DAIFUKU

Consolidated Financial Results
For the Fiscal Year Ended March 31, 2011 [Japan GAAP]

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

May 13, 2011

Daifuku Co., Ltd.
Stock code: 6383, First Section of Tokyo Stock Exchange and Osaka Securities Exchange
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Scheduled date of general meeting of shareholders: June 24, 2011
Scheduled date of commencing dividend payment: June 27, 2011
Scheduled date for filing financial statements: June 27, 2011
Earnings supplementary materials: Yes
Earnings presentation for institutional investors and securities analysts: Yes

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

1. Consolidated Financial Results for the Fiscal 2010 (April 1, 2010 - March 31, 2011)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2010	**159,263**	**3.3**	**1,726**	–	**1,345**	–	**269**	**-73.5**
Fiscal 2009	154,208	-36.3	80	-99.5	-135	–	1,018	-87.0

Note: Comprehensive income
Fiscal 2010:-1,774 million yen (– %)
Fiscal 2009: 2,704 million yen (– %)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal 2010	**2.43**	**2.41**	**0.3**	**0.8**	**1.1**
Fiscal 2009	9.20	9.08	1.3	-0.1	0.1

Reference: Equity in earnings of affiliates
Fiscal 2010: 0 million yen
Fiscal 2009: 21 million yen

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal 2010	**163,388**	**77,714**	**46.3**	**683.39**
Fiscal 2009	165,430	81,295	47.9	716.07

Reference: Shareholders' equity
Fiscal 2010: 75,625 million yen
Fiscal 2009: 79,252 million yen

(3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of year
	Million yen	Million yen	Million yen	Million yen
Fiscal 2010	**11,417**	**-3,616**	**-6,056**	**31,672**
Fiscal 2009	20,921	-7,303	-11,321	31,101

2. Dividends

	Dividend per share					Total cash dividends (annual)	Dividends payout (consolidated)	Net assets dividend ratio (consolidated)
	End of Q1	End of Q2	End of Q3	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal 2009	–	10.00	–	10.00	20.00	2,213	217.4	2.8
Fiscal 2010	–	5.00	–	10.00	15.00	1,660	616.4	2.1
Fiscal 2011 (forecast)	–	**5.00**	–	**10.00**	**15.00**		**207.5**	

3. Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2012

(April 1, 2011 - March 31, 2012)

(Percentage figures denote increases or decreases compared with the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim	90,000	21.7	700	–	400	–	-300	–	-2.71
Full-year	190,000	19.3	3,000	73.8	2,500	85.8	800	197.0	7.23

4. Other Information

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

(2) Changes in accounting policies, procedures, and presentation methods, and other factors for preparing consolidated financial statements

1) Changes associated with the revision of accounting standards: Yes

2) Other changes: None

(3) Number of shares issued (Common stock)

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

Fiscal 2010: 113,671,494 shares

Fiscal 2009: 113,671,494 shares

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

Fiscal 2010: 3,008,514 shares

Fiscal 2009: 2,994,194 shares

3) Average number of shares during the period

Fiscal 2010: 110,671,555 shares

Fiscal 2009: 110,680,916 shares

Audit Status

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

Disclaimer

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

Contents

1. Operating and Financial Review

(1) Analysis of operating results

During the consolidated fiscal year under review, global economic conditions continued to struggle with concerns such as financial insecurity in European countries and rising crude oil prices, reflecting political upheavals in North Africa and the Middle East. Nonetheless, economies in the United States and other countries showed some signs of improvement, driven by the strength of emerging markets, particularly in Asia. The Japanese economy, meanwhile, continued to suffer adverse effects such as the stronger yen and lingering deflation. The Japanese market has entered the new fiscal year facing a highly uncertain future in the wake of the Great East Japan Earthquake in March 2011.

The material handling and logistics industry also confronted a difficult business environment, as Japanese companies remained cautious about capital investment in Japan, although they did increase investment overseas. In terms of profitability, the industry faced intensified competition for orders, primarily attributable to the rise of Asian competitors and price-setting tailored to emerging markets.

Responding to this business environment, the Daifuku Group took steps to develop new markets and launch new businesses under a new three-year business plan, *Material Handling and Beyond*, which started in the fiscal year under review.

Reflecting these efforts, the Company expanded the overall operating framework of the Group by receiving orders for the transport and storage systems for lithium-ion battery factories, a new business area, and agreeing to an alliance with capital participation in October 2010 with Austria-based Knapp AG (“Knapp”), with the aim of strengthening its business in Europe. In January 2011, it also agreed with YASUI Corporation (“YASUI”) to acquire YASUI’s car wash equipment business. Finally, the Group reached a share acquisition agreement with three companies including Logan Teleflex (UK) Ltd. (hereinafter collectively referred to as “Logan”), which operate an airport baggage handling system business.

As a result of these initiatives, orders increased substantially from the previous fiscal year, while sales increased to a lesser extent, reflecting a delay in the timing for receiving orders. As a consequence, the Group received orders of 180,241 million yen, increasing 35.3% from a year earlier, and recorded net sales of 159,263 million yen, a rise of 3.3%. In terms of profits, the Group was able to improve profits steadily after the second quarter, helped by positive factors such as a recovery in the performance of subsidiaries in Japan and overseas, overall cost cutting, cuts in selling, general, and administrative expenses, and comprehensive project management. Specifically, the Group recorded operating income of 1,726 million yen (increasing 1,646 million yen from a year earlier) and ordinary income of 1,345 million yen (up 1,481 million yen). It also recorded net income of 269 million yen (declining 73.5%), the result of the temporary factor of posting the effect of applying the accounting standards for asset retirement obligations (see Note below) and tax expenses. The comprehensive loss came to 1,774 million yen, as foreign currency translation adjustments were influenced by the appreciation of the yen.

