70)	(1,025)
Offset against deferred tax liabilities (current)	(53)	(129)	(640)
Total deferred tax assets(current)	¥ 2,069	¥ 2,093	$ 24,885
Non-current assets			
Provision for retirement benefits	¥ 4,797	¥ 4,849	$ 57,701
Loss carried forward of consolidated subsidiaries	3,799	4,161	45,691
Unrealized gain on sales of fixed assets	582	582	7,011
Net unrealized loss on securities	324	—	3,906
Loss on valuation of investments in securities	248	226	2,992
Excess depreciation	236	278	2,845
Asset retirement obligations	197	—	2,374
Long-term payables	150	186	1,807
Allowance for doubtful accounts	107	109	1,291
Others	584	554	7,026
Sub total	11,029	10,949	132,646
Less valuation allowance	(2,612)	(2,739)	(31,415)
Offset against deferred tax liabilities (non-current)	(2,617)	(3,544)	(31,482)
Total deferred tax assets (non-current)	¥ 5,799	¥ 4,665	$ 69,748
Deferred tax liabilities:			
Current liabilities			
Others	¥60	¥ 146	$731
Offset against deferred tax assets (current)	(53)	(129)	(640)
Total deferred tax liabilities (current)	¥ 7	¥ 17	$ 91
Non-current liabilities			
Net unrealized gain on assets of consolidated subsidiaries	¥ 2,161	¥ 2,418	$ 25,990
Gain on securities contributed to employee retirement benefit trust	623	1,228	7,495
Provision of reserve for advanced depreciation of fixed assets	359	368	4,318
Provision for retirement benefits	234	404	2,824
Retained earnings for overseas subsidiaries	227	306	2,737
Others	194	163	2,335
Offset against deferred tax assets (non-current)	(2,617)	(3,544)	(31,482)
Total deferred tax liabilities	¥ 1,182	¥ 1,345	$ 14,219

Reconciliation of the differences between the statutory rate and the effective income tax rate as of March 31, 2011 and 2010 were as follows:

March 31,	2011	2010
Statutory tax rate	41.0%	41.0%
Tax rate difference applied for overseas subsidiaries	(25.8)	(11.4)
Expenses not deductible for income tax purpose	13.3	16.5
Increase of valuation allowance	7.9	41.2
Taxation on per capita basis	0.8	10.7
Forfeit of net operating loss carry forwards resulting from merger among consolidated subsidiaries	8.8	—
Foreign exchange losses eliminated in consolidation	(17.7)	—
Loss on sales of investment in affiliates eliminated in consolidation	(15.3)	—
Tax effect adjustment for the liquidated subsidiary	—	(63.0)
Amortization for goodwill and negative goodwill	4.3	(32.6)
Income taxes for retroactive year	18.0	(3.1)
Effect of FIN48 (*)	—	(17.4)
Undistributed earnings of foreign subsidiaries	(9.5)	—
Others	2.7	(4.5)
Effective tax rate	28.5%	(22.6)%

(*) Reversal of provision for uncertain income taxes in accordance with the Financial Accounting Standards Board's Interpretation 48 of Financial Accounting Standard 109, "Accounting for Uncertainty in Income Taxes"

27. Consolidated statements of cash flows

(1) The components of cash and cash equivalents as of March 31, 2011 and 2010 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
March 31,	2011	2010	2011
Cash on hands and in banks	¥31,749	¥31,152	$381,834
Time deposits with original maturities with more than three months	(76)	(51)	(921)
Total	¥31,672	¥31,101	$380,912

(2) Breakdown of assets and liabilities of the companies which newly became the Company's consolidated subsidiaries through the acquisition of their shares

Main details of assets and liabilities acquired with the transfer of business:

Details on the assets and liabilities acquired with the transfer of business, as well those associated with the cost of the transfer, for the years ended March 31, 2011 and 2010 as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
March 31,	2011	2010	2011
Goodwill	¥1,257	¥100	$15,126
Current assets	—	97	—
Fixed assets	62	1	755
Other	3	1	39
Consideration of transferred business	¥1,323	¥200	$15,920
Consideration of transferred business, to be paid.	(285)	—	(3,437)
Offset of debts and credits	(238)	—	(2,862)
Consideration of transferred business, paid	¥ 799	¥200	$ 9,620

28. Notes regarding stock options, etc.

For the years ended March 31, 2011 and 2010:
Not applicable

29. Related party transactions

For the years ended March 31, 2011 and 2010:
Not applicable

30. Notes regarding business combinations

For the years ended March 31, 2011 and 2010:
Not applicable

31. Segment information

Segment information of the Company and its consolidated subsidiaries for the year ended March 31, 2010 is presented below:

(1) Segment information by products

For the year ended March 31, 2010:

(Millions of yen)

