

# Financial Section

## Five-Year Summary

Daifuku Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2002, 2001, 2000, 1999 and 1998

millions of yen and thousands of U.S.dollars

For the Year	2002	2002	2001	2000	1999	1998
Net sales .....	<b>¥134,628</b>	<b>\$1,010,349</b>	¥131,078	¥116,123	¥130,153	¥149,322
Cost of sales .....	<b>113,188</b>	<b>849,448</b>	107,402	94,703	107,783	123,677
Selling, general and administrative expenses	<b>19,236</b>	<b>144,365</b>	20,203	19,171	23,046	21,787
Operating income(loss) .....	<b>2,203</b>	<b>16,535</b>	3,474	2,249	(676)	3,858
Net income(loss) .....	<b>285</b>	<b>2,141</b>	(1,372)	40	(2,912)	1,401
Percentage of net sales .....	<b>0.2%</b>	<b>0.2%</b>	-1.0%	0.0%	-2.2%	0.9%
Net income(loss) per share .....	<b>¥ 2.51</b>	<b>\$ 0.02</b>	(¥ 12.07)	¥ 0.35	(¥ 25.62)	¥ 12.32
<b>At Year-End</b>						
Total assets .....	<b>139,746</b>	<b>1,048,752</b>	142,730	136,877	140,710	162,568
Working capital .....	<b>39,176</b>	<b>294,004</b>	27,532	48,969	43,638	39,587
Long-term debt .....	<b>32,335</b>	<b>242,668</b>	22,796	46,091	46,126	38,537
Shareholders' equity .....	<b>50,221</b>	<b>376,895</b>	51,049	52,673	53,448	59,384
Shareholders' equity per share .....	<b>¥ 441.83</b>	<b>\$ 3.32</b>	¥ 449.10	¥ 463.38	¥ 470.20	¥ 522.42

Notes: The U.S. dollar amounts in this report represent translations of Japanese yen for convenience only, at the rate of

¥133.25 = US\$1.00 of the Tokyo Foreign Market on March 29, 2002.

# Consolidated Balance Sheets

Daifuku Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2002 and 2001

## ASSETS

	March 31,		March 31,
	2002	2001	2002
	(millions of yen)		(thousands of U.S. dollars) (Note 3)
<b>Current assets:</b>			
Cash and cash equivalents	¥ 12,804	¥ 12,038	\$ 96,090
Notes and accounts receivable (Note 14)			
Trade	43,586	40,527	327,103
Other	510	1,214	3,825
Inventories (Note 5)	34,104	36,008	255,940
Deferred income taxes (Note 13)	1,630	1,010	12,231
Other current assets (Note 14)	3,193	3,083	23,964
Less: allowance for doubtful accounts	(321)	(239)	(2,407)
Total current assets	<u>95,506</u>	<u>93,641</u>	<u>716,746</u>
<b>Investments and advances:</b>			
Investments in securities (Note 4)	5,694	7,173	42,730
Investments in and advances to non-consolidated subsidiaries and affiliates	1,322	1,205	9,924
Long-term loans	231	254	1,734
Long-term receivables and other	2,685	4,272	20,151
Less: allowance for doubtful accounts	(625)	(220)	(4,690)
Total investments and advances	<u>9,307</u>	<u>12,684</u>	<u>69,849</u>
<b>Property, plant and equipment:</b>			
Land	8,762	8,767	65,756
Buildings and structures	32,627	32,661	244,853
Machinery and equipment	30,280	29,559	227,245
Construction in progress	396	290	2,968
	<u>72,065</u>	<u>71,277</u>	<u>540,822</u>
Less: accumulated depreciation	43,331	40,724	325,186
Net property, plant and equipment	<u>28,734</u>	<u>30,553</u>	<u>215,636</u>
<b>Other assets:</b>			
Deferred income taxes (Note 13)	4,003	3,553	30,038
Goodwill	423	385	3,178
Other	1,773	1,914	13,305
Total other assets	<u>6,199</u>	<u>5,852</u>	<u>46,521</u>
	<u>¥ 139,746</u>	<u>¥ 142,730</u>	<u>\$ 1,048,752</u>

Continued

## LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31,		March 31,
	2002	2001	2002
	(millions of yen)		(thousands of U.S. dollars) (Note 3)
<b>Current liabilities:</b>			
Short-term borrowings (Note 6)	¥ 6,400	¥ 3,225	\$ 48,030
Current portion of long-term debt (Note 6)	12,580	25,580	94,409
Notes and accounts payable (Note 14):			
Trade	17,892	24,596	134,273
Other	1,375	1,470	10,320
Income taxes payable	781	673	5,864
Accrued expenses	1,747	2,854	13,114
Advance on sales contract	6,825	4,774	51,223
Deferred income taxes (Note 13)	36	—	268
Other current liabilities	8,694	2,936	65,241
Total current liabilities	<u>56,330</u>	<u>66,108</u>	<u>422,742</u>
<b>Long-term liabilities:</b>			
Long-term debt (Note 6)	25,030	15,210	187,842
Accrued severance indemnities (Note 7)	7,305	7,587	54,825
Deferred income taxes (Note 13)	2	4	12
Other long-term liabilities	649	2,537	4,866
Total long-term liabilities	<u>32,986</u>	<u>25,338</u>	<u>247,545</u>
Total liabilities	<u>89,316</u>	<u>91,446</u>	<u>670,287</u>
<b>Minority interests in consolidated subsidiaries</b>	209	235	1,570
<b>Contingent liabilities (Note 9)</b>			
<b>Shareholders' equity (Note 11):</b>			
Common stock, no per value:			
Authorized — 200,000,000 shares			
Issued — 113,670,721 shares	8,023	8,023	60,210
Capital reserve	5,011	5,011	37,606
Retained earnings	36,413	37,294	273,267
Net unrealized loss on securities	(409)	—	(3,069)
Foreign currency translation adjustments	1,192	721	8,951
	<u>50,230</u>	<u>51,049</u>	<u>376,965</u>
Less: Treasury stock at cost			
March 31, 2002 — 18,241 shares	(9)	—	(70)
March 31, 2001 — 668 shares	—	(0)	—
Total shareholders' equity	<u>50,221</u>	<u>51,049</u>	<u>376,895</u>
	<u>¥ 139,746</u>	<u>¥ 142,730</u>	<u>\$ 1,048,752</u>