Note: The costs of removing building asbestos and the waste disposal cost of equipment containing PCB expected to be incurred in the future in relation to prior years

Results by segment are described below. From the first quarter of the fiscal year under review, the segment classification has been changed as follows:

Formerly: Logistics Systems, Electronics and Other

From the fiscal year under review: Daifuku Co., Ltd., Contec Co., Ltd., Jervis B. Webb Company (“Webb”), Daifuku America Corporation (“Daifuku America”) and Other

Because of this change, a year-on-year comparison in each segment is not written in the qualitative information. The net income (loss) of each company above is written as segment net income (loss). For more details of segments, please see “Segment Information” later.

The Group established Daifuku Webb Holding Company on January 1, 2011 to strengthen the North America business by placing Webb and Daifuku America under its control.

Daifuku Co., Ltd.

<Orders>

In material handling systems, orders for storage, transport, sorting, and picking systems for large projects remained solid in sectors such as food, pharmaceuticals, pharmaceutical wholesalers, agriculture, and distribution, while orders for large projects for lithium-ion battery factories, a new sector, made a contribution. Although the ratio of orders in Japan has been high in this business, Daifuku succeeded in increasing orders overseas as well, mainly in North America and China. Orders for small and midsize storage systems and material handling equipment continued to face a difficult environment.

In systems for flat-panel display factories, Daifuku received a surge in orders for large projects for televisions in China. The Company also received orders for systems for touch panels, increasingly in demand for smartphones and other mobile devices in Taiwan, China, and Japan. In systems for semiconductor factories, not only did orders for projects in South Korea, North America, and Taiwan hold steady, but the Company also created a foothold in China by winning orders for new projects.

With respect to automobile production line systems, overall demand improved substantially from the previous fiscal year, thanks to the contribution of orders for projects in emerging countries and North America, although demand from the automotive industry remained weak in Japan. In North America, Daifuku was able to take strategic action for the next fiscal year, by receiving orders for engineering work to specifically examine a large-scale remodeling plan for the factories of Japanese automakers. In emerging countries such as Thailand, China, India, Brazil, and Turkey, orders for systems for new factory plans and remodeling plans to introduce new models from Japanese and American automakers remained solid.

<Sales and income>

Sales of storage, transport, sorting, and picking systems for large projects in a number of industries, centering on food, pharmaceuticals, pharmaceutical wholesalers, and agriculture remained firm. Sales of small and midsize systems continued to be influenced by weak demand.

Sales of systems for semiconductor and flat-panel display factories exceeded the initial plan due to solid demand for systems for flat-panel display factories in China and semiconductor factories in South Korea and North America.

In automobile production line systems, although sales stalled during the fiscal year under review because of a delay in the timing of receiving orders, by contrast sales should rise significantly in the next fiscal year.

In car wash machines, both sales units and sales value exceeded the initial plan because of the effect of acquiring the car wash equipment business from YASUI.

Sales units of wheelchair lifts for care-provider vehicles were higher than the initial plan, thanks to the contribution of demand before the model change of vehicles on which wheelchair lifts are mounted and demand for vehicles backed by a subsidy for purchasing clean diesel vehicles.

In terms of profits, an increase in net sales, Company-wide cost cutting, and reductions in selling, general, and administrative expenses contributed to the improvement. The improvement was greater in the second half than in the first half.

As a result, Daifuku Co., Ltd. received orders of 107,279 million yen and posted net sales of 100,267 million yen and segment net income of 889 million yen.

Contec Co., Ltd.

Contec was able to achieve a substantial turnaround in its business performance as a result of working on structural reform centering on sales and marketing, while benefiting also from an improved environment for orders. More specifically, sales of products for manufacturing equipment remained robust, supported by increased capital spending in the semiconductor industry. As its compact industrial personal computers were highly valued in the digital signage and security markets, Contec increased sales by introducing small book-sized industrial personal computers and responding to demand for customized products. In addition, sales of security systems and inventory management systems remained healthy, as did sales of photovoltaic data measuring systems.

As a result, Contec Co., Ltd. received orders of 8,458 million yen and posted net sales of 8,583 million yen and segment net income of 428 million yen.

Jervis B. Webb Company

Orders bounced back strongly to the level seen prior to the collapse of Lehman Brothers, accompanying the economic recovery in North America. Although there were some projects for which orders were slow in the mainstay airport baggage handling systems, in other areas Webb received orders for large projects from the Detroit Three and enjoyed steady demand for automatic guided vehicles and other systems. Although the delay in receiving orders for airport baggage handling systems had an impact on sales, earnings exceeded the initial plan thanks to improved costs and cuts in selling, general, and administrative expenses as a result of comprehensive project management as well as the brisk service business. Sales for the next fiscal year are expected to be steady, given that a sufficient order backlog has been achieved.

Based on the above, the segment received orders of 19,603 million yen and recorded net sales of 14,120 million yen and segment net income of 379 million yen.

Daifuku America Corporation

Orders substantially exceeded the initial plan for the fiscal year under review, remaining strong as capital spending rebounded at automakers, including Japanese manufacturers, and at semiconductor manufacturers in North America. The segment also won orders for large projects for lithium-ion battery factories and the food industry. Profits were significantly above the initial plan, thanks to cost cutting, comprehensive project management and the reduction of overhead costs, as sales of systems for automakers and semiconductor manufacturers remained strong, although the posting of sales was delayed in some projects due to a timing difference.