	Logistics systems	Electronics	Others	Elimination or Corporate	Consolidated total
Net sales:					
Net sales to outside customers	¥137,835	¥ 6,051	¥10,321	¥ —	¥154,208
Inter-segment sales	58	5,156	2,181	(7,395)	—
Total	137,893	11,207	12,502	(7,395)	154,208
Operating expenses	132,014	11,586	11,877	(1,351)	154,127
Operating income (loss)	¥ 5,878	¥ (378)	¥ 624	¥ (6,044)	¥ 80
Identifiable assets	¥ 98,828	¥11,845	¥ 7,136	¥47,619	¥165,430
Depreciation	2,159	255	130	1,133	3,679
Capital expenditure	1,614	67	55	542	2,280

These sections include the following main products:
Logistics systems: conveyor systems, monorail systems, automatic guided vehicles, automated storage and retrieval systems, racks, roll box pallets
Electronics: modules for personal computer
Others: car wash machines, wheelchair lifts for care-provider vehicles, bowling alley equipment

Operating expenses in the "Elimination or Corporate" column in the amount of ¥6,044 million are expenses for the Company's departments of human resource, general affairs, finance & accounting and management related.

Corporate assets in the "Elimination or Corporate" column include ¥50,464 million of primarily short-term investments (bank deposits and marketable securities) and long-term investments (investments in securities).

Change in accounting treatment:
As stated in Note 2 "Summary of significant accounting policies," the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007) were adopted from fiscal 2010.

As a result of this change, net sales and operating income increased by ¥17,487 million and ¥1,676 million in the Logistics systems, and by ¥197 million and ¥53 million in the Others, respectively, for the year ended March 31, 2010 as compared with the previous accounting method.

(2) Segment information by geographic areas

For the year ended March 31, 2010:

(Millions of yen)

	Japan	North America	Asia	Other	Elimination or Corporate	Consolidated total
Sales:						
Sales to outside customers	¥109,724	¥24,914	¥15,842	¥3,726	¥ —	¥154,208
Inter-segment sales	7,562	95	2,138	12	(9,808)	—
Total	117,287	25,010	17,980	3,738	(9,808)	154,208
Operating expenses	111,278	23,758	18,399	4,455	(3,763)	154,127
Operating income (loss)	¥ 6,008	¥ 1,251	¥ (418)	¥ (717)	¥ (6,044)	¥ 80
Identifiable assets	¥ 92,378	¥14,924	¥24,757	¥3,560	¥29,809	¥165,430

Geographical distances are considered in the classification of countries or areas.

Main countries or regions included in the above geographical areas:
North America: U.S.A., Canada
Asia: Singapore, Malaysia, Thailand, Taiwan, Korea and China
Other: U.K.

Change in accounting treatment:
As stated in Note 2 "Summary of significant accounting policies," the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007) were adopted from fiscal 2010.

As a result of this change, net sales and operating income increased in Japan by ¥17,685 million and ¥1,729 million, respectively, for the year ended March 31, 2010 as compared with the previous accounting method.

(3) Overseas sales

For the year ended March 31, 2010:

(Millions of yen)

	North America	Asia	Other	Total
Overseas sales	¥24,922	¥41,001	¥6,555	¥ 72,479
Consolidated sales				154,208
Ratio of overseas sales to consolidated sales	16.2%	26.6%	4.3%	47.0%

Geographical distances are considered in the classification of countries or areas.

Overseas sales for the years ended March 31, 2010 and 2009 included exports by the Company and offshore sales by its consolidated subsidiaries, excluding sales to Japan.

Main countries or regions included in the above geographical areas:
North America: U.S.A., Canada
Asia: Singapore, Thailand, Taiwan, Korea and China
Other: U.K., Spain, Sweden and Denmark

Change in accounting treatment:
As stated in Note 2 "Summary of significant accounting policies, the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007) were adopted from fiscal 2010.

As a result of this change, net sales increased by ¥2,320 million in North America, ¥7,207 million in Asia, and ¥349 million in Other, respectively, for the year ended March 31, 2010 as compared with the previous accounting method.

32. Segment information

(1) Overview of reportable segments

The reportable segments comprise the components of which discrete financial information is available and the Board of Directors review regularly to determine the allocation of management resources and assess the 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, equipment and car wash machines; CONTEC CO., LTD., the core company engaging in the manufacture and sale of industrial personal computers and interface boards in Japan and overseas; JERVIS B. WEBB COMPANY ("WEBB") and DAIFUKU AMERICA CORPORATION ("DAIFUKU AMERICA").