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Income

Daifuku Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2002 and 2001

	March 31,		March 31,
	2002	2001	2002
	(millions of yen)		(thousands of U.S.dollars) (Note 3)
Net sales	¥ 134,629	¥ 131,079	\$ 1,010,349
Cost of sales (Note 12)	113,189	107,402	849,448
Gross profit	21,440	23,677	160,901
Selling, general and administrative expenses (Note 12)	19,237	20,203	144,366
Operating income	2,203	3,474	16,535
<b>Other income (expenses);</b>			
Interest and dividend income	334	524	2,508
Interest expenses	(1,081)	(1,104)	(8,116)
Other, net (Note 15)	(469)	(4,582)	(3,516)
Income (loss) before income taxes and minority interests	987	(1,688)	7,411
Income taxes (Note 13)			
Current	1,303	1,592	9,779
Deferred	(637)	(1,946)	(4,783)
income (loss) before minority interests	666	(354)	4,996
Minority interests in net income of consolidated subsidiaries	321	(1,334)	2,415
Minority interests in net income of consolidated subsidiaries	36	38	274
Net income (loss)	¥ 285	¥ (1,372)	\$ 2,141
	(Yen)		(U.S.dollars) (Note 3)
Net income (loss) per share:	¥ 2.51	¥ (12.07)	\$ 0.02
Cash dividends per share	10.00	10.00	0.08

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Shareholders' Equity

Daifuku Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2002 and 2001

	Number of	common	Capital	Retained	Unrealized	Net unrealized	Foreign currency	Treasury
	shares of	stock	surplus	earnings	holding gain	loss on	translation	stock
	common stock				on securities	securities	adjustment	
	(thousands)				(millions of yen)			
Balance at March 31, 2000	113,671	¥ 8,023	¥ 5,011	¥ 39,269	¥ 371	¥ —	¥ —	(¥ 1)
Net loss	—	—	—	(1,372)	—	—	—	—
Increase resulting from exclusion of an affiliate from the scope of application of the equity method	—	—	—	561	—	—	—	—
Cash dividends	—	—	—	(1,137)	—	—	—	—
Bonuses to directors	—	—	—	(27)	—	—	—	—
Decrease in treasury stock	—	—	—	—	—	—	—	1
Unrealized holding gain on securities	—	—	—	—	(371)	—	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	721	—
Balance at March 31, 2001	113,671	¥ 8,023	¥ 5,011	¥ 37,294	¥ —	¥ —	¥ 721	(¥ 0)
Net income	—	—	—	285	—	—	—	—
Cash dividends	—	—	—	(1,137)	—	—	—	—
Bonuses to directors	—	—	—	(30)	—	—	—	—
Increase in treasury stock	—	—	—	—	—	—	—	(9)
Net unrealized loss on securities	—	—	—	—	—	(409)	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	471	—
Balance at March 31, 2002	113,671	¥ 8,023	¥ 5,011	¥ 36,413	¥ —	(¥ 409)	1,192	(¥ 9)

	Number of	common	Capital	Retained	Unrealized	Net unrealized	Foreign currency	Treasury
	shares of	stock	surplus	earnings	holding gain	loss on	translation	stock
	common stock				on securities	securities	adjustment	
	(thousands)				(millions of yen)			
Balance at March 31, 2001	113,671	\$ 60,210	\$ 37,606	\$ 279,882	\$ —	\$ —	\$ 5,410	(\$ 3)
Net income	—	—	—	2,141	—	—	—	—
Cash dividends	—	—	—	(8,531)	—	—	—	—
Bonuses to directors	—	—	—	(225)	—	—	—	—
Increase in treasury stock	—	—	—	—	—	—	—	(67)
Net unrealized loss on securities	—	—	—	—	—	(3,069)	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	3,541	—
Balance at March 31, 2002	113,671	\$ 60,210	\$ 37,606	\$ 273,267	\$ —	(\$ 3,069)	\$ 8,951	(\$ 70)