As one initiative to improve the efficiency of the North America business, the book closing period for Daifuku America was changed from March to December to match that of Webb. Accordingly, the consolidated fiscal year for Daifuku America was nine months from April 2010 to December 2010.

As a result, the segment received orders of 10,390 million yen and registered net sales of 6,049 million yen and segment net income of 332 million yen.

Other

The Other segment includes subsidiaries of the Company worldwide other than the above four. The number of consolidated subsidiaries constituting the Group is 40 (45 in the fiscal year ended March 31, 2010). Major Japanese subsidiaries in this segment are Daifuku Logistic Technology Co., Ltd. that provides sales and other services of material handling systems and equipment and Daifuku Plusmore Co., Ltd. that provides sales and services of car wash machines and bowling equipment. Outside Japan, the Company has major subsidiaries such as Daifuku (China) Co., Ltd. in China, Daifuku Korea Co., Ltd. and Clean Factomation, Inc. in South Korea, Taiwan Daifuku Co., Ltd. in Taiwan, and Daifuku (Thailand) Ltd. in Thailand. These subsidiaries primarily sell and manufacture material handling systems and equipment.

Business performance was generally recovering, particularly at non-Japanese subsidiaries in Asia. Our Chinese subsidiary, Daifuku (China) Co., Ltd., increased sales of systems for flat-panel displays and the food and pharmaceutical industries and took steps to further improve earnings through the integration of local subsidiaries and strengthened local production. In Taiwan, sales of products for projects for flat-panel displays contributed to earnings. In South Korea, sales of systems for semiconductor factories were solid, and orders for products for automotive factories picked up in the second half. In Thailand, inquiries increased from ASEAN countries, taking advantage of its ability to service the entire Asia-Pacific region.

In Europe, the posting of sales for large unprofitable projects had an impact. The segment will take steps to increase earnings in the European region based on collaboration with Knapp in Austria. Logan, which will join the Group from the next fiscal year, has a strong installation record in airport baggage handling systems in Europe and also has an operating base in China. The segment will strengthen the airport baggage handling system business on a global scale through cooperation and complementary products with Webb in North America.

As a result of the above, the segment received orders of 34,510 million yen and posted net sales of 31,524 million yen and segment net income of 597 million yen.

Outlook for the fiscal year ending March 31, 2012

Daifuku launched a new three-year business plan, *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 the fiscal year ending March 31, 2013. We position the next fiscal year, the second year of the business plan, as an important year for achieving a recovery in business performance and meeting the targets in the three-year business plan by responding quickly and flexibly to changes in the market.

The economic environment remains extremely uncertain. In terms of market trends, an economic slowdown in the wake of the Great East Japan Earthquake that occurred on March 11, 2011 and intensified competition in Japan and overseas are expected. However, we believe that we will be able to hold the line on sales given an order backlog in the preceding fiscal year and M&As. We will increase earnings by building up orders and sales in non-Japanese markets such as North America and Asia.

With respect to the earthquake, the Group did not suffer any casualties or damage to its main production facilities in western Japan. Daifuku immediately set in motion its prepared business continuity plan, and took actions such as confirming safety, determining the extent of damage within the Group and at its customers, and delivering relief supplies to affected areas. We also moved quickly to assist with restoration work for customers in the affected areas and are making every effort to restore production and logistics facilities that function as economic and social infrastructure. Although adverse effects attributed to the earthquake, such as parts procurement issues and power shortages, are concerns, we will exert our best efforts to minimize the impact on the Group.

Given the initiatives above, the Group has made the following results forecast for the next fiscal year (ending March 31, 2012):

Consolidated financial forecast for the fiscal year ending March 31, 2012

Orders received	200 billion yen	(Up 10.9% year on year)
Net sales	190 billion yen	(Up 19.3% year on year)
Operating income	3 billion yen	(Up 73.8% year on year)
Ordinary income	2.5 billion yen	(Up 85.8% year on year)
Net income	0.8 billion yen	(Up 197.0% year on year)

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

(2) Analysis of financial position

Assets, liabilities and net assets

Total assets at the end of the consolidated fiscal year under review were 163,388 million yen, a decline of 2,041 million yen year on year. This result is attributable mainly to a decline of 814 million yen in notes receivable and accounts receivable from completed contracts from the end of the previous fiscal year and a fall of 1,510 million yen in tangible fixed assets.

Total liabilities at the end of the consolidated fiscal year under review were 85,674 million yen, an increase of 1,539 million yen year on year. Primary factors included an increase of 4,167 million yen in notes payable and accounts payable for contracts from the end of the previous fiscal year and a rise of 504 million yen in asset retirement obligations that are included in Other in long-term liabilities, despite a decline of 3,008 million yen in current portion of long-term convertible bonds.

Net assets were 77,714 million yen, given a decline of 1,390 million yen in retained earnings because of the payment of dividends. As a result, the equity ratio came to 46.3%.

Cash flows

Cash and cash equivalents at the end of the consolidated fiscal year under review increased 571 million yen from the end of the previous fiscal year, to 31,672 million yen (compared with 31,101 million yen in the same period of the previous fiscal year).

Cash flows from operating activities

Cash provided by operating activities totaled 11,417 million yen (compared with cash provided of 20,921 million yen in the same period of the previous fiscal year). The major factors were depreciation of 3,577 million yen and an increase of 4,994 million yen in notes and accounts payable.

Cash flows from investing activities

Cash used in investing activities was 3,616 million yen (compared with cash used of 7,303 million yen in the same period of the previous fiscal year). Major activities included an outlay of 1,594 million yen for the acquisition of fixed assets and 1,558 million yen for the acquisition of investment securities.