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 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. WEBB and DAIFUKU AMERICA are local subsidiaries that are responsible for key business activities, primarily in North America with significant volume of sales. WEBB also manufactures and sells leading airport baggage handling systems on its own as a part of the 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 revenues or transfers are 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, 2011 and 2010 were as follows:

For the year ended March 31, 2011:

(Millions of yen)

	Reportable segment						
	DAIFUKU	CONTEC	J.B. WEBB	DAIFUKU AMERICA	Total	Others	Total
Net sales:							
Net sales to outside customers	¥100,267	¥ 8,583	¥14,120	¥6,049	¥129,020	¥31,524	¥160,545
Inter-segment sales or transfers	11,275	7,081	466	656	19,479	12,315	31,794
Total	111,542	15,665	14,586	6,705	148,500	43,839	192,340
Segment income	889	428	379	332	2,029	597	2,627
Segment assets	129,346	13,473	10,706	5,030	158,557	37,144	195,701
Segment liabilities	63,503	8,202	9,089	2,944	83,739	19,301	103,041
Others:							
Depreciation	2,639	208	157	46	3,051	673	3,724
Amortization of goodwill	29	3	—	—	32	41	73
Interest income	26	1	4	0	32	166	198
Amortization of negative goodwill	—	—	—	—	—	—	—
Interest expenses	742	60	41	—	844	38	883
Equity in earnings of affiliated companies	—	—	0	—	0	—	0
Special income	159	0	131	—	291	34	326
(Gain on sales of property, plant and equipment)	(—)	(0)	(131)	(—)	(132)	(8)	(141)
(Reversal of allowance for investment loss)	(120)	(—)	(—)	(—)	(120)	(—)	(120)
Special loss	1,442	20	0	7	1,470	380	1,850
(Provision of allowance for investment loss)	(587)	(—)	(—)	(—)	(587)	(—)	(587)
(Loss on adjustment for changes of accounting standard for asset retirement obligations)	(474)	(1)	(—)	(—)	(475)	(24)	(500)
(Loss on sales of investment in affiliates)	(262)	(—)	(—)	(—)	(262)	(—)	(262)
Income taxes	(884)	140	206	196	(341)	552	210
Investment to equity method affiliates	—	—	207	—	207	—	207
Increase in fixed assets and intangible assets	1,375	269	106	25	1,777	1,505	3,282

[Note] "Others" represents an operating segment comprising domestic and overseas subsidiaries that are not included in reportable segments.

For the year ended March 31, 2010:

	(Millions of yen)						
	Reportable segment						
	DAIFUKU	CONTEC	J.B. WEBB	DAIFUKU AMERICA	Total	Others	Total
Net sales:							
Net sales to outside customers	¥ 91,869	¥5,922	¥15,757	¥8,367	¥121,916	¥28,817	¥150,734
Inter-segment sales or transfers	13,587	5,148	147	277	19,161	8,041	27,202
Total	105,457	11,071	15,904	8,645	141,078	36,859	177,937
Segment income (loss)	852	(177)	265	583	1,523	262	1,785
Segment assets	132,297	12,132	10,962	6,134	161,526	35,001	196,527
Segment liabilities	65,176	7,150	9,170	3,178	84,675	14,763	99,438
Others:							
Depreciation	2,644	249	172	65	3,131	562	3,694
Amortization of goodwill	16	—	—	—	16	14	31
Interest income	123	3	2	—	129	175	304
Amortization of negative goodwill	—	—	—	—	—	—	—
Interest expenses	832	84	41	0	958	76	1,035
Equity in earnings of affiliated companies	—	—	21	—	21	—	21
Special income	154	243	141	0	540	526	1,066
(Gain on sales of property, plant and equipment)	(—)	(16)	(141)	(0)	(158)	(316)	(475)
(Reversal of negative goodwill)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
(Gain on sales of investment securities in subsidiaries)	(—)	(211)	(—)	(—)	(211)	(—)	(211)
Special loss	834	39	2	2	879	70	949
(Provision of allowance for investment loss)	(564)	(—)	(—)	(—)	(564)	(—)	(564)
(Loss on liquidation of subsidiaries)	(250)	(—)	(—)	(—)	(250)	(—)	(250)
Income taxes	(844)	15	200	16	(611)	582	(29)
Investment to equity method affiliates	—	—	227	—	227	—	227
Increase in fixed assets and intangible assets	1,719	72	205	56	2,054	526	2,580

For the year ended March 31, 2011:

	(Thousands of U.S. dollars)						
	Reportable segment						
	DAIFUKU	CONTEC	J.B. WEBB	DAIFUKU AMERICA	Total	Others	Total
Net sales:							
Net sales to outside customers	**$1,205,861**	**$103,230**	**$169,822**	**$72,748**	**$1,551,663**	**$379,126**	**$1,930,790**
Inter-segment sales or transfers	**135,599**	**85,170**	**5,606**	**7,895**	**234,271**	**148,107**	**382,378**
Total	**1,341,460**	**188,401**	**175,428**	**80,643**	**1,785,934**	**527,234**	**2,313,169**
Segment income	**10,698**	**5,148**	**4,567**	**3,994**	**24,409**	**7,187**	**31,597**
Segment assets	**1,555,575**	**162,043**	**128,756**	**60,504**	**1,906,880**	**446,711**	**2,353,591**
Segment liabilities	**763,720**	**98,641**	**109,320**	**35,412**	**1,007,094**	**232,132**	**1,239,226**
Others:							
Depreciation	**31,741**	**2,512**	**1,889**	**554**	**36,698**	**8,097**	**44,796**
Amortization of goodwill	**356**	**36**	**—**	**—**	**393**	**495**	**889**
Interest income	**315**	**21**	**49**	**3**	**390**	**1,998**	**2,388**
Amortization of negative goodwill	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Interest expenses	**8,932**	**729**	**493**	**—**	**10,155**	**466**	**10,621**
Equity in earnings of affiliated companies	**—**	**—**	**11**	**—**	**11**	**—**	**11**
Special income	**1,912**	**11**	**1,584**	**—**	**3,508**	**412**	**3,920**
(Gain on sales of property, plant and equipment)	**(—)**	**(10)**	**(1,584)**	**(—)**	**(1,594)**	**(108)**	**(1,702)**
(Reversal of allowance for investment loss)	**(1,443)**	**(—)**	**(—)**	**(—)**	**(1,443)**	**(—)**	**(1,443)**
Special loss	**17,342**	**248**	**3**	**94**	**17,687**	**4,572**	**22,260**
(Provision of allowance for investment loss)	**(7,059)**	**(—)**	**(—)**	**(—)**	**(7,059)**	**(—)**	**(7,059)**
(Loss on adjustment for changes of accounting standard for asset retirement obligations)	**(5,706)**	**(16)**	**(—)**	**(—)**	**(5,723)**	**(300)**	**(6,023)**
(Loss on sales of investment in affiliates)	**(3,154)**	**(—)**	**(—)**	**(—)**	**(3,154)**	**(—)**	**(3,154)**
Income taxes	**(10,640)**	**1,692**	**2,479**	**2,362**	**(4,106)**	**6,642**	**2,536**
Investment to equity method affiliates	**—**	**—**	**2,492**	**—**	**2,492**	**—**	**2,492**
Increase in fixed assets and intangible assets	**16,538**	**3,245**	**1,285**	**306**	**21,374**	**18,100**	**39,475**

[Note] "Others" represents an operating segment comprising domestic and overseas subsidiaries that are not included 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)

(a) Net sales

	(Millions of yen)		(Thousands of U.S. dollars)
March 31,	2011	2010	2011
Reportable segment total	**¥148,500**	¥141,078	**$1,785,934**
Net sales classified in "Others"	**43,839**	36,859	**527,234**
Elimination of inter-segment transactions	**(31,794)**	(27,202)	**(382,378)**
Adjustment of net sales of the percentage-of-completion method	**(897)**	3,100	**(10,792)**
Other adjustment for consolidation	**(384)**	373	**(4,626)**
Net sales in consolidated financial statements	**¥159,263**	¥154,208	**$1,915,370**

(b) Segment income

	(Millions of yen)		(Thousands of U.S. dollars)
March 31,	2011	2010	2011
Reportable segment total	**¥2,029**	¥1,523	**$24,409**
Segment income classified in "Others"	**597**	262	**7,187**
Elimination of cash dividends from affiliates	**(3,686)**	(2,000)	**(44,333)**
Other adjustment for consolidation	**1,328**	1,232	**15,975**
Net income in consolidated financial statements	**¥269**	¥1,018	**$3,239**

(c) Segment assets

	(Millions of yen)		(Thousands of U.S. dollars)
March 31,	2011	2010	2011
Reportable segment total	**¥158,557**	¥161,526	**$1,906,880**
Segment assets classified in "Others"	**37,144**	35,001	**446,771**
Elimination of investment securities in affiliates in consolidation process	**(17,728)**	(18,402)	**(213,216)**
Elimination of intercompany receivables	**(13,718)**	(14,441)	**(164,984)**
Other adjustment for consolidation	**(865)**	1,745	**(10,463)**
Total assets in consolidated financial statements	**¥163,388**	¥165,430	**$1,964,988**

(d) Segment liabilities

	(Millions of yen)		(Thousands of U.S. dollars)
March 31,	2011	2010	2011
Reportable segment total	**¥83,739**	¥84,675	**$1,007,094**
Segment liabilities classified in "Others"	**19,301**	14,763	**232,132**
Elimination of intercompany payables	**(13,718)**	(14,441)	**(164,984)**
Other adjustment for consolidation	**(3,649)**	(862)	**(43,886)**
Total liabilities in consolidated financial statements	**¥85,674**	¥84,135	**$1,030,356**

For the year ended March 31, 2011: (Millions of yen)