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Cash Flows

Daifuku Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2002 and 2001

	March 31,		March 31,
	2002	2001	2002
	(millions of yen)		(thousands of U.S.dollars)
			(Note 3)
<b>Cash flows from operating activities:</b>			
Net income (loss) before income taxes .....	¥ 987	(¥ 1,688)	\$ 7,411
Adjustments for:			
Depreciation .....	3,321	3,499	24,925
Gain on sales of short-term investments and investments in securities, net .....	(634)	(587)	(4,759)
Interest and dividend income .....	(334)	(523)	(2,508)
Interest expenses .....	1,081	1,127	8,116
Gain on transfer of securities to employee retirement benefit trust .....	(609)	(1,618)	(4,570)
Provision for accrued severance indemnities .....	—	4,297	—
Increase in trade receivables .....	(2,395)	(4,560)	(17,974)
Increase in inventories .....	(551)	(14,058)	(4,135)
(Decrease) Increase in trade payable .....	(7,023)	7,340	(52,711)
Other, net .....	8,404	2,244	63,066
Sub total .....	2,247	(4,527)	16,861
Interest and dividend income received .....	330	663	2,472
Interest expenses paid .....	(1,105)	(1,102)	(8,292)
Income taxes paid .....	(1,139)	(2,686)	(8,548)
Other, net .....	47	94	355
Net cash provided (used in) by operating activities .....	380	(7,558)	2,848
<b>Cash flows from investing activities:</b>			
Proceeds from sales of short-term investments .....	—	56	—
Payments for purchase of investments in securities .....	(445)	(834)	(3,338)
Proceeds from sales of investments in securities .....	1,163	5,276	8,728
Payments for purchase of property, plant and equipment .....	(1,495)	(1,291)	(11,218)
Proceeds from sales of property, plant and equipment .....	2,001	591	15,017
Issuances of loans receivable .....	(21)	(10)	(161)
Collections of loans receivable .....	15	1,852	115
Other, net .....	71	(280)	529
Net cash provided by investing activities .....	1,289	5,360	9,672
<b>Cash flows from financing activities:</b>			
Decrease in short-term bank loans, net .....	(2,839)	(1,280)	(21,303)
Increase (decrease) in commercial paper, net .....	3,000	(1,000)	22,514
Proceeds from long-term debt .....	22,400	1,740	168,105
Repayment of long-term debt .....	(2,580)	(2,325)	(19,362)
Redemption of bonds .....	(20,000)	—	(150,094)
Payment of cash dividends .....	(1,135)	(1,135)	(8,520)
Other, net .....	(35)	(32)	(262)
Net cash used in financing activities .....	(1,189)	(4,032)	(8,922)
<b>Effect of exchange rate change on cash and cash equivalents .....</b>	<b>286</b>	<b>615</b>	<b>2,149</b>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>766</b>	<b>(5,615)</b>	<b>5,747</b>
<b>Cash and cash equivalents at beginning of year .....</b>	<b>12,038</b>	<b>17,653</b>	<b>90,343</b>
<b>Cash and cash equivalents at end of year .....</b>	<b>¥ 12,804</b>	<b>¥ 12,038</b>	<b>\$ 96,090</b>

The accompanying notes are an integral part of these statements.

# Notes to The Consolidated Financial Statements

Daifuku Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2002 and 2001

## 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 its accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with generally accepted accounting principles and practices prevailing in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The accounts of the consolidated overseas subsidiaries are based on its accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries in which the subsidiaries have been incorporated.

In general, no adjustments to the accounts of the consolidated overseas subsidiaries have been reflected in the accompanying consolidated financial statements to present them in conformity with Japanese accounting principles and practices followed by the Company.

The presentation of the accompanying consolidated financial statements is made in conformity with the "Consolidated Financial Statements Regulation" (ordinance promulgated by the Ministry of Finance) and meets the requirements for disclosure of financial information of the Company on a consolidated basis. 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.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

## 2. Summary of Significant Accounting Policies

### (1) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries.

The remaining eight subsidiaries at March 31, 2002 were not consolidated because the aggregate sales, total assets, total net income (loss) and total retained earnings available for the Company were not material to the consolidated results of operations, total assets, total net income and retained earnings, respectively.

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

### (2) Translation of Foreign Currency Financial Statements (Accounts of Consolidated Overseas Subsidiaries)

The accounts of the overseas consolidated subsidiaries are translated into Japanese yen by the methods prescribed under the statements issued by the Business Accounting Deliberation Council of Japan. Under this method, balance sheet accounts are translated at current rates. However, shareholders' equity is translated at the historical rate. Differences arising from the translations are stated under the section entitled "Foreign currency translation adjustments".

Effective April 1, 2000, the Company and its domestic subsidiaries adopted the Financial Accounting Standards on "Accounting for Foreign Currency Transactions" issued by the Business Accounting Deliberation Council. Under the new standard, all assets and liabilities denominated in foreign currencies are translated into yen at the rate of exchange in effect at the balance sheet date and translation adjustments of foreign currency financial statements are reflected in shareholders' equity and minority interests in the consolidated balance sheets.

Revenues and expenses are translated at the average rate for the respective period.

### (3) Foreign Currency Translation

Effective April 1, 2000, the Company and its domestic subsidiaries adopted the new Japanese accounting standard for foreign currency translation. Under the new standard, all monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

The adoption of the new method had no material impact on the accompanying consolidated financial statements.

### (4) Cash and Cash Equivalents

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

### (5) Inventories

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

### (6) Financial Instruments

Effective April 1, 2000, the Company and its domestic subsidiaries adopted the new Japanese accounting standard for financial instruments. As a result of adoption of the new standard, income before income taxes for the year ended March 31, 2001 has decreased by ¥109 million, as compared with the amount which would have been reported if the previous standard had been applied consistently.

Effective April 1, 2001, marketable "other securities" were stated at fair value as of March 31, 2002 (Unrealized gain or loss on securities included as a component of shareholders' equity, and cost of securities sold is determined based on the moving-average method). As a result, the balance of deferred income taxes increased by ¥296 million (\$2,222 thousand) and as well as unrealized losses on securities of ¥409 million (\$3,069 thousand) were recorded in shareholders' equity. The effect for this change of minority interests in consolidated subsidiaries was immaterial.

**(a) Derivatives**

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments" (see (c) Hedge Accounting below).

**(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" mean the securities that are held for the purpose of generating profits on short-term differences in prices. "Held-to-maturity debt securities" mean the debt securities that the companies have intent to maturity.

The Company and its subsidiaries have "investment in subsidiaries and affiliates" and "other securities".

