Financial Section

Daifuku Co., Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2004 and 2003

Five-Year Summary—Daifuku Co., Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2004, 2003, 2002, 2001 and 2000

	2004	**2004**	2003	2002	2001	2000
	Millions of yen and thousands of U.S. dollars					
For the Year						
Net sales	**¥138,661**	**$1,312,701**	¥144,108	¥134,628	¥131,078	¥116,123
Cost of sales	**115,034**	**1,089,027**	120,775	113,188	107,402	94,703
Selling, general and administrative expenses	**18,268**	**172,945**	18,672	19,236	20,203	19,171
Operating income	**5,358**	**50,729**	4,660	2,203	3,474	2,249
Net income (loss)	**1,635**	**15,475**	1,164	285	(1,372)	40
Percentage of net sales	**1.2%**	**1.2%**	0.8%	0.2%	–1.0%	0.0%
Net income (loss) per share (Yen and U.S.dollars)	**¥ 14.50**	**$ 0.14**	¥ 10.22	¥ 2.51	¥ (12.07)	¥ 0.35
At Year-End						
Total assets	**¥129,712**	**$1,227,985**	¥130,400	¥139,746	¥142,730	¥136,877
Working capital	**40,440**	**382,843**	47,157	39,176	27,532	48,969
Long-term debt	**29,776**	**281,889**	38,463	32,335	22,796	46,091
Shareholders' equity	**49,082**	**464,655**	49,026	50,221	51,049	52,673
Shareholders' equity per share (Yen and U.S.dollars)	**¥ 442.61**	**$ 4.19**	¥ 432.93	¥ 441.83	¥ 449.10	¥463.38

Note: The U.S. dollar amounts in this report represent translations of Japanese yen for convenience only, at the rate of ¥105.63 = U.S.$1.00 on the Tokyo Foreign Exchange Market on March 31, 2004.

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Consolidated Financial Review

Scope of Consolidation

Daifuku Co., Ltd. has a total of 23 consolidated subsidiaries. During the fiscal year under review, two companies were added to the scope of consolidation, namely Daifuku Qubica Ltd. and Daifuku Software Development Co., Ltd., while one company, Daifuku Technology Service Corporation was removed from the scope of consolidation as it was assimilated in a merger with Daifuku Co., Ltd.

Net Sales

In fiscal 2003, ended March 31, 2004, consolidated net sales declined 3.8% to 138,661 million yen from the previous fiscal year. By region, sales in North America were 13,424 million yen, accounting for 9.7% of net sales, while those in Asia were 32,923 million yen for 23.7% of net sales, and in other regions were 4,914 million yen, representing 3.5% of net sales. Sales in North America and other regions declined 4,724 million yen and 5,957 million yen respectively, while sales in Asia increased 11,072 million yen compared with the previous fiscal year. As a result, overseas sales rose 391 million yen, year on year to 51,261 million yen, making up 37.0% of net sales.

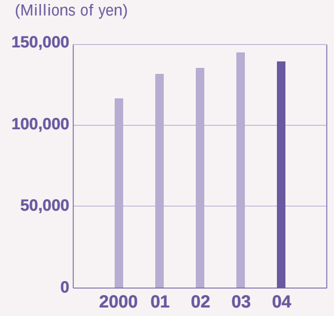
Net Income

As net sales declined, the cost of sales as a percentage of net sales decreased from 83.8% in fiscal 2002 to 83.0% in fiscal 2003, and leading to an increase in gross profit, going from 23,332 million yen to 23,627 million yen in fiscal 2003. Moreover, selling, general and administrative (SG&A) expenses decreased from 18,672 million yen to 18,269 million yen. As a result, operating income totaled 5,358 million yen, up from 4,660 million yen in fiscal 2002. Accordingly, the operating income margin improved from 3.3% to 3.9%.

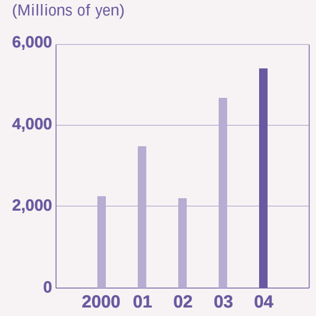
In other income and expenses, the Company incurred losses on foreign exchange differences due to the appreciation of the yen toward the end of the first half of the fiscal year under review. Daifuku recorded extraordinary income from gain on sales of investments in securities in line with the unwinding of some cross-shareholdings, and a gain on the transfer of securities to employee retirement benefit trust. Daifuku recorded extraordinary losses from loss on disposal of inventories, loss on sale of land, and write-off of insufficient portions in the retirement benefit accounting system.