Other items	Reportable segments total	Others	Adjustment	Consolidated total
Depreciation	¥3,051	¥ 673	¥ (147)	¥3,577
Amortization of goodwill	32	41	164	238
Interest income	32	166	(78)	120
Amortization of negative goodwill	—	—	59	59
Interest expenses	844	38	(78)	804
Equity in earnings of affiliated companies	0	—	—	0
Special income	291	34	(267)	58
(Gain on sales of property, plant and equipment)	(132)	(8)	131	(10)
(Reversal of allowance for investment loss)	(120)	(—)	120	(—)
(Gain on sales of investment securities in subsidiaries)	(—)	(—)	(—)	(—)
(Reversal of negative goodwill)	(—)	(—)	(—)	(—)
Special loss	1,470	380	(1,149)	701
(Provision of allowance for investment loss)	(587)	(—)	587	(—)
(Loss on adjustment for changes of accounting standard for asset retirement obligations)	(475)	(24)	(—)	(500)
(Loss on sales of investment in affiliates)	(262)	(—)	262	(—)
(Loss on liquidation of subsidiaries)	(—)	(—)	(—)	(—)
Income taxes	(341)	552	(10)	200
Investment to equity method affiliates	207	—	—	207
Increase in fixed assets and intangible assets	1,777	1,505	(60)	3,221

For the year ended March 31, 2010: (Millions of yen)

Other items	Reportable segments total	Others	Adjustment	Consolidated total
Depreciation	¥3,131	¥ 562	¥ (14)	¥3,679
Amortization of goodwill	16	14	153	184
Interest income	129	175	(99)	204
Amortization of negative goodwill	—	—	106	106
Interest expenses	958	76	(109)	925
Equity in earnings of affiliated companies	21	—	—	21
Special income	540	526	80	1,147
(Gain on sales of property, plant and equipment)	(158)	(316)	397	(77)
(Reversal of allowance for investment loss)	(—)	(—)	(—)	(—)
(Gain on sales of investment securities in subsidiaries)	(211)	(—)	211	(—)
(Reversal of negative goodwill)	(—)	(—)	(683)	(683)
Special loss	879	70	(801)	148
(Provision of allowance for investment loss)	(564)	(—)	564	(—)
(Loss on adjustment for changes of accounting standard for asset retirement obligations)	(—)	(—)	(—)	(—)
(Loss on sales of investment in affiliates)	(—)	(—)	(—)	(—)
(Loss on liquidation of subsidiaries)	(250)	(—)	250	(0)
Income taxes	(611)	582	(165)	(194)
Investment to equity method affiliates	227	—	—	227
Increase in fixed assets and intangible assets	2,054	526	(299)	2,280

For the year ended March 31, 2011: (Thousands of U.S. dollars)

Other items	Reportable segments total	Others	Adjustment	Consolidated total
Depreciation	$36,698	$ 8,097	$ (1,777)	$43,018
Amortization of goodwill	393	495	1,977	2,866
Interest income	390	1,998	(944)	1,444
Amortization of negative goodwill	—	—	720	720
Interest expenses	10,155	466	(944)	9,677
Equity in earnings of affiliated companies	11	—	—	11
Special income	3,508	412	(3,211)	708
(Gain on sales of property, plant and equipment)	(1,594)	(108)	1,580	(122)
(Reversal of allowance for investment loss)	(1,443)	(—)	1,443	(—)
(Gain on sales of investment securities in subsidiaries)	(—)	(—)	(—)	(—)
(Reversal of negative goodwill)	(—)	(—)	(—)	(—)
Special loss	17,687	4,572	(13,829)	8,430
(Provision of allowance for investment loss)	(7,059)	(—)	7,059	(—)
(Loss on adjustment for changes of accounting standard for asset retirement obligations)	(5,723)	(300)	(—)	(6,023)
(Loss on sales of investment in affiliates)	(3,154)	(—)	3,154	(—)
(Loss on liquidation of subsidiaries)	(—)	(—)	(—)	(—)
Income taxes	(4,106)	6,642	(129)	2,407
Investment to equity method affiliates	2,492	—	—	2,492
Increase in fixed assets and intangible assets	21,374	18,100	(727)	38,747

[Notes] The adjustments are principally as follows.
1. "Reversal of negative goodwill" amounting to ¥683 million was recorded in the fiscal year ended March 31, 2010 due to the inclusion of OSAKA MACHINERY WORKS CO., LTD. as a wholly owned subsidiary. In this connection, the Company had conducted a review of the amortization schedule of the negative goodwill and the reversed the unamortized balance.
2. "Provision of allowance for investment loss" amounted to ¥587 million ($7,059 thousand) and ¥564 million in the fiscal years ended March 31, 2011 and 2010, respectively were resulted from elimination for consolidation purpose of allowance for investment loss provided for the affiliates.