Investments in subsidiaries and affiliates are stated at cost because the effect of application of the equity method would be immaterial.

"Other securities" for which market quotations are available are stated at fair value. Unrealized gain or loss on securities included as a component of shareholders' equity, 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, cost being determined by the moving average method.

"Other securities" which market quotations are available are not stated at fair value by applying transitional measure as of March 31, 2001. Book value and market value information on "Other securities" as of March 31, 2001 was summarized as follows:

	March 31, 2001 (millions of yen)
Book value per balance sheet .....	¥ 6,607
Market value .....	9,440
Net unrealized gain .....	1,643
Deferred tax liabilities .....	1,190

Under the new standard, "Other securities" are presented as "non-current". The securities held by the Company and its subsidiaries have been reclassified as of April 1, 2000. As a result of such reclassification, the securities in the current portfolio have decreased by ¥4,207 million and the securities in the non-current portfolio have increased by the same amount.

**(c) Hedge Accounting**

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability 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 derivatives designated as hedging instruments by the Company are principally forward exchange contracts, foreign currency option contracts and interest swap agreements.

The related hedged items are trade accounts receivable and payable, long-term bank loans.

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

**(7) Leases**

In Japan, where the financing leases do not transfer ownership of the leased property to the lessee during the lease terms, the leased property is not capitalized and the relating rent expenses are charged to income in the period incurred.

Property of overseas subsidiaries under capital leases is capitalized..

**(8) Property, Plant and Equipment and Depreciation**

Property, plant and equipment are stated at cost. Depreciation of the Company and its domestic subsidiaries is computed principally on the declining-balance method, at rates based on the estimated useful lives of assets. Depreciation of buildings, which acquired on and after April 1, 1998, is computed on the straight-line method, at rates based on the estimated useful lives of assets. Depreciation of the consolidated overseas subsidiaries is computed principally on the straight-line method.

The range of useful lives is principally from 3 to 60 years for buildings and structures and from 2 to 20 years for machinery and equipment.

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

**(9) Goodwill**

Goodwill of the company and its certain domestic consolidated subsidiary recognized in acquisitions accounted for as purchases are being amortized on a straight-line basis for 5 years.

**(10) Income Taxes**

Income taxes of the Company and its certain domestic consolidated subsidiaries consist of corporate income taxes, local inhabitants taxes and enterprise taxes.

Deferred income taxes were determined using the asset and liability approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

**(11) Accrued Severance Indemnities**

Retirement benefit costs for employees of the Company and its domestic subsidiaries are accrued based on the estimates of the pension obligations and the plan assets at the end of the current fiscal year. At date of initial application of the new accounting standard for retirement benefits, the Company and its domestic subsidiaries had a "unrecognized portion of net obligation" for ¥7,213 million. The Company charged ¥4,297 million of them to income, which is equivalent to "Retirement Benefit Trust" (see Note 7), and the remaining balances of ¥2,916 million is amortized on a straight-line basis over 5 years.

**(12) Appropriation of Retained Earnings**

Under the Japanese Commercial Code and the Articles of Incorporation of the Company, proposals by the Board of Directors for the appropriation of retained earnings (principally the payment of annual cash dividends) should be approved by a shareholders' meeting which must be held within three months after the end of each financial year. The appropriation of retained earnings reflected in the accompanying consolidated financial statements for each financial year represents the appropriations which were approved by the shareholders' meeting and disposed of during that year but which related to the immediately preceding financial year.

The payment of bonuses to directors and corporate auditors is made out of retained earnings instead of being charged to income for the year and constitutes a part of the appropriations referred to above.

**(13) Net Income and Dividend Per Share**

Net income per share is based upon the weighted average number of shares of common stock outstanding during each year.

Cash dividends per share represent actual dividends declared as applicable to the respective years.

**(14) Japanese Consumption Taxes**

Consumption taxes withheld by the Company and its domestic subsidiaries on sales of products is not included in the amount of "Net Sales" in the accompanying consolidated statements of income. Equally, any consumption taxes borne by the Company on goods, services and expenses are not included in the accompanying consolidated statements of income.

**(15) Reclassifications**

Certain prior-year amounts on the attached Balance Sheet have been reclassified to conform to the current year's presentation.

**3. United States Dollar Amounts**

The Company prepares its consolidated financial statements in 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 ¥133.25 to U.S.\$1, being the effective rate of exchange at March 31, 2002. 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 ¥133.25 to U.S.\$1 or at any other rate.

**4. Investments in Securities**

Investments in securities as of March 31, 2002 and 2001 were as follows:

	March 31, 2002		2001	
	(millions of yen)		(thousands of U.S.dollars)	
Equity securities .....	¥ 5,007	¥ 6,520	\$ 37,575	
Bonds .....	500	500	3,752	
Others .....	187	153	1,403	
	<u>¥ 5,694</u>	<u>¥ 7,173</u>	<u>\$ 42,730</u>	

A comparison of the carrying amount on the consolidated balance sheet and acquisition cost of "other securities" for which market quotations are available as of March 31, 2002 were summarized as follows:

	March 31, 2002		
	Millions of Yen		
	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Equity securities .....	¥ 1,549	¥ 2,055	¥ 506
	<u>¥ 1,549</u>	<u>¥ 2,055</u>	<u>¥ 506</u>

	March 31, 2002		
	Thousand of U.S. dollars		
	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Securities with carrying amount on the consolidated balance sheet exceed their acquisition cost			
<b>Investments in securities:</b>			
Equity securities	\$ 11,626	\$ 15,423	\$ 3,797
	<u>\$ 11,626</u>	<u>\$ 15,423</u>	<u>\$ 3,797</u>