As a result, income before income taxes and minority interests increased 53.5% from the previous fiscal year to 3,146 million yen, and net income rose 40.4% to 1,635 million yen.

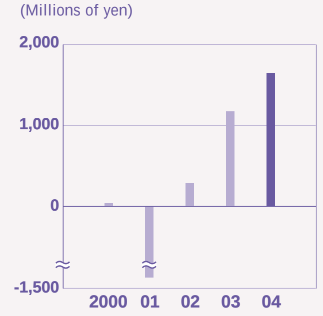
Net Sales
(Millions of yen)



Operating Income
(Millions of yen)



Net Income
(Millions of yen)



Cash Flows

Net cash provided by operating activities was 5,923 million yen, compared with 14,445 million yen in the previous fiscal year. This reflects the recovery of accounts receivables and efforts to improve transaction conditions, such as advances received.

Net cash provided by investing activities totaled 2,748 million yen, compared with net cash used in investing activities of 1,741 million yen in the previous fiscal year. This reversal was due to proceeds from sales of investments in securities of 2,857 million yen.

Net cash used in financing activities was 8,729 million yen, compared with 6,805 million yen last year, owing mainly to the repayments of long-term debt of 4,616 million yen.

Financial Standing

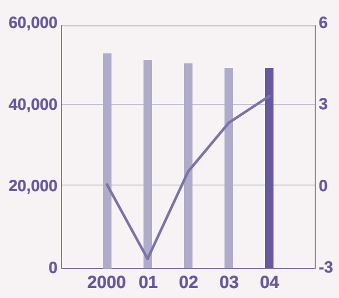
Current assets grew 1.2% from the end of the previous fiscal year to 90,887 million yen. Total investments and advances slipped 0.2% to 8,183 million yen. Net property, plant and equipment decreased 7.4% to 23,608 million yen. As a result, total assets were 129,712 million yen as of March 31, 2004, a decrease of 0.5% from a year earlier.

Current liabilities increased 18.4% to 50,447 million yen, mainly due to an increase in notes and accounts payable from 20,951 million yen to 24,681 million yen, while short-term borrowings decreased from 3,365 million yen to 600 million yen.

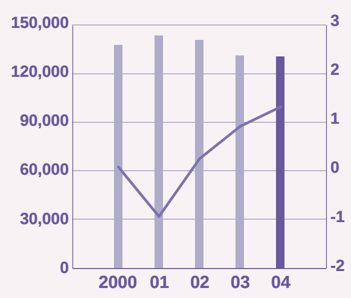
Long-term liabilities were 29,858 million yen, a decrease of 22.4% from the previous fiscal year, owing primarily to a decrease in long-term debt from 30,650 million yen in fiscal 2002 to 21,014 million yen in fiscal 2003.

Shareholders' equity totaled 49,082 million yen, on par with the previous fiscal year. The shareholders' equity ratio increased slightly from 37.6% in fiscal 2002 to 37.8% in fiscal 2003. The ratio of net income to shareholders' equity was 3.3%, an increase from 2.3% in the previous fiscal year.

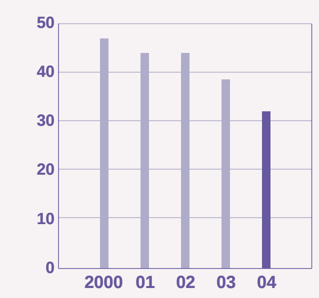
Shareholder's Equity and ROE
(Millions of yen) (%)



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



Interest-bearing Liabilities
(Millions of yen)



Consolidated Balance Sheets

Daifuku Co., Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2004 and 2003

ASSETS	March 31, 2004 (Millions of yen)	March 31, 2003 (Millions of yen)	March 31, 2004 (Thousands of U.S. dollars (Note 3))
Current assets:			
Cash and cash equivalents	¥ 17,781	¥ 18,271	$ 168,329
Notes and accounts receivable (Note 14):			
Trade	39,042	37,724	369,612
Other	510	2,069	4,828
Inventories (Note 5)	30,638	27,227	290,047
Deferred income taxes (Note 13)	1,075	645	10,177
Other current assets (Note 14)	2,149	4,135	20,348
Less: allowance for doubtful accounts	(308)	(290)	(2,915)
Total current assets	90,887	89,781	860,426
Investments and advances:			
Investments in securities (Note 4)	4,562	4,512	43,186
Investments in and advances to non-consolidated subsidiaries and affiliates	1,584	1,610	15,006
Long-term loans	204	211	1,930
Long-term receivables and other	2,275	2,317	21,531
Less: allowance for doubtful accounts	(442)	(448)	(4,184)
Total investments and advances	8,183	8,202	77,469
Property, plant and equipment:			
Land (Note 6)	7,566	8,655	71,625
Buildings and structures (Note 6)	32,078	31,453	303,686
Machinery and equipment	24,902	25,200	235,752
Construction in progress	43	88	406
	64,589	65,396	611,469
Less: accumulated depreciation	40,981	39,912	387,975
Net property, plant and equipment	23,608	25,484	223,494
Other assets:			
Deferred income taxes (Note 13)	5,499	5,072	52,057
Goodwill	94	259	888
Other	1,441	1,602	13,651
Total other assets	7,034	6,933	66,596
	¥129,712	¥130,400	$1,227,985