Cash flows from financing activities

Cash used in financing activities was 6,056 million yen (compared with cash used of 11,321 million yen in the same period of the previous fiscal year), attributable principally to an outlay of 3,008 million yen for the redemption of convertible bonds and dividend payments of 1,658 million yen.

<Reference> Changes in cash flow indicators

	FY ended March 2007	FY ended March 2008	FY ended March 2009	FY ended March 2010	FY ended March 2011
Equity ratio (%)	39.6	38.0	40.9	47.9	46.3
Equity ratio based on market capitalization (%)	99.2	64.9	30.0	49.2	40.9
Ratio of interest-bearing liabilities to cash flows	39.0	1.6	–	2.2	3.6
Interest coverage ratio (Times)	1.6	48.1	–	21.1	14.1

Equity ratio: Shareholders' equity/Total assets

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

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

Interest coverage ratio: Cash flows/Interest paid

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

(Note 2) Market capitalization is calculated based on the number of shares issued excluding treasury stock.

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

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

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

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

For the fiscal year under review, Daifuku paid an interim dividend of 5 yen per share, and the Board of Directors decided to pay a year-end dividend of 10 yen per share at a meeting held on May 13, 2011, for an annual dividend 15 yen per share. With respect to dividends for the next fiscal year (ending March 31, 2012), the Company plans to pay an annual dividend of 15 yen per share (an interim dividend of 5 yen per share and a year-end dividend of 10 yen), taking the results for the fiscal year ended March 31, 2011 and the current business environment into comprehensive consideration.

(4) Other matters to report

i) In June 2010, the Company established the Anzen-Taikan Dojo facilities (dedicated to providing hands-on safety training) within its Osaka headquarters. Here, trainees can simulate the hazards associated with installation work, with the aim of raising safety awareness. Daifuku aims to eradicate labor accidents through greater awareness.

ii) In October 2010, Daifuku's Shiga Works received the 2010 Japan Greenery Research and Development Center Chairman's Award from the Center. The facts that the ratio of green space to land area is high at 36% and that Shiga Works has since its founding in 1970 been seeking to conserve the woodland in a state of nature while minimizing the use of agrichemicals were highly valued.

iii) In March 2011, Daifuku Manufacturing Expert Co., Ltd., a company founded to preserve technologies and skills on manufacturing premises, and Osaka Machinery Works Co., Ltd., which has provided manufacturing, installation and services for automotive factories, merged to make a fresh start as Daifuku Manufacturing Technology Co., Ltd. Efficiency will be improved by streamlining overlapping operations and services.

iv) In March 2011, the Group prepared the *Daifuku Environmental Vision 2020* to fulfill its environmental responsibilities for the next generation as a member of the global society. Daifuku will reduce CO_2 emissions from its business activities by 25% compared with the level in fiscal 2005 and strengthen the development of environmentally friendly products and services to make them widely available to society.

2. Management Policy

(1) Basic management policy

In the new three-year business plan, *Material Handling and Beyond*, which was announced in November 2009 and runs for a three-year period from April 2010 to March 2013, Daifuku adopted the following management philosophy and basic management policy:

Management philosophy

1. Contribute to the development of industry by supplying quality material handling systems, equipment and electronic devices to the global market.
2. Focus on healthy, growth-driven management that values profitability.
3. Create a corporate culture that respects the personality and individuality of each employee.

Basic management policy

1. Contribute to the development of the material handling industry as a leader with consistent technological innovation.
2. Comply with the laws and social standards of each country and enhance internal controls and risk management systems across the Company.
3. Emphasize environment and safety in corporate activities to fulfill our social responsibility.
4. Further strengthen our financial integrity and ensure the credibility of financial reporting, as we prepare to build our International Financial Reporting Standards oriented systems.
5. Create a corporate entity which responds to changes efficiently and that is overseen by fair and objective policies worthy of a global corporation.

(2) Target management indicators and medium- and long-term management strategies

In its three-year business plan, *Material Handling and Beyond*, the Company views these three years as a period for establishing the business foundations for the Group, enabling it to continue growing in a sustainable manner into the future, in light of the difficult operating environment following the collapse of Lehman Brothers.

More specifically, Daifuku has set its management targets for the fiscal year ending March 31, 2013 at consolidated net sales of 220 billion yen and operating income of 11 billion yen, and targets consolidated net sales of 250 billion yen and an operating income margin equal to 10% of net sales in the fiscal year ending March 31, 2015 as the specific outcome of the business plan.

(3) Challenges to address

Material Handling and Beyond, the title of our new three-year business plan, communicates Daifuku's resolve in pursuing materials handling as its core operation. It also expresses Daifuku's intention to explore new fields that relate to materials handling operations and to "continue developing new products, markets and businesses for the future, correctly anticipating changes in operating conditions." Specifically, we believe that it is the most important challenge if we are to expand the scope of business, going beyond conventional boundaries by taking on the following five challenges:

1. Enter new markets

   We will aim to take our business to a new level across the globe.

2. Create new products and systems

   We will provide customers with products and systems that meet local needs with satisfactory prices and functions for customers to seek growth in new and high-growth markets such as India and China.

3. Develop new production methods

   We will continue to step up the ratios of local procurement and local production in products and systems that are delivered to global customers by revising Group production methods. To that end, we will promote staff living in each country and train them to operate effectively in the global market.