	March 31, 2002		
	Millions of Yen		
	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Securities with carrying amount on the consolidated balance sheet do not exceed their acquisition cost			
<b>Investments in securities:</b>			
Equity securities	¥ 4,029	¥ 2,883	¥ 1,146
Others	152	87	65
	<u>¥ 4,181</u>	<u>¥ 2,970</u>	<u>¥ 1,211</u>

	March 31, 2002		
	Thousand of U.S. dollars		
	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Securities with carrying amount on the consolidated balance sheet do not exceed their acquisition cost			
<b>Investments in securities:</b>			
Equity securities	\$ 30,234	\$ 21,637	\$ 8,597
Others	1,144	652	492
	<u>\$ 31,378</u>	<u>\$ 22,289</u>	<u>\$ 9,089</u>

**"Other securities" sold during the year ended March 31, 2002 were as follows:**

Millions of Yen		Thousands of U.S. Dollars	
Proceeds of sales	Gain on sales	Proceeds of sales	Gain on sales
¥ 1,163	¥ 634	\$ 8,728	\$ 4,759

**Book values of "Other securities" which are not marketable as of March 31, 2002, were summarized as follows:**

	Millions of Yen	Thousands of U.S. Dollars
	<b>Investments in securities:</b>	
Equity securities	¥ 69	\$ 515
Bonds	¥ 500	\$ 3,752
Others	¥ 100	\$ 750

**"Other securities" sold during the year ended March 31, 2001 were as follows:**

Millions of Yen		
Proceeds of sales	Gain on sales	Loss on sales
¥ 917	¥ 199	¥ 16

**Book values of "Other securities" which are not marketable as of March 31, 2001, were summarized as follows:**

	Millions of Yen
	<b>Investments in securities:</b>
Equity securities	¥ 66
Bonds	¥ 500

## 5. Inventories

Inventories as of March 31, 2002 and 2001 consisted of the following:

	March 31,		March 31,
	2002	2001	2002
	(millions of yen)		(thousands of U.S.dollars)
Finished products	¥ 1,764	¥ 2,437	\$ 13,238
Work in process	27,659	28,081	207,570
Raw materials	4,309	5,082	32,340
Others	372	408	2,792
	<u>¥ 34,104</u>	<u>¥ 36,008</u>	<u>\$ 255,940</u>

## 6. Short-term Borrowings and Long-term Debt

Short-term borrowings are principally bank loans. The principal ranges of annual interest rates applicable to short-term borrowing outstanding at March 31, 2002 were from 0.63 % to 0.89 %

Long-term debt outstanding at March 31, 2002 and 2001, consisted of the following:

	March 31,		March 31,
	2002	2001	2002
	(millions of yen)		(thousands of U.S.dollars)
Loans, principally from banks with annual interest ranging from 0.74% to 2.32%, Unsecured	¥ 27,610	¥ 10,790	\$ 207,204
2.8% Yen Unsecured Bonds, Due 2001	—	10,000	—
2.15% Yen Unsecured Bonds, Due 2001	—	10,000	—
2.2% Yen Unsecured Bonds, Due 2002	10,000	10,000	75,047
Less :portion due within one year	12,580	25,580	94,409
	<u>¥ 25,030</u>	<u>¥ 15,210</u>	<u>\$ 187,842</u>

The 2.8% Unsecured Bonds in the principal amount of ¥10 billion, due 2001, issued on April 25, 1996 were sold in Japan at their face value.  
The 2.15% Unsecured Bonds in the principal amount of ¥10 billion, due 2001, issued on December 6, 1996 were sold in Japan at their face value.  
The 2.2% Unsecured Bonds in the principal amount of ¥10 billion, due 2002, issued on August 7, 1997 were sold in Japan at their face value.

Assets pledged as collateral for long-term debt with banks as of March 31, 2002 were as follows:

	2002	2002
	(millions of yen)	(thousands of U.S.dollars)
Buildings, less accumulated depreciation	¥ 440	\$ 3,300
Land	944	7,082
	<u>¥ 1,384</u>	<u>\$ 10,382</u>

The aggregate annual maturates of long-term debt outstanding at March 31, 2002 were as follows:

Year ending March 31,	(millions of yen)	(thousands of U.S.dollars)
	2004	1,180
2005	10,000	75,047
2006	1,450	10,882
2007 and thereafter	12,400	93,058
	<u>¥ 25,030</u>	<u>\$ 187,842</u>

## 7. Retirement Benefit Plan

Employees who terminate their services with the Company or its principal 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 amount of severance indemnities to be paid by the Company and its principal domestic subsidiaries is reduced by the benefits payable under a noncontributory pension plan which entitles an employee with more than certain minimum years of service to receive either a lump-sum payment or an annuity.

Effective April 1, 2000, "Accounting for retirement benefits" has been adopted. Retirement benefit costs for employees are accrued based on the estimates of the pension obligations and the plan assets at the end of current fiscal year.

The Company set up "Retirement Benefits Trust" during the fiscal year of 2001, contributed certain marketable equity securities to the Trust and recognized a gain of ¥1,618 million as "Gain on transfer of securities to employee retirement benefits trust" in the consolidated income statement. During the fiscal year of 2002, the Company additionally contributed certain marketable equity securities to the Trust and recognized a gain of ¥ 609 million (\$ 4,570 thousand) as "Gain on transfer of securities to employee retirement benefits trust" in the consolidated income statement for the year ended March 31, 2002.