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	March 31, 2004 (Millions of yen)	March 31, 2003 (Millions of yen)	March 31, 2004 (Thousands of U.S. dollars (Note 3))
Current liabilities:			
Short-term borrowings (Note 6)	¥ 600	¥ 3,365	$ 5,680
Current portion of long-term debt (Note 6)	10,436	4,616	98,798
Notes and accounts payable (Note 14):			
Trade	24,681	20,951	233,655
Other	1,142	1,204	10,810
Income taxes payable	2,241	578	21,219
Accrued expenses	1,705	1,622	16,143
Advance on sales contracts	6,692	5,583	63,353
Deferred income taxes (Note 13)	16	30	150
Other current liabilities	2,934	4,675	27,775
Total current liabilities	50,447	42,624	477,583
Long-term liabilities:			
Long-term debt (Note 6)	21,014	30,650	198,940
Accrued severance indemnities (Note 7)	8,762	7,814	82,949
Deferred income taxes (Note 13)	—	1	—
Other long-term liabilities	82	34	781
Total long-term liabilities	29,858	38,499	282,670
Total liabilities	80,305	81,123	760,253
Minority interests in consolidated subsidiaries	325	251	3,077
Contingent liabilities (Note 9)			
Shareholders' equity (Note 11):			
Common stock:			
Authorized —200,000,000 shares			
Issued —113,670,721 shares	8,023	8,023	75,954
Additional paid-in capital	5,011	5,011	47,441
Retained earnings	36,928	36,433	349,600
Net unrealized gain (loss) on securities	484	(781)	4,576
Foreign currency translation adjustments	(307)	518	(2,905)
	50,139	49,204	474,666
Less: treasury stock at cost			
March 31, 2004 — 2,780,324 shares	(1,057)	—	(10,011)
March 31, 2003 — 438,394 shares	—	(178)	—
Total shareholders' equity	49,082	49,026	464,655
	¥129,712	¥130,400	$1,227,985

Consolidated Statements of Income

Daifuku Co., Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2004 and 2003

	March 31,		March 31,
	2004	2003	**2004**
	Millions of yen		Thousands of U.S. dollars (Note 3)
Net sales	**¥138,661**	¥144,108	**$1,312,701**
Cost of sales (Note 12)	**115,034**	120,776	**1,089,027**
Gross profit	**23,627**	23,332	**223,674**
Selling, general and administrative expenses (Note 12)	**18,269**	18,672	**172,945**
Operating income	**5,358**	4,660	**50,729**
Other income (expenses):			
Interest and dividend income	**105**	213	**995**
Interest expenses	**(846)**	(972)	**(8,008)**
Other, net (Note 15)	**(1,471)**	(1,851)	**(13,929)**
Income before income taxes and minority interests	**3,146**	2,050	**29,787**
Income taxes (Note 13)			
Current	**3,191**	599	**30,214**
Deferred	**(1,801)**	251	**(17,053)**
	1,390	850	**13,161**
Income before minority interests	**1,756**	1,200	**16,626**
Minority interests in net income of consolidated subsidiaries	**121**	36	**1,151**
Net income	**¥ 1,635**	¥ 1,164	**$ 15,475**

	Yen		U.S. dollars (Note 3)
Net income per share (Note 17)**:**	**¥14.50**	¥10.22	**$0.14**
Cash dividends per share:	**10.00**	10.00	**0.09**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Daifuku Co., Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2004 and 2003