Additional Information

The Company adopted the "Accounting Standard for Segment Information Disclosures" (ASBJ Statement No. 17, March 27, 2009) and the "Guidance on Accounting Standard for Segments Information Disclosures" (ASBJ Guidance No. 20, March 21, 2008) as of and for the year ended March 31, 2011.

[Related information]

For the year ended March 31, 2011:

1. Information by products and services

(Millions of yen)

	Logistics systems	Electronics	Others	Consolidated total
Net sales to outside customers	¥139,882	¥8,590	¥10,790	¥159,263

(Thousands of U.S. dollars)

	Logistics systems	Electronics	Others	Consolidated total
Net sales to outside customers	$1,682,286	$103,312	$129,771	$1,915,370

2. Information by geographic areas

(1) Net sales

(Millions of yen)

	Japan	America	China	Others	Consolidated total
Net sales to outside customers	¥79,709	¥22,664	¥21,343	¥35,546	¥159,263

(Thousands of U.S. dollars)

	Japan	America	China	Others	Consolidated total
Net sales to outside customers	$958,621	$272,567	$256,681	$427,499	$1,915,370

[Note] Net sales are classified by countries or areas where customers are located.

(2) Property, plant and equipment

(Millions of yen)

	Japan	Others	Consolidated total
Property, plant and equipment	¥25,899	¥5,680	¥31,580

(Thousands of U.S. dollars)

	Japan	Others	Consolidated total
Property, plant and equipment	$311,484	$68,320	$379,805

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 comprehensive income.

[Information about impairment loss of fixed assets by reportable segment]

Not applicable

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

(Millions of yen)

	Reportable segment							
	DAIFUKU	CONTEC	J.B. WEBB	DAIFUKU AMERICA	Total	Others	Elimination or corporate	Consolidated total
Ending balance of goodwill	¥246	¥ —	¥16	¥347	¥610	¥1,048	¥570	¥2,229
Ending balance of negative goodwill	—	—	—	—	—	—	419	419

(Thousands of U.S. dollars)

	Reportable segment							
	DAIFUKU	CONTEC	J.B. WEBB	DAIFUKU AMERICA	Total	Others	Elimination or corporate	Consolidated total
Ending balance of goodwill	$2,962	$ —	$203	$4,181	$7,347	$12,605	$6,857	$26,811
Ending balance of negative goodwill	—	—	—	—	—	—	$5,044	$ 5,044

[Notes]
1. Information about amortization of goodwill and negative goodwill was omitted because it was disclosed in segment information.
2. "Others" under "Ending balance of goodwill" principally resulted from the acquisition of car wash equipment business from YASUI CORPORATION.

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

Not applicable

33. Earnings per share

The amounts of basic and diluted net income per share for the years ended March 31, 2011 and 2010 were as follows:

March 31,	(Yen) 2011	2010	(U.S. dollars) 2011
Net assets per share	**¥683.39**	¥716.07	**$8.21**
Net income per share			
—Basic	**2.43**	9.20	**0.02**
—Diluted	**2.41**	9.08	**0.02**

The amounts and numbers used for the basic and diluted net income per share computation for the years ended March 31, 2011 and 2010 were as follows:

Net income per share

March 31,	(Millions of yen) 2011	2010	(Thousands of U.S. dollars) 2011
Net income	**¥269**	¥1,018	**$3,239**
Amount not attributed to holders of common stock	**—**	—	**—**
Adjusted net income	**¥269**	¥1,018	**$3,239**

March 31,	(Thousands of shares) 2011	2010
Weighted average number of shares of common stock	**110,671**	110,680
Effect of dilutive securities	**1,159**	1,462
(of which: convertible bonds with subscription rights to shares)	**(1,159)**	(1,462)

Net assets per share

March 31,	(Millions of yen) 2011	2010	(Thousands of U.S. dollars) 2011
Total net assets	**¥77,714**	¥81,295	**$934,631**
Amount deducted from total net assets	**2,088**	2,042	**25,123**
(of which: minority interests)	**(2,088)**	(2,042)	**(25,123)**
Total net assets for common stock	**¥75,625**	¥79,252	**$909,508**
Number of issued and outstanding shares of common stock at fiscal year-end (thousands of shares)	**110,662**	110,677	

34. Subsequent events

(Consolidation through share acquisition)

Based on the definitive share acquisition agreement resolved at the Board of Directors meeting on January 31, 2011, the Group acquired all outstanding shares of three companies: LOGAN TELEFLEX (UK) LTD. (headquartered in the United Kingdom), LOGAN TELEFLEX (FRANCE) S.A. (headquartered in France) and LOGAN TELEFLEX, INC. (headquartered in the U.S.A.) (hereinafter collectively referred as "LOGAN") on April 1, 2011.