### The accrued severance indemnities as of March 31, 2002 and 2001 were analyzed as follows:

	March 31,		March 31,
	2002	2001	2002
	(millions of yen)		(thousands of U.S.dollars)
Projected benefit obligations	¥ (21,181)	¥ (19,033)	\$ (158,960)
Plan assets	8,381	8,351	62,896
Funded status	(12,800)	(10,682)	(96,064)
Unrecognized portion of net obligation at date of initial application of new accounting Standards	1,750	2,333	13,132
Unrecognized actuarial differences	3,745	766	28,107
Net accrued pension cost	(7,305)	(7,583)	(54,825)
Prepaid pension cost	—	4	—
Accrued severance indemnities Recognized on balance sheet	¥ (7,305)	¥ (7,587)	\$ (54,825)

### Net pension expense relating to the retirement benefits for the year ended March 31, 2002 and 2001 were as follows:

	March 31,		March 31,
	2002	2001	2002
	(millions of yen)		(thousands of U.S.dollars)
Service cost	¥ 1,011	¥ 969	\$ 7,587
Interest cost	651	639	4,883
Expected return on plan assets	(110)	(108)	(826)
Amortization of transition amount	583	583	4,377
Amortization of actual differences	153	—	1,149
Net pension expense	¥ 2,288	¥ 2,083	\$ 17,170

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

	March 31,	
	2002	2001
Discount rate	3.0%	3.5%
Expected rate of return on plan assets	2.0%	2.0%
Method of attributing the projected benefits to periods of services	Straight-line basis	Straight-line basis
Amortization of transition amount	5 years	5 years
Amortization of unrecognized actuarial differences	5 years	5 years

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

Some of the overseas subsidiaries sponsor defined contribution plan.

## 8. Lease Commitments

### Rent expenses relating to the financing lease transactions for the years ended March 31, 2002 and 2001 were summarized as follows.

	March 31,		March 31,
	2002	2001	2002
	(millions of yen)		(thousands of U.S.dollars)
Rental expenses	¥ 215	¥ 269	\$ 1,615

The future minimum lease payments required under the terms of these financing leases as of March 31, 2002 and 2001 were as follows:

	March 31,		March 31,
	2002	2001	2002
	(millions of yen)		(thousands of U.S.dollars)
Due with in one year	¥ 176	¥ 197	\$ 1,323
Due after one year	231	296	1,730
	¥ 407	¥ 493	\$ 3,053

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.

### Acquisition cost, accumulated depreciation and net book value as of March 31, 2002 was as follows:

	(millions of yen)	(thousands of U.S.dollars)
Machinery and equipment :		
Acquisition cost	¥ 1,321	\$ 9,912
Accumulated depreciation	914	6,859
Net book value	¥ 407	\$ 3,053

Depreciation expense for the year ended March 31, 2002 was ¥215 million (\$1,615 thousand). Depreciation expense is calculated by the straight-line method over the terms of the lease based on acquisition cost.

### The future minimum lease payments required under the terms of these operating leases as of March 31, 2002 was as follows:

	(millions of yen)	(thousands of U.S.dollars)
Due with in one year	¥ 329	\$ 2,468
Due after one year	1,316	9,874
	¥ 1,645	\$ 12,342

## 9. Contingent Liabilities

### Contingent liabilities of the Companies at March 31, 2002 and 2001 are summarized as follow:

	March 31,		March 31,
	2002	2001	2002
	(millions of yen)		(thousands of U.S.dollars)
Notes discounted in the normal course of business	¥ 3,000	¥ 2,000	\$ 22,517

In addition, the Company was contingently liable under guarantees for bank borrowings and lease commitment payable of unconsolidated subsidiaries, affiliates and the Company employees totaling ¥ 630 million (\$ 4,727 thousand) as of March 31, 2002.

## 10. Derivatives and Hedging Activities

Derivative financial instruments are utilized by the Company and its subsidiaries principally to reduce interest rate and foreign exchange rate risks. The Company and its subsidiaries have established a control environment which includes policies and procedures for risk assessments and for the approval, reporting and monitoring of transactions involving derivative financial instruments. The Company and its subsidiaries do not hold or issue derivative financial instruments for trading purposes.

The Company and its subsidiaries are exposed to certain market risks arising from its forward exchange contracts, foreign currency option contracts and interest swap agreements. The Company and its subsidiaries are also exposed to the risk of credit loss in the event of nonperformance by the counterparties to the currency and interest; however, the Company and its subsidiaries do not anticipate nonperformance by any of these counterparties all of whom are financial institutions with high bond ratings.

## 11. Shareholders' Equity

Capital reserve, recorded pursuant to the Japanese Commercial Code, primarily consists of proceeds on issuance of shares of common stock of the Company that were not recorded as "common stock" (Under the Japanese Commercial Code, the Company is allowed to account for an amount not exceeding one-half of the issue price of new shares as capital reserve.) Capital reserve may be transferred to other additional paid-in capital to the extent that the sum of capital reserve and earned reserve (collectively, "legal reserves") does not fall below 25% of stated capital. However, capital reserve may not be transferred to retained earnings.

The Japanese Commercial Code requires all the Companies to appropriate as an earned reserve an amount equivalent to at least 10% of cash payments for appropriation of retained earnings until the legal reserves equals 25% of stated capital. Earned reserve may be transferred to inappropriate retained earnings to the extent that the legal reserves do not fall below 25% of stated capital. Earned reserve is included in retained earnings on the consolidated balance sheet.

Legal reserves may be transferred to stated capital through suitable directors' actions or offset against deficit through suitable shareholders' actions.

## 12. Research and Development

Research and development expenditures charged to income were ¥4,803 million (\$36,048 thousand) and ¥4,341 million for the years ended March 31, 2002 and 2001, respectively.