	Number of shares of common stock issued	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gain (loss) on securities	Foreign currency translation adjustments	Treasury stock
	(Thousands)	(Millions of yen)					
Balance at March 31, 2002	113,671	¥8,023	¥5,011	¥36,413	¥ (409)	¥1,192	¥ (9)
Net income	—	—	—	1,164	—	—	—
Cash dividends	—	—	—	(1,137)	—	—	—
Bonuses to directors	—	—	—	(7)	—	—	—
Increase in treasury stock	—	—	—	—	—	—	(169)
Net unrealized loss on securities	—	—	—	—	(372)	—	—
Foreign currency translation adjustments	—	—	—	—	—	(674)	—
Balance at March 31, 2003	113,671	¥8,023	¥5,011	¥36,433	¥ (781)	¥ 518	¥ (178)
Net income	**—**	**—**	**—**	**1,635**	**—**	**—**	**—**
Cash dividends	**—**	**—**	**—**	**(1,132)**	**—**	**—**	**—**
Bonuses to directors	**—**	**—**	**—**	**(6)**	**—**	**—**	**—**
Decrease in companies newly consolidated	**—**	**—**	**—**	**(2)**	**—**	**—**	**—**
Increase in treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(879)**
Gain on sales of treasury stock	**—**	**—**	**0**	**—**	**—**	**—**	**—**
Net unrealized gain on securities	**—**	**—**	**—**	**—**	**1,265**	**—**	**—**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**(825)**	**—**
Balance at March 31, 2004	**113,671**	**¥8,023**	**¥5,011**	**¥36,928**	**¥ 484**	**¥ (307)**	**¥(1,057)**

	Number of shares of common stock issued	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gain (loss) on securities	Foreign currency translation adjustments	Treasury stock
	(Thousands)	(Thousands of U.S. dollars) (Note 3)					
Balance at March 31, 2003	113,671	$75,954	$47,439	$344,919	$(7,395)	$ 4,903	$ (1,685)
Net income	**—**	**—**	**—**	**15,475**	**—**	**—**	**—**
Cash dividends	**—**	**—**	**—**	**(10,720)**	**—**	**—**	**—**
Bonuses to directors	**—**	**—**	**—**	**(61)**	**—**	**—**	**—**
Decrease in companies newly consolidated	**—**	**—**	**—**	**(13)**	**—**	**—**	**—**
Increase in treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Gain on sales of treasury stock	**—**	**—**	**2**	**—**	**—**	**—**	**—**
Net unrealized gain on securities	**—**	**—**	**—**	**—**	**11,971**	**—**	**(8,326)**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**(7,808)**	**—**
Balance at March 31, 2004	**113,671**	**$75,954**	**$47,441**	**$349,600**	**$ 4,576**	**$(2,905)**	**$(10,011)**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Daifuku Co., Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2004 and 2003

	March 31, 2004	March 31, 2003	March 31, 2004
	Millions of yen		Thousands of U.S. dollars (Note 3)
Cash flows from operating activities:			
Net income before income taxes and minority interests	**¥ 3,146**	¥ 2,050	**$ 29,787**
Adjustments for:			
Depreciation	**2,474**	2,830	**23,426**
Gain on sales of short-term investments and investments in securities, net	**(1,098)**	—	**(10,396)**
Loss on valuation of investment in securities	**1**	1,734	**9**
Interest and dividend income	**(105)**	(213)	**(995)**
Interest expenses	**846**	972	**8,008**
Gain on transfer of securities to employee retirement benefit trust	**(401)**	(368)	**(3,800)**
(Increase) decrease in trade receivable	**(1,980)**	5,218	**(18,742)**
(Increase) decrease in inventories	**(4,758)**	6,721	**(45,045)**
Increase in trade payable	**4,229**	3,321	**40,039**
Other, net	**5,571**	(5,987)	**52,731**
Sub total	**7,925**	16,278	**75,022**
Interest and dividend income received	**107**	216	**1,015**
Interest expenses paid	**(852)**	(1,003)	**(8,070)**
Income taxes paid	**(1,081)**	(1,068)	**(10,231)**
Other, net	**(176)**	22	**(1,666)**
Net cash provided by operating activities	**5,923**	14,445	**56,070**
Cash flows from investing activities:			
Payments for purchase of investments in securities	**(24)**	(2,329)	**(222)**
Proceeds from sales of investments in securities	**2,857**	529	**27,047**
Payments for purchase of property, plant and equipment	**(1,446)**	(1,459)	**(13,690)**
Proceeds from sales of property, plant and equipment	**1,332**	1,771	**12,607**
Issuances of loans receivable	**(163)**	(70)	**(1,537)**
Collections of loans receivable	**77**	4	**725**
Other, net	**115**	(187)	**1,089**
Net cash provided by (used in) investing activities	**2,748**	(1,741)	**26,019**
Cash flows from financing activities:			
Decrease in short-term bank loans, net	**(2,758)**	(35)	**(26,115)**
Decrease in commercial paper, net	**—**	(3,000)	**—**
Proceeds from long-term debt	**800**	10,254	**7,574**
Repayments of long-term debt	**(4,616)**	(2,598)	**(43,700)**
Redemption of bonds	**—**	(10,000)	**—**
Payments of cash dividends	**(1,142)**	(1,134)	**(10,809)**
Payments for purchase of treasury stock	**(880)**	(169)	**(8,332)**
Other, net	**(133)**	(123)	**(1,260)**
Net cash used in financing activities	**(8,729)**	(6,805)	**(82,642)**
Effect of exchange rate change on cash and cash equivalents	**(572)**	(432)	**(5,408)**
Net increase (decrease) in cash and cash equivalents	**(630)**	5,467	**(5,961)**
Cash and cash equivalents at beginning of year	**18,271**	12,804	**172,975**
Increase due to companies newly consolidated	**140**	—	**1,315**
Cash and cash equivalents at end of year	**¥17,781**	¥18,271	**$168,329**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Daifuku Co., Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2004 and 2003