4. Build a new global partnership

   The products and systems of the Company are not finished goods when they are shipped from factories but become completed products when they are combined with goods locally procured or manufactured, installed and adjusted. We will build ties with partners that are able to manufacture and install high quality products and provide services in new markets such as China and India. We will also seek to improve the level of our existing partners.

5. Launch new businesses

   We will depict a further growth path not just by developing new business ourselves, but also by launching business through alliances and friendly M&A. As a manufacturing company, we will also seek fields other than material handling in a limited sense (transport, storage, sorting and picking), to which we will be able to apply the technologies, human resources and networks specific to Daifuku.

In the current fiscal year ending March 31, 2012, Daifuku will focus on the following four objectives:

i) Taking operating income of Daifuku Co., Ltd. into the black by developing new markets and new products

   To take operating income of Daifuku, which is recovering more slowly than its subsidiaries in Japan and overseas, into the black on a non-consolidated basis, the Company will focus more on developing new markets and new products and will raise the utilization rate of factories by taking in new demand.

   In the fiscal year ended March 31, 2011, Daifuku achieved satisfactory results such as acquiring orders for products for lithium-ion battery factories, a new business area, expanding orders for products in the agricultural area, such as fruit sorting systems, delivering E-DIP, a conveyor system for the paint line at automotive factories, and receiving orders for large systems of DUOSYS, a superfast mini load AS/RS. Daifuku will differentiate itself from other companies with these advanced systems, while developing its products at lower costs for emerging market. The Group will pursue global strategies, including strategies for the Asian region, by enhancing its product lineup in airport baggage handling systems with added technologies of Logan that joined the Group.

As an action against global warming, which is an urgent task, the Group has developed the *Daifuku Environmental Vision 2020*. The Group will develop environmentally friendly products and services that, for example, save weight, use regenerated electric power and save water, and will provide them widely in society.

ii) Strengthening cost competitiveness through global production and procurement
The Group is stepping up local production of standard-type stacker cranes, the core unit of the mainstay automated warehouse systems, in China. The Group will overcome fierce cost competition by organically networking its global production resources in such a way as using its factory in South Korea for an automotive project in Turkey.

iii) 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 more. In the fiscal year ended March 31, 2011, the ratio reached 27%, exceeding the target. This was attributable to our efforts to increase the number of customers for our services by acquiring business from industry peers, develop products suitable for upgrading projects, such as nitrogen purge stockers for refinement processing of semiconductors, and enhance 24-hour telephone support. We will continue to pursue these efforts systematically in the future.

iv) Bolstering global operations by fostering personnel
In Japan, the Company has already introduced the global business trainee system, an intensive training program for personnel who will work at global affiliates and offices within three years, and a global allowance to aid language study. In the fiscal year ended March 31, 2011, skill training centers for service staff were established in South Korea and Taiwan, and in-house manufacturing skill examination was introduced in China. We will continue to enhance the training system and strengthen the development of human resources, preserving all that is best about the Company, such as the strength of its front-line capabilities and its shared commitment.

At a meeting held on April 15, 2011, the Board of Directors decided to introduce the operating officer system after the general meeting of shareholders on June 24, 2011. The Company aims to increase its corporate value through:

i) speeding up management decision making based on a consensus by reducing the number of directors, and further enhancing meetings of the Board of Directors through more active discussions, and
ii) managing business operations in a more flexible and efficient manner by promoting younger employees with extensive experience to the position of operating officer and delegating to them the authority to operate businesses.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	FY2009 (Year ended March 31, 2010)	FY2010 (Year ended March 31, 2011)
ASSETS		
Current assets:		
Cash on hand and in banks	31,152	31,749
Notes and accounts receivable	48,083	47,268
Merchandise and finished goods	2,196	2,776
Costs on uncompleted contracts	7,599	7,682
Raw materials and supplies	6,323	6,672
Deferred income taxes	2,093	2,069
Other current assets	11,910	9,129
Allowance for doubtful accounts	(107)	(129)
Total current assets	109,251	107,218
Fixed assets:		
Tangible fixed assets		
Net buildings and structures	16,428	15,181
Net machinery and vehicles	3,573	2,830
Net tools and fixtures	996	849
Land	11,593	11,478
Other, net	498	1,241
Total tangible fixed assets	33,090	31,580
Intangible assets		
Software	1,949	2,630
Goodwill	–	2,229
Other	2,284	185
Total intangible assets	4,233	5,045
Investments and other assets		
Investments in securities	8,451	9,106
Long-term loans	463	445
Deferred income taxes	4,665	5,799
Other	5,558	4,453
Allowance for doubtful accounts	(285)	(260)
Total investments and other assets	18,853	19,543
Total fixed assets	56,178	56,170
Total assets	165,430	163,388
LIABILITIES		
Current liabilities:		
Notes and accounts payable	21,709	25,876
Short-term borrowings	6,342	2,826
Current portion of long-term convertible bonds	3,008	–
Income taxes payable	570	788
Deferred income taxes	17	7
Provision for losses on contracts	531	673
Other current liabilities	10,807	11,136
Total current liabilities	42,986	41,309

(Million yen)

	FY2009 (Year ended March 31, 2010)	FY2010 (Year ended March 31, 2011)
Long-term liabilities:		
Bonds	10,000	10,000
Long-term loans	25,944	28,085
Deferred income taxes	1,345	1,182
Provision for retirement benefits	1,713	2,015
Negative goodwill	479	419
Other long-term liabilities	1,665	2,661
Total long-term liabilities	41,148	44,364
Total liabilities	84,135	85,674
NET ASSETS		
Shareholders' equity:		
Common stock	8,024	8,024
Capital surplus	9,028	9,028
Retained earnings	69,210	67,819
Treasury stock	(2,410)	(2,417)
Total shareholders' equity	83,852	82,454
Accumulated other comprehensive income:		
Net unrealized gain (loss) on securities	(6)	(482)
Deferred gain (loss) on hedges	(6)	(32)
Foreign currency translation adjustments	(4,586)	(6,313)
Total accumulated other comprehensive income	(4,600)	(6,828)
Minority interests:	2,042	2,088
Total net assets	81,295	77,714
Total liabilities and net assets	165,430	163,388