(1) Names and business overview of the companies that have become wholly owned subsidiaries

(a) Name

LOGAN TELEFLEX (UK) LTD.
LOGAN TELEFLEX (FRANCE) S.A.
LOGAN TELEFLEX, INC.

(b) Business

Manufacture, sale and services of airport baggage handling systems

(2) Reason for share acquisition

The Company regards the airport baggage handling business as one of its core businesses. Because sales regions, products and technologies of LOGAN are complementary to the Group's business, the acquisition of LOGAN will enable the Group to expand globally and reinforce in this business.

(3) Date of acquisition

April 1, 2011

(4) Names of companies acquired

LOGAN TELEFLEX (UK) LTD.
LOGAN TELEFLEX (FRANCE) S.A.
LOGAN TELEFLEX, INC.

(5) Number of shares acquired, acquisition cost, post-acquisition ownership interest

Company name	Number of shares acquired (Share)	Acquisition cost (Euro)	Ownership interest
LOGAN TELEFLEX (UK) LTD.	18,011,062	2,859,700	100%
LOGAN TELEFLEX (FRANCE) S.A.	67,000	1,240,000	100%
LOGAN TELEFLEX, INC.	2,000	655,000	100%

(6) Source of financing and payment method

The Group paid by cash self-financed for the acquisition cost.

Report of Independent Auditors

pwc

Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheets of Daifuku Co., Ltd ("the Company") and its subsidiaries as of March 31, 2011, and the related consolidated statements of comprehensive income, changes in net assets and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of March 31, 2011, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 6 to the consolidated financial statements.

Supplemental Information
As discussed in Note 3 "Accounting change", the Company adopted the "Accounting Standard for Asset Retirement Obligations" (Accounting Standard Board of Japan ("ASBJ") Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008) as of and for the year ended March 31, 2011, and has made the necessary adjustments to consolidated financial statements.

PricewaterhouseCoopers Aarata

August 3, 2011

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, 2011)

North America

Daifuku Webb Holding Company

Farmington Hills, MI, U.S.A.

Daifuku America Corporation

Main Office	Reynoldsburg, OH, U.S.A.
Arizona Office	Chandler, AZ, U.S.A.
Austin Office	Pflugerville, TX, U.S.A.
Indiana Office	Fort Branch, IN, U.S.A.
Kentucky Office	Lexington, KY, U.S.A.
Michigan Office	Farmington Hills, MI, U.S.A.
Tennessee Office	Smyrna, TN, U.S.A.
Utah Office	Salt Lake City, UT, U.S.A.

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.

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

Contec Microelectronics U.S.A. Inc.

Sunnyvale, CA, U.S.A.

Europe

Daifuku Europe Ltd.

Main Office	Northamptonshire, U.K.
Derby Office	Staffordshire, U.K.
German Branch	Moenchengladbach, Germany
Sweden Branch	Askim, Sweden

Jervis B. Webb Company, Ltd.

Northamptonshire, U.K.

Logan Teleflex (UK) Ltd.

Hull, U.K.

Logan Teleflex (France) S.A.

Ivry-sur-Seine cedex, France

Jervis B. Webb GmbH

Main Office	Moenchengladbach, Germany
France Branch	Palaiseau, France
Spain Branch	Barcelona, Spain

Asia

Daifuku (China) Co., Ltd.

Main Office	Shanghai, China
Tianjin Branch	Tianjin, China
Guangzhou Branch	Guangzhou, China
Beijing Office	Beijing, China
Changchun Office	Changchun, China
Chengdu Office	Sichuan, China
Chongqing Office	Chongqing, China
Fuzhou Office	Fujian, China
Nansha Office	Guangzhou, China
Shenzhen Office	Shenzhen, China
Suzhou Office	Jiangsu, China
TEDA Office	Tianjin, China
Wuhan Office	Wuhan, China
Zhengzhou Office	Zhengzhou, China

Daifuku (China) Manufacturing Co., Ltd.

Shanghai, China

Jiangsu Daifuku Rixin Automation Co., Ltd.

Jiangsu, China

Jervis Webb-China Company, Ltd.

Shanghai, China

Taiwan Daifuku Co., Ltd.

Main Office & Plant	Tainan, Taiwan
Hsinchu Branch	Hsinchu, Taiwan
Taichung Plant	Taichung, Taiwan

Daifuku Korea Co., Ltd.

Main Office & No. 1 Plant	Incheon, Korea
No. 2 Plant	Incheon, Korea
Seoul Office	Seoul, Korea
Daegu Office	Daegu, Korea
Daejeon Office	Daejeon, Korea
Gwangju Office	Gwangju, Korea

Clean Factomation, Inc.

Main Office	Gyeonggi-do, Korea
Asan Plant	Chungnam, Korea

Daifuku India Private Limited

Main Office	New Delhi, India
Bangalore Office	Bangalore, India

Webb India Private Limited

Bangalore, India

Daifuku (Thailand) Ltd.