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by DAIFUKU Co., Ltd. (the "Company") and its consolidated subsidiaries. The Company and its domestic subsidiaries have maintained their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with generally accepted accounting principles prevailing in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required from the Securities and Exchange Law of Japan. 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.

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 eleven subsidiaries at March 31, 2004 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 these methods, 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".

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

(3) Foreign currency translation

The Company and its domestic subsidiaries adopted the accounting standard for foreign currency translation. Under this 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.

(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 and raw materials are determined by the moving-average method, while the specific-identification method is used for other inventories.

(6) Financial instruments

(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 are, "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 hold to maturity.

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

Investments in non-consolidated 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.

(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 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) Accounting standard for impairment of fixed assets

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets." The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

The standard shall be effective for fiscal years beginning April 1, 2005. However, an earlier adoption is permitted for fiscal years beginning April 1, 2004 and for fiscal years ending between March 31, 2004 and March 30, 2005.

The Company has not yet applied this new standard nor has determined the effect of applying it on the accompanying consolidated financial statements.

(10) Goodwill

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

(11) 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 to temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(12) 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 the date of the initial application of the new accounting standard for retirement benefits, the Company and its domestic subsidiaries had an "unrecognized portion of net obligation" for ¥7,213 million. The Company charged ¥4,297 million to income, which is equivalent to "Retirement Benefit Trust" (see Note 7), and the remaining balance of ¥2,916 million is amortized on a straight-line basis over 5 years.

(13) 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 fiscal year. The appropriation of retained earnings reflected in the accompanying consolidated financial statements for each fiscal year represents the appropriations

which were approved by the shareholders' meeting and disposed of during that year but which related to the immediately preceding fiscal year.

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

(14) Net income and dividends per share

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

Effective from April 1, 2002, the Company adopted "the Accounting Standards for Earnings Per Share" and "the Guideline for the Accounting Standards for Earnings Per Share" issued by the Accounting Standards Board of Japan. The computation of basic net income per share is based upon the weighted average number of shares of common stock outstanding during each period. The computation of diluted net income per share is based upon the weighted average number of shares of common stock outstanding during each period after consideration of the dilutive effect of common stock equivalents which include warrants and convertible bonds.

The adoption of the new method had no material impact on the figures of "Net income and dividend per share."

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

(15) Japanese consumption taxes

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

(16) Reclassifications

Certain prior-year amounts on the accompanying 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 ¥105.63 to U.S.$1, being the effective rate of exchange at March 31, 2004. 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 ¥105.63 to U.S.$1 or at any other rate.

4. Investments in securities

Investments in securities as of March 31, 2004 and 2003 were as follows:

	March 31,		March 31,
	2004	2003	**2004**
	(Millions of yen)		(Thousands of U.S. dollars)
Investments in securities:			
Equity securities	**¥4,562**	¥4,449	**$43,186**
Others	**—**	63	**—**
	¥4,562	¥4,512	**$43,186**

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, 2004 and 2003 were summarized as follows:

	March 31, 2004		
	(Millions of yen)		
	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Securities with carrying amounts on the consolidated balance sheet exceeding their acquisition cost			
Investments in securities:			
Equity securities	**¥2,591**	**¥3,438**	**¥847**

	March 31, 2003		
	(Millions of yen)		
	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Securities with carrying amounts on the consolidated balance sheet exceeding their acquisition cost			
Investments in securities:			
Equity securities	¥131	¥141	¥10