## 13. Securitization of the head office building and Osaka factory

On March 29, 2002, the Company entered into a real estate trust contract. The beneficial ownership of the real estate was transferred, without recourse, to a special purpose company, and the real estate was leased back to the Company under operating leases (see Note 8).

The real estate includes a head office building and Osaka factory, which have been leased to the third parties. The gain on the beneficial ownership transfer of ¥1,692 million (\$12,452 thousand) was included in other income in the accompanying consolidated statement of income for the year ended March 31, 2002. The cash received from the transfer of ¥2,000 million (\$15,009 thousand) was included in proceeds from sale of property, plant and equipment in the accompanying statement of cash flow for the year ended March 31, 2002.

## 14. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to a number of different taxes based on income, which in the aggregate indicate a normal effective statutory income tax rate of approximately 42% for the years ended March 31, 2002 and 2001. Foreign consolidated subsidiaries are subject to income taxes of the countries in which they operate.

### The significant components of deferred tax assets and liabilities as of March 31, 2002 and 2001 were summarized as follows:

	March 31,		March 31,
	2002	2001	2002
	(millions of yen)		(thousands of U.S.dollars)
<b>Deferred tax assets:</b>			
Accrued bonus	¥ 160	¥ 201	\$ 1,201
Enterprise tax	61	55	455
Allowance for Doubtful accounts	93	76	700
Accrued severance indemnities	3,384	3,237	25,399
Operating loss carryforwards for tax purposes	1,417	1,424	10,634
Others	296	—	2,222
Net unrealized loss on securities	2,368	1,527	17,772
Sub total	7,779	6,520	58,383
Less valuation allowance	(1,002)	(1,037)	(7,521)
Total deferred tax assets	¥ 6,777	¥ 5,483	\$ 50,862
<b>Deferred tax liabilities:</b>			
Deferred gain on sales of assets	¥ (173)	¥ (187)	\$ (1,298)
Gain on securities contributed to employee retirement benefit trust	(935)	(680)	(7,018)
Others	(73)	(57)	(551)
Total deferred tax liabilities	¥ (1,181)	¥ (924)	\$ (8,868)
Net deferred tax assets	¥ 5,596	¥ 4,559	\$ 41,994

### Reconciliation of the differences between the statutory rate and the effective income tax rate as of March 31, 2002 were as follows:

	March 31, 2002
Statutory tax rate	42.0%
Current operating losses of subsidiaries	20.8
Lower tax rates of overseas subsidiaries	(8.7)
Expenses not deductible for income tax purpose	7.3
Others	5.9
Effective tax rate	67.3%

The reconciliation sheet as of March 31, 2001 was not disclosed, since the Company incurred net loss for the year then ended.

## 15. Notes and Accounts due from and to Non-consolidated Subsidiaries and Affiliates

Notes and Accounts due from and to non-consolidated subsidiaries and affiliates as of March 31, 2002 and 2001 were summarized as follows:

	March 31,		March 31,
	2002	2001	2002
	(millions of yen)		(thousands of U.S.dollars)
Notes and accounts receivable	¥ 130	¥ 255	\$ 976
Other current assets (Short-term loans)	48	25	363
Notes and accounts payable	37	30	277

## 16. Other Income and Other Expenses

"Other, net" consisted of the following for the years ended March 31, 2002 and 2001, respectively.

	March 31,		March 31,
	2002	2001	2002
	(millions of yen)		(thousands of U.S.dollars)
Foreign exchange gain (loss), net	¥ 140	(¥ 318)	\$ 1,055
Gain on sales of securities	—	55	—
Gain on sales of land	—	427	—
Gain on sales of Property, plant and equipment	1,659	—	12,451
Gain on sales of investments in securities	634	572	4,759
Loss on disposal of inventories	(2,531)	(1,391)	(18,992)
Loss on disposal of property, plant and equipment	(39)	(46)	(296)
Loss on valuation of investment in securities	(325)	(490)	(2,439)
Gain on transfer of securities to employee retirement benefit trust	609	1,618	4,570
Directors' retirement benefits	(225)	(7)	(1,687)
Special provision for retirement benefit costs	(583)	(4,881)	(4,377)
Other, net	192	(121)	1,440
Total	¥ 469	¥ 4,582	\$ 3,516

## 17. Segment Information

Segment Information of the Company and its consolidated subsidiaries for the years ended March 31, 2002 and 2001 presented below:

### (1) Segment information by products

For the year ended March 31, 2002 (millions of yen)	Logistics systems	Electronic goods	Other products	Adjustments and Eliminations	Consolidated Total
Sales:					
Sales to outside customer .....	¥ 110,328	¥ 13,184	¥ 11,117	¥ —	¥ 134,629
Inter-segment sales .....	535	13	1,520	(2,068)	—
Total .....	110,863	13,197	12,637	(2,068)	134,629
Operating expenses .....	107,937	12,140	11,667	682	132,426
Operating income .....	¥ 2,926	¥ 1,057	¥ 970	(¥ 2,750)	¥ 2,203
Identifiable assets .....	¥ 86,448	¥ 10,760	¥ 6,882	¥ 35,656	¥ 139,746
Depreciation .....	1,609	163	167	1,382	3,321
Capital expenditure .....	1,205	81	138	295	1,719
For the year ended March 31, 2001 (millions of yen)					
Sales:					
Sales to outside customer .....	¥ 107,453	¥ 13,583	¥ 10,043	—	¥ 131,079
Inter-segment sales .....	15	18	1,485	(1,518)	—
Total .....	107,468	13,601	11,528	(1,518)	131,079
Operating expenses .....	103,663	11,769	10,841	1,332	127,605
Operating income .....	¥ 3,805	¥ 1,832	¥ 687	(¥ 2,850)	¥ 3,474
Identifiable assets .....	¥ 85,585	¥ 13,297	¥ 5,501	¥ 38,347	¥ 142,730
Depreciation .....	1,693	171	179	1,456	3,499
Capital expenditure .....	1,138	153	42	144	1,477
For the year ended March 31, 2002 (thousands of U.S. dollars)					
Sales:					
Sales to outside customer .....	\$ 827,978	\$ 98,942	\$ 83,429	\$ —	\$ 1,010,349
Inter-segment sales .....	4,016	99	11,411	(15,526)	—
Total .....	831,994	99,041	94,840	(15,526)	1,010,349
Operating expenses .....	810,034	91,105	87,557	5,118	993,814
Operating income .....	\$ 21,960	\$ 7,936	\$ 7,283	(\$ 20,644)	\$ 16,535
Identifiable assets .....	\$ 648,763	\$ 80,748	\$ 51,652	\$ 267,589	\$ 1,048,752
Depreciation .....	12,076	1,227	1,253	10,369	24,925
Capital expenditure .....	9,046	609	1,037	2,211	12,903