Main Office & Plant	Chonburi, Thailand
Bangkok Office	Bangkok, Thailand
Pinthong Plant	Chonburi, Thailand

Daifuku Mechatronics (Singapore) Pte. Ltd.

Techplace I, Singapore

Daifuku (Malaysia) Sdn. Bhd.

Selangor D.E., Malaysia

P.T. Daifuku Indonesia

Jakarta, Indonesia

Beijing Contec Microelectronics Corporation

Main Office	Beijing, China
Shanghai Branch Office	Shanghai, China

Contec Solution China Corporation

Shanghai, China

Taiwan Contec Co., Ltd.

Xinbei, Taiwan

Contec Solution Co., Ltd.

Xinbei, Taiwan

Corporate Data

(As of March 31, 2011)

Date of Establishment	May 20, 1937
Paid-in Capital	8,024 million yen
Employees	5,209 (Consolidated)

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 Troitskoe Pole 2, Office 538
	120/B, Pr. Obukhovskoy Oboroni
	St. Petersburg 192012 Russia
	Tel: 7-812-380-8450 Fax: 7-812-380-8422
Sweden Branch	Stora Avagen 21, 436 34 Askim, Sweden
	Tel: 46-31-7238405 Fax: 46-31-7238499
UK Branch	Office at Swan Valley 1, Cob Drive
	Swan Valley, Northampton Northamptonshire
	NN4 9BB U.K.
	Tel: 44-1604-595700 Fax: 44-1604-595701
Mexico Branch	Cincinati No.81-707 Col. Nochebuena
	Mexico, D.F., C.P. 03720 Mexico
	Tel: 52-55-5598-9359 Fax: 52-55-5598-2359

Subsidiaries in Japan

Contec Co., Ltd.
Contec EMS Co., Ltd.
Daifuku Business Service Corporation
Daifuku Design and Engineering Co., Ltd.
Daifuku Institute of Technology and Training Co., Ltd.
Daifuku Logistic Technology Co., Ltd.
Daifuku Manufacturing Expert Co., Ltd.*
Daifuku Plusmore Co., Ltd.
Daifuku Software Development Co., Ltd.
Hiniaratakan Corporation
Osaka Machinery Works Co., Ltd.*

*As of March 1, 2011, these companies were merged into Daifuku Manufacturing Technology Co., Ltd.

Investor Information

(As of March 31, 2011)

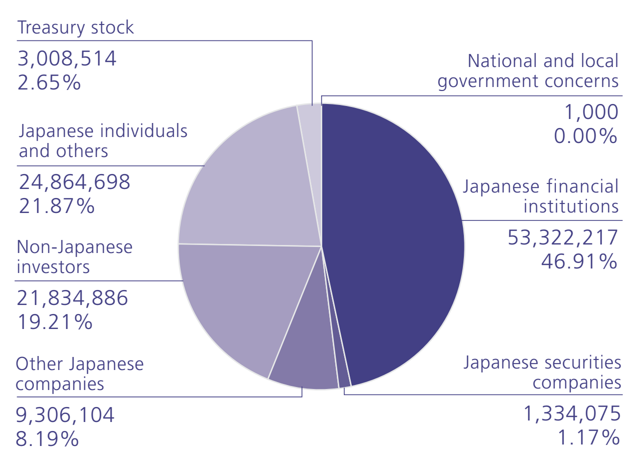
Number of authorized shares:	250,000,000 shares
Total number of shares issued:	113,671,494 shares
Number of shareholders:	11,056
Ordinary general meeting of shareholders:	Every June
Stock exchange listings:	First Section of Tokyo Stock Exchange
	First Section of Osaka Securities Exchange
Stock transfer agent:	The Sumitomo Trust and Banking Co., Ltd.
	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)	**7,834**	**6.89**
Japan Trustee Services Bank, Ltd. (trust account)	**6,831**	**6.01**
Japan Trustee Services Bank, Ltd. (trust account 9)	**6,185**	**5.44**
Mizuho Corporate Bank, Ltd.	**5,490**	**4.83**
Sumitomo Mitsui Banking Corporation	**4,080**	**3.59**
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	**3,833**	**3.37**
Nippon Life Insurance Company	**3,431**	**3.02**
Daifuku Supplier Shareholder Association	**3,401**	**2.99**
CBHK-CITIBANK LONDON-F117	**2,519**	**2.22**
Trust & Custody Services Bank, Ltd. (securities investment trust account)	**2,257**	**1.99**

*Daifuku holds 3,008,514 shares of treasury stock, although these are excluded from the above list of major shareholders.

Distribution of Shareholders



For further information please contact:

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www.daifuku.com

DAIFUKU
Material Handling **and Beyond**

VEGETABLE OIL INK

DAIFUKU CO., LTD.

Printed in Japan 1108-19AR