	March 31, 2004		
	(Thousands of U.S. dollars)		
	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Securities with carrying amounts on the consolidated balance sheet exceeding their acquisition cost			
Investments in securities:			
Equity securities	**$24,526**	**$32,549**	**$8,023**

	March 31, 2004		
	(Millions of yen)		
	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Securities with carrying amounts on the consolidated balance sheet that do not exceed their acquisition cost			
Investments in securities:			
Equity securities	**¥74**	**¥56**	**¥(18)**

	March 31, 2003 (Millions of yen)		
	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Securities with carrying amounts on the consolidated balance sheet that do not exceed their acquisition cost			
Investments in securities:			
Equity securities	¥4,522	¥3,188	¥(1,334)
Others	63	63	—
	¥4,585	¥3,251	¥(1,334)

	March 31, 2004 (Thousands of U.S. dollars)		
	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Securities with carrying amounts on the consolidated balance sheet that do not exceed their acquisition cost			
Investments in securities:			
Equity securities	**$704**	**$529**	**$(175)**

"Other securities" sold during the years ended March 31, 2004 and 2003 were as follows:

	March 31,		March 31,
	2004	2003	**2004**
	(Millions of yen)		(Thousands of U.S. dollars)
Proceeds of sales	**¥2,857**	¥—	**$27,047**
Gain on sales	**1,098**	—	**10,397**

Book values of "Other securities" which were not marketable as of March 31, 2004 and 2003 are summarized as follows:

	March 31,		March 31,
	2004	2003	**2004**
	(Millions of yen)		(Thousands of U.S. dollars)
Investments in securities:			
Equity securities	**¥1,068**	¥1,120	**$10,108**

5. Inventories

Inventories as of March 31, 2004 and 2003 consisted of the following:

	March 31,		March 31,
	2004	2003	**2004**
	(Millions of yen)		(Thousands of U.S. dollars)
Finished products	**¥ 1,674**	¥ 1,601	**$ 15,844**
Work in process	**24,598**	21,075	**232,871**
Raw materials	**3,856**	4,068	**36,503**
Others	**510**	483	**4,829**
	¥30,638	¥27,227	**$290,047**

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, 2004 were from 0.70% to 0.83%.

Long-term debt outstanding at March 31, 2004 and 2003, consisted of the following:

	March 31,		March 31,
	2004	2003	**2004**
	(Millions of yen)		(Thousands of U.S. dollars)
Loans, principally from banks with annual interest ranging from 0.73% to 2.15% secured and unsecured	**¥31,450**	¥35,266	**$297,738**
Less:			
portion due within one year	**10,436**	4,616	**98,798**
	¥21,014	¥30,650	**$198,940**

Assets pledged as collateral for long-term debt with banks as of March 31, 2004 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Buildings, less accumulated depreciation	**¥ 447**	**$ 4,234**
Land	**1,144**	**10,828**
	¥1,591	**$ 15,062**

The aggregate annual maturity of long-term debt other than the portion due within one year outstanding at March 31, 2004 were as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2006	¥ 7,686	$ 72,763
2007	12,436	117,732
2008	36	341
2009 and thereafter	856	8,104
	¥21,014	$198,940

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.

In the fiscal years of 2004 and 2003, the Company additionally contributed certain marketable equity securities to the Retirement Benefits Trust, which were established in 2001, and recognized gains of ¥401 million ($3,800 thousand) and ¥368 million as "Gain on transfer of securities to employee retirement benefits trust" in the accompanying consolidated income statement for the years ended March 31, 2004 and 2003.

The accrued severance indemnities as of March 31, 2004 and 2003 were analyzed as follows:

	March 31,		March 31,
	2004	2003	**2004**
	(Millions of yen)		(Thousands of U.S. dollars)
Projected benefit obligations	**¥(23,386)**	¥(22,425)	**$(221,393)**
Plan assets	**13,075**	8,232	**123,782**
Funded status	**(10,311)**	(14,193)	**(97,611)**
Unrecognized portion of net obligation at date of initial application of new accounting standards	**583**	1,167	**5,522**
Unrecognized actuarial differences	**966**	5,212	**9,140**
Accrued severance indemnities recognized on balance sheet	**¥ (8,762)**	¥ (7,814)	**$ (82,949)**

Net pension expense relating to the retirement benefits for the years ended March 31, 2004 and 2003 were as follows:

	March 31,		March 31,
	2004	2003	**2004**
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	**¥1,120**	¥1,095	**$10,607**
Interest cost	**630**	616	**5,962**
Expected return on plan assets	**(123)**	(113)	**(1,167)**
Amortization of transition amount	**583**	583	**5,522**
Amortization of actual differences	**1,243**	751	**11,763**
Net pension expense	**¥3,453**	¥2,932	**$32,687**

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

	March 31,	
	2004	2003
Discount rate	**2.7%**	2.9%
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 respective defined contribution plans.