These sections include the following main products:

Logistics systems : Conveyor systems, Monorail systems, Automatics guided vehicles, Automated storage and retrieval systems, Racks, Box pallets

Electronic goods : Modules for personal computer

Other : Car washing machines

### (2) Segment information by geographic areas

#### For the year ended March 31, 2002

(millions of yen)	Japan	North America	Other	Adjustments and Eliminations	Consolidated Total
Sales:					
Sales to outside customer .....	¥ 109,420	¥ 18,221	¥ 6,988	¥ —	¥ 134,629
Inter-segment sales .....	10,326	595	1,288	(12,209)	—
Total .....	119,746	18,816	8,276	(12,209)	134,629
Operating expenses .....	115,342	18,579	7,964	(9,459)	132,426
Operating income .....	¥ 4,404	¥ 237	¥ 312	(¥ 2,750)	¥ 2,203
Identifiable assets .....	¥ 95,897	¥ 13,699	¥ 6,909	¥ 23,241	¥ 139,746

#### For the year ended March 31, 2001

(millions of yen)	Japan	North America	Other	Adjustments and Eliminations	Consolidated Total
Sales:					
Sales to outside customer .....	¥ 107,827	¥ 15,226	¥ 8,026	¥ —	¥ 131,079
Inter-segment sales .....	9,718	677	975	(11,370)	—
Total .....	117,545	15,903	9,001	(11,370)	131,079
Operating expenses .....	111,486	15,740	8,899	(8,520)	127,605
Operating income .....	¥ 6,059	¥ 163	(¥ 102)	(¥ 2,850)	¥ 3,474
Identifiable assets .....	¥ 101,569	¥ 11,925	¥ 5,384	¥ 23,852	¥ 142,730

#### For the year ended March 31, 2002

(thousands of U.S. dollars)	Japan	North America	Other	Adjustments and Eliminations	Consolidated Total
Sales:					
Sales to outside customer .....	\$ 821,164	\$ 136,744	\$ 52,441	\$ —	\$ 1,010,349
Inter-segment sales .....	77,490	4,462	9,674	(91,626)	—
Total .....	898,654	141,206	62,115	(91,626)	1,010,349
Operating expenses .....	865,603	139,427	59,766	(70,982)	993,814
Operating income .....	\$ 33,051	\$ 1,779	\$ 2,349	(\$ 20,644)	\$ 16,535
Identifiable assets .....	\$ 719,678	\$ 102,809	\$ 51,853	\$ 174,412	\$ 1,048,752

**(3)Overseas sales****For the year ended March 31, 2002**

(millions of yen)	North America	Asia	Other	Total
Overseas sales .....	¥ 18,817	¥ 10,768	¥ 4,075	¥ 33,660
Consolidated sales .....	—	—	—	134,629
Ratio of overseas sales to consolidated sales .....	14.0%	8.0%	3.0%	25.0%

**For the year ended March 31, 2001**

(millions of yen)	North America	Asia	Other	Total
Overseas sales .....	¥ 14,661	¥ 15,241	¥ 8,755	¥ 38,657
Consolidated sales .....	—	—	—	131,079
Ratio of overseas sales to consolidated sales .....	11.2%	11.6%	6.7%	29.5%

**For the year ended March 31, 2002**

(thousands of U.S.dollars)	North America	Asia	Other	Total
Overseas sales .....	\$ 141,214	\$ 80,807	\$ 30,584	\$ 252,605
Consolidated sales .....	—	—	—	1,010,349
Ratio of overseas sales to consolidated sales .....	14.0%	8.0%	3.0%	25.0%

Overseas net sales for the year ended March 31, 2002 and 2001 included exports by the Company and offshore sales by its consolidated subsidiaries, excluding sales to Japan.

**18. Subsequent Event**

On June 27, 2002 the shareholders of the Company approved the payment of a cash dividend to shareholders of record on March 31, 2002 of ¥10 per share, or a total of ¥ 1,137 million (\$ 8,531 thousand).

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

The Board of Directors  
DAIFUKU Co., Ltd.

We have audited the accompanying consolidated balance sheets of DAIFUKU Co., Ltd. and its consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese Yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of DAIFUKU Co., Ltd. and its consolidated subsidiaries as of March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan ( see Note 1 ) applied on a consistent basis.

As described in Notes 2, effective from the year ended March 31, 2002, DAIFUKU Co., Ltd. and its domestic consolidated subsidiaries have adopted new Japanese accounting standards for financial instruments.

The amount expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

*Chuo-Aoyama Audit Corporation*  
Osaka, Japan

June 27, 2002