(2) Consolidated Statements of Income and Comprehensive Income

(Million yen)

	FY2009 (April 1, 2009 - March 31, 2010)	FY2010 (April 1, 2010 - March 31, 2011)
Net sales	154,208	159,263
Cost of sales	128,195	131,639
Gross profit	26,012	27,623
Selling, general and administrative expenses:		
Selling expenses	12,606	13,615
General and administrative expenses	13,325	12,281
Total selling, general and administrative expenses	25,932	25,897
Operating income	80	1,726
Non-operating income:		
Interest income	204	120
Dividend income	82	180
Amortization of negative goodwill	106	59
Land and house rental revenue	188	204
Other	544	444
Total non-operating income	1,126	1,009
Non-operating expenses:		
Interest expenses	925	804
Foreign exchange loss	278	422
Other	138	163
Total non-operating expenses	1,342	1,390
Ordinary income (loss)	(135)	1,345
Extraordinary income:		
Gain on sales of fixed assets	77	10
Reversal of allowance for doubtful accounts	218	44
Reversal of negative goodwill	683	–
Other	167	4
Total extraordinary income	1,147	58
Extraordinary loss:		
Loss on sales of fixed assets	46	50
Loss on retirement of fixed assets	28	27
Loss on adjustment for changes in accounting standard for asset retirement obligations	–	500
Special retirement benefit	35	–
Other	37	121
Total extraordinary loss	148	701
Income before income taxes and minority interests	862	703
Income taxes - current	539	1,157
Income taxes - deferred	(734)	(957)
Total income taxes	(194)	200
Income before minority interests	–	503
Minority interests in net income	39	233
Net income	1,018	269

(Million yen)

	FY2009 (April 1, 2009 - March 31, 2010)	FY2010 (April 1, 2010 - March 31, 2011)
Minority interests in net income	–	233
Income before minority interests	–	503
Other comprehensive income		
Net unrealized gain (loss) on securities	–	(477)
Deferred gain (loss) on hedges	–	(26)
Foreign currency translation adjustments	–	(1,754)
Share of other comprehensive income of associates accounted for using equity method	–	(18)
Total other comprehensive income	–	(2,277)
Comprehensive income:	–	(1,774)
Comprehensive income attributable to:		
Owners of the parent	–	(1,959)
Minority interests	–	184

(3) Consolidated Statements of Changes in Net Assets

(Million yen)

	FY2009 (April 1, 2009 - March 31, 2010)	FY2010 (April 1, 2010 - March 31, 2011)
Shareholders' equity:		
Common stock		
Balance at the end of previous period	8,024	8,024
Balance at the end of current period	8,024	8,024
Capital surplus		
Balance at the end of previous period	9,029	9,028
Changes of items during the period		
Disposal of treasury stock	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of current period	9,028	9,028
Retained earnings		
Balance at the end of previous period	71,078	69,210
Changes of items during the period		
Dividends from surplus	(2,877)	(1,660)
Net income	1,018	269
Changes in scope of consolidation	(8)	–
Total changes of items during the period	(1,868)	(1,390)
Balance at the end of current period	69,210	67,819
Treasury stock		
Balance at the end of previous period	(2,404)	(2,410)
Changes of items during the period		
Purchase of treasury stock	(7)	(8)
Disposal of treasury stock	1	0
Total changes of items during the period	(5)	(7)
Balance at the end of current period	(2,410)	(2,417)
Total shareholders' equity		
Balance at the end of previous period	85,727	83,852
Changes of items during the period		
Dividends from surplus	(2,877)	(1,660)
Net income	1,018	269
Purchase of treasury stock	(7)	(8)
Disposal of treasury stock	1	0
Changes in scope of consolidation	(8)	–
Total changes of items during the period	(1,874)	(1,398)
Balance at the end of current period	83,852	82,454
Accumulated other comprehensive income:		
Net unrealized gain (loss) on securities		
Balance at the end of previous period	(387)	(6)
Changes of items during the period		
Net changes of items other than shareholders' equity	380	(475)
Total changes of items during the period	380	(475)
Balance at the end of current period	(6)	(482)

(Million yen)

	FY2009 (April 1, 2009 - March 31, 2010)	FY2010 (April 1, 2010 - March 31, 2011)
Deferred gain (loss) on hedges		
Balance at the end of previous period	(32)	(6)
Changes of items during the period		
Net changes of items other than shareholders' equity	26	(26)
Total changes of items during the period	26	(26)
Balance at the end of current period	(6)	(32)
Foreign currency translation adjustments		
Balance at the end of previous period	(5,758)	(4,586)
Changes of items during the period		
Net changes of items other than shareholders' equity	1,171	(1,726)
Total changes of items during the period	1,171	(1,726)
Balance at the end of current period	(4,586)	(6,313)
Total accumulated other comprehensive income		
Balance at the end of previous period	(6,178)	(4,600)
Changes of items during the period		
Net changes of items other than shareholders' equity	1,578	(2,228)
Total changes of items during the period	1,578	(2,228)
Balance at the end of current period	(4,600)	(6,828)
Minority interests		
Balance at the end of previous period	3,261	2,042
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,219)	46
Total changes of items during the period	(1,219)	46
Balance at the end of current period	2,042	2,088
Total net assets		
Balance at the end of previous period	82,810	81,295
Changes of items during the period		
Dividends from surplus	(2,877)	(1,660)
Net income	1,018	269
Purchase of treasury stock	(7)	(8)
Disposal of treasury stock	1	0
Changes in scope of consolidation	(8)	–
Net changes of items other than shareholders' equity	358	(2,181)
Total changes of items during the period	(1,515)	(3,580)
Balance at the end of current period	81,295	77,714