8. Lease commitments

Rent expenses relating to the financing lease transactions for the years ended March 31,2004 and 2003 were summarized as follows.

	March 31,		March 31,
	2004	2003	**2004**
	(Millions of yen)		(Thousands of U.S. dollars)
Rental expenses	**¥351**	¥256	**$3,324**

The future minimum lease payments required under the terms of these financing leases as of March 31, 2004 and 2003 were as follows:

	March 31,		March 31,
	2004	2003	**2004**
	(Millions of yen)		(Thousands of U.S. dollars)
Due within one year	**¥ 324**	¥ 318	**$ 3,064**
Due after one year	**1,559**	1,610	**14,762**
	¥1,883	¥1,928	**$17,826**

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, 2004 and 2003 were as follows:

	March 31,		March 31,
	2004	2003	**2004**
	(Millions of yen)		(Thousands of U.S. dollars)
Acquisition cost	**¥2,932**	¥2,617	**$27,757**
Accumulated depreciation	**1,049**	689	**9,931**
Net book value	**¥1,883**	¥1,928	**$17,826**

Depreciation expense for the year ended March 31, 2004 was ¥351 million ($3,324 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, 2004 and 2003 were as follows:

	March 31,		March 31,
	2004	2003	2004
	(Millions of yen)		(Thousands of U.S. dollars)
Due within one year	¥329	¥ 329	$3,114
Due after one year	658	987	6,228
	¥987	¥1,316	$9,342

9. Contingent liabilities

Contingent liabilities of the Companies at March 31, 2004 and 2003 are summarized as follow:

	March 31,		March 31,
	2004	2003	2004
	(Millions of yen)		(Thousands of U.S. dollars)
Notes discounted in the normal course of business	¥1,000	¥—	$9,467

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 ¥250 million ($2,363 thousand) as of March 31, 2004.

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, which is recorded pursuant to the Japanese Commercial Code and included in additional paid-in capital in the accompanying consolidated balance sheet, primarily consists of proceeds on issuance of shares of common stock of the Company that are 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 unappropriated 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 ¥4,232 million ($40,063 thousand) and ¥4,254 million for the years ended March 31, 2004 and 2003, respectively.

13. 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, 2004 and 2003. 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, 2004 and 2003 were summarized as follows:

	March 31,		March 31,
	2004	2003	2004
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Accrued bonus	¥ 368	¥ 290	$ 3,483
Enterprise tax	205	21	1,941
Allowance for doubtful accounts	182	173	1,726
Accrued severance indemnities	5,748	4,263	54,418
Operating loss carryfowards for tax purposes	1,267	1,400	11,993
Net unrealized loss on securities	—	543	—
Others	1,313	1,134	12,425
Sub total	9,083	7,824	85,986
Less: valuation allowance	(762)	(859)	(7,212)
Total deferred tax assets	¥ 8,321	¥ 6,965	$ 78,774
Deferred tax liabilities:			
Deferred gain on sales of assets	¥ (135)	¥ (144)	$ (1,280)
Gain on securities contributed to employee retirement benefit trust	(1,228)	(1,061)	(11,630)
Net unrealized gain on securities	(340)	—	(3,218)
Others	(60)	(73)	(563)
Total deferred tax liabilities	(1,763)	¥(1,278)	(16,691)
Net deferred tax assets	¥ 6,558	¥ 5,687	$ 62,083

Reconciliation of the differences between the statutory tax rate and the effective income tax rate as of March 31, 2004 were as follows:

	March 31,
	2004
Statutory tax rate	42.0%
Utilization of net operating loss carryforwards in the consolidated subsidiaries	(2.4)
Lower tax rates of overseas subsidiaries	(8.5)
Expenses not deductible for income tax purpose	11.6
Others	1.5
Effective tax rate	44.2%

The reconciliation sheet as of March 31, 2003 was not disclosed, since the differences between the statutory tax rate and the effective income tax rate was immaterial for the year then ended.

For the year ending March 31, 2005, a corporation size-based enterprise tax will be introduced and will supersede the current enterprise tax. As a result, the statutory tax rate for the year ending March 31, 2005, will be reduced. As of March 31, 2003, the newly enacted tax rates were used in calculating the future expected tax effects of temporary differences to be realized after April 1, 2004. Consequently, as of March 31, 2004, deferred tax assets (net of deferred tax liabilities) were decreased by ¥102 million, net unrealized losses on securities were decreased by ¥13 million, and income taxes—deferred for the year ended March 31, 2004, were increased by ¥89 million.

14. 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, 2004 and 2003 were summarized as follows:

	March 31,		March 31,
	2004	2003	2004
	(Millions of yen)		(Thousands of U.S. dollars)
Notes and accounts receivable	¥258	¥218	$2,441
Other current assets (Short-term loans)	144	26	1,364
Notes and accounts payable	60	40	569

15. Other income and other expenses

"Other, net" consisted of the following for the years ended March 31, 2004 and 2003, respectively.

	March 31,		March 31,
	2004	2003	2004
	(Millions of yen)		(Thousands of U.S. dollars)
Foreign exchange gain (loss), net	¥ (318)	¥ (430)	$ (3,013)
Gain on sales of property, plant and equipment	127	911	1,207
Gain on sales of investments in securities	1,098	—	10,396
Loss on disposal of inventories	(1,365)	—	(12,923)
Loss on disposal of property, plant and equipment	(84)	(85)	(799)
Loss on sales of land	(514)	—	(4,868)
Loss on valuation of investment in securities	(1)	(1,734)	(9)
Gain on transfer of securities to employee retirement benefit trust	401	368	3,800
Directors' retirement benefits	(206)	(12)	(1,954)
Special provision for retirement benefit costs	(583)	(583)	(5,522)
Other, net	(26)	(286)	(244)
Total	¥(1,471)	¥(1,851)	$(13,929)

16. Segment information

Segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2004 and 2003 are presented below:

(1) Segment information by product

For the year ended March 31, 2004

	(Millions of Yen)				
	Logistics systems	Electronic goods	Other products	Adjustments and eliminations	Consolidated total
Sales:					
Sales to outside customer	¥115,426	¥13,515	¥ 9,720	¥ —	¥138,661
Inter—segment sales	68	238	2,025	(2,331)	—
Total	115,494	13,753	11,745	(2,331)	138,661
Operating expenses	109,107	11,712	11,375	1,109	133,303
Operating income	¥ 6,387	¥ 2,041	¥ 370	¥ (3,440)	¥ 5,358
Identifiable assets	¥ 78,020	¥11,100	¥ 3,859	¥36,733	¥129,712
Depreciation	1,143	116	167	1,048	2,474
Capital expenditure	806	100	210	258	1,374

For the year ended March 31, 2003

	(Millions of Yen)				
	Logistics systems	Electronic goods	Other products	Adjustments and eliminations	Consolidated total
Sales:					
Sales to outside customer	¥121,525	¥11,700	¥10,883	¥ —	¥144,108
Inter—segment sales	108	320	1,806	(2,234)	—
Total	121,633	12,020	12,689	(2,234)	144,108
Operating expenses	115,940	10,696	11,915	897	139,448
Operating income	¥ 5,693	¥ 1,324	¥ 774	¥ (3,131)	¥ 4,660
Identifiable assets	¥ 77,329	¥10,410	¥ 5,056	¥37,605	¥130,400
Depreciation	1,365	131	161	1,173	2,830
Capital expenditure	1,006	67	99	104	1,276

For the year ended March 31, 2004

	(Thousands of U.S. dollars)				
	Logistics systems	Electronic goods	Other products	Adjustments and eliminations	Consolidated total
Sales:					
Sales to outside customer	$1,092,733	$127,953	$ 92,015	$ —	$1,312,701
Inter—segment sales	648	2,253	19,170	(22,071)	—
Total	1,093,381	130,206	111,185	(22,071)	1,312,701
Operating expenses	1,032,917	110,877	107,681	10,497	1,261,972
Operating income	$ 60,464	$ 19,329	$ 3,504	$ (32,568)	$ 50,729
Identifiable assets	$ 738,617	$105,083	$ 36,534	$347,751	$1,227,985
Depreciation	10,820	1,106	1,580	9,920	23,426
Capital expenditure	7,630	948	1,981	2,444	13,003

These sections include the following main products:

Logistics systems: Conveyor systems, Monorail systems, Automatic guided vehicles, Automated storage and retrieval systems, Racks, Box pallets
Electronic goods: Modules for personal computers
Other products: Car-washing machines

(2) Segment information by geographic area

For the year ended March 31, 2004

	(Millions of Yen)				
	Japan	North America	Other	Adjustments and eliminations	Consolidated total
Sales:					
Sales to outside customer	¥115,360	¥14,