(4) Consolidated Statement of Cash Flows

(Million yen)

	FY2009 (April 1, 2009 - March 31, 2010)	FY2010 (April 1, 2010 - March 31, 2011)
Cash flows from operating activities:		
Income before income taxes and minority interests	862	703
Depreciation	3,679	3,577
Loss on adjustment for changes in accounting standard for asset retirement obligations	–	500
Amortization of goodwill	184	238
Amortization of negative goodwill	(106)	(59)
Reversal of negative goodwill	(683)	–
Interest and dividend income	(287)	(300)
Interest expenses	925	804
Loss (gain) on sales and retirement of fixed assets	75	78
Decrease (increase) in notes and accounts receivable	14,816	(591)
Decrease (increase) in inventories	19,280	(1,469)
Increase (decrease) in notes and accounts payable	(6,202)	4,994
Increase (decrease) in advances received on uncompleted contracts	(5,106)	(492)
Other	(2,534)	3,231
Subtotal	24,904	11,215
Interest and dividend income received	248	294
Interest expenses paid	(990)	(808)
Income taxes refund (paid)	(3,465)	343
Other	224	372
Net cash provided by (used in) operating activities	20,921	11,417
Cash flows from investing activities:		
Investments in time deposits	(0)	(740)
Proceeds from refund of time deposits	344	714
Payments for purchase of fixed assets	(2,238)	(1,594)
Proceeds from sales of fixed assets	132	374
Payments for purchase of investments in securities	(4,477)	(1,558)
Payments for purchase of stock of affiliates	(1,072)	(13)
Collection of loans receivable	4	2
Payments for transfer of business	(200)	(799)
Other	203	(1)
Net cash provided by (used in) investing activities	(7,303)	(3,616)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings, net	(1,417)	(1,131)
Proceeds from long-term loans	4,419	3,021
Repayment of long-term loans	(11,250)	(3,042)
Redemption of convertible bonds	–	(3,008)
Proceeds from disposal of treasury stock	1	–
Payments for purchase of treasury stock	(7)	(8)
Payments of cash dividends	(2,874)	(1,658)
Other	(192)	(228)
Net cash provided by (used in) financing activities	(11,321)	(6,056)

(Million yen)

	FY2009 (April 1, 2009 - March 31, 2010)	FY2010 (April 1, 2010 - March 31, 2011)
Effect of exchange rate change on cash and cash equivalents	914	(1,172)
Net increase (decrease) in cash and cash equivalents	3,209	571
Cash and cash equivalents, beginning of the year	27,902	31,101
Increase (decrease) in cash and cash equivalents resulting from changes in scope of consolidation	(11)	–
Cash and cash equivalents, end of the year	31,101	31,672

Segment Information

1. Overview of reportable segments

   The reportable segments of the Company are those structural units for which separate financial information is available and which the Board of Directors review regularly to determine the allocation of management resources and evaluate 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 Group company conducts manufacturing and sales activities as an independent management unit with its own roles.

   Therefore, the Company makes the four companies, namely Daifuku Co., Ltd., the core company dealing in material handling systems and equipment and car wash machines, among other equipment, Contec Co., Ltd., the core company for the manufacture and sale of industrial personal computers, interface boards, and other equipment in Japan and overseas, Jervis B. Webb Company ("Webb"), and Daifuku America Corporation ("Daifuku America"), its reportable segments.

   Daifuku Co., Ltd. is not only the core company for the manufacture and sale of material handling systems and equipment, car wash machines, and other equipment in Japan; it also develops and supplies key components to companies around the world. Non-Japanese subsidiaries engage in sale, installation work, and after-sales services by combining the components of the material handling systems supplied by Daifuku Co., Ltd. with members manufactured and procured locally. Webb and Daifuku America are local subsidiaries with significant sales that conduct important business activities mainly in North America. Webb also manufactures and sells leading airport baggage handling systems on its own as part of its material handling systems.

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

   The accounting methods of the reported business segments are the same as those stated in the "Significant items regarding the preparation of consolidated financial statement." Inter-segment sales or transfers are based on current market values.

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

Consolidated fiscal year under review (From April 1, 2010 to March 31, 2011)

(Million yen)

	Reportable Segment					Other*	Total
	Daifuku	Contec	Webb	Daifuku America	Total		
Net sales							
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 net 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
Other							
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 net income of unconsolidated subsidiaries and affiliates	–	–	0	–	0	–	0
Extraordinary income	159	0	131	–	291	34	326
(gain on sales of fixed assets)	(–)	(0)	(131)	(–)	(132)	(8)	(141)
(Reversal of allowance for investment losses)	(120)	(–)	(–)	(–)	(120)	(–)	(120)
Extraordinary loss	1,442	20	0	7	1,470	380	1,850
(Transfer of allowance for investment losses)	(587)	(–)	(–)	(–)	(587)	(–)	(587)
(Asset retirement obligations)	(474)	(1)	(–)	(–)	(475)	(24)	(500)
(Loss on sales of investments in affiliates)	(262)	(–)	(–)	(–)	(262)	(–)	(262)
Income tax expenses	-884	140	206	196	-341	552	210
Investments in equity-method affiliates	–	–	207	–	207	–	207
Increase in tangible and intangible fixed assets	1,375	269	106	25	1,777	1,505	3,282

(Note) “Other” is a business segment that is not included in reportable segments and consists of subsidiaries in Japan and overseas.

4. Differences between total of reportable segments and the reported amount in consolidated financial statements and important details of the differences (Matters concerning the adjustment of differences)

Sales	(Million yen)
Total of reportable segments	129,020
Net sales in the “Other” segment	31,524
Adjustment for consolidation of sales on the percentage of completion basis	-897
Other adjustments for consolidation	-384
Net sales in consolidated financial statements	159,263

Income	(Million yen)
Total of reportable segments	2,029
Income in the “Other” segment	597
Elimination of dividends from affiliated companies	-3,686
Other adjustments for consolidation	1,328
Net income (loss) in consolidated financial statements	269

Asset	(Million yen)
Total of reportable segments	158,557
Asset in the “Other” segment	37,144
Elimination of shares in affiliates due to capital consolidation	-17,728
Elimination of receivables due to intercompany transactions	-13,718
Other adjustments for consolidation	-865
Asset in consolidated financial statements	163,388

Liabilities	(Million yen)
Total of reportable segments	83,739
Liabilities in the “Other” segment	19,301
Elimination of payables due to intercompany transactions	-13,718
Other adjustments for consolidation	-3,649
Liabilities in consolidated financial statements	85,674

(Million yen)

Other	Total of reportable segment	Other	Adjustment	Amount recorded in consolidated financial statements
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 net income of unconsolidated subsidiaries and affiliates	0	–	–	0
Extraordinary income	291	34	-267	58
(Gain on sales of fixed assets)	(132)	(8)	(-131)	(10)
(Reversal of allowance for investment losses)	(120)	(–)	(-120)	(–)
Extraordinary loss	1,470	380	-1,149	701
(Transfer of allowance for investment losses)	(587)	(–)	(-587)	(–)
(Asset retirement obligations)	(475)	(24)	(–)	(500)
(Loss on sales of investments in affiliates)	(262)	(–)	(-262)	(–)
Income tax expenses	-341	552	-10	200
Investments in equity-method affiliates	207	–	–	207
Increase in tangible and intangible fixed assets	1,777	1,505	-60	3,221

Additional information

Starting from the fiscal year under review, the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (Accounting Standards Board of Japan (ASBJ) Statement No. 17 issued on March 27, 2009) and the “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20 issued on March 21, 2008) are applied.

Related information

Consolidated fiscal year under review (From April 1, 2010 to March 31, 2011)

1. Information by product and service

(Million yen)

	Logistic systems	Electronics	Other	Total
Sales to outside customers	139,882	8,590	10,790	159,263

2. Information by region

Net sales

(Million yen)

Japan	America	China	Other	Total
79,709	22,664	21,343	35,546	159,263

(Note) Net sales are based on the location of customers and classified into countries or regions.

Per Share Information

Consolidated fiscal year under review (From April 1, 2010 to March 31, 2011)

Net assets per share	683.39 yen
Net income per share	2.43 yen
Diluted net income per share	2.41 yen

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

Consolidated fiscal year under review (March 31, 2011)

Total net assets (million yen)	77,714
Amount to subtract from total net assets (million yen)	2,088
(Of which, minority interests)	(2,088)
Net assets at the end of the period attributable to common stock (million yen)	75,625
Number of common shares at the end of the period used for the calculation of net assets per share (thousand shares)	110,662

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

Consolidated fiscal year under review (From April 1, 2010 to March 31, 2011)

Net income per share	
Net income (million yen)	269
Amount not attributable to common shareholders (million yen)	–
Net income attributable to common stock (million yen)	269
Average number of common shares during the period (thousand shares)	110,671
Diluted net income per share	
Adjusted amount of net income (million yen)	–
(Of which, interest expenses (after subtracting the amount corresponding to taxes) (million yen))	(–)
Number of common shares increased (thousand shares)	1,159
(Of which, convertible bonds with equity warrant (thousand shares))	(1,159)

Major Subsequent Events

Consolidation through the acquisition of shares

Based on a share acquisition agreement concluded based on a resolution at the Board of Directors meeting on January 31, 2011, the Daifuku Group acquired all shares in the 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 United States) (hereinafter collectively referred to as “Logan”) on April 1, 2011 to make them its subsidiaries.

(1) Names of companies to become subsidiaries and the overview of their businesses

(i) Name: Logan Teleflex (UK) Ltd.
Logan Teleflex (France) S.A.
Logan Teleflex, Inc.

(ii) Business: Manufacture, sale and services of airport baggage handling systems

(2) Reason for acquiring shares

Daifuku regards the baggage handling system business for airports as one of its core businesses. The Group acquired the shares in Logan as it will be able to expand and strengthen the airport baggage handling system business on a global scale by adding Logan, producing complementary effects in terms of sales areas, products, and technologies to the Group.

(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, and the shareholding ratio after acquisition

Name	Number of shares acquired	Acquisition cost	Shareholding ratio
Logan Teleflex (UK) Ltd.	18,011,062 shares	2,859,700 euro	100%
Logan Teleflex (France) S.A.	67,000 shares	1,240,000 euro	100%
Logan Teleflex, Inc.	2,000 shares	655,000 euro	100%

(6) Procurement of payment funds and payment method

The shares were acquired using the Group’s own funds, and payment was made in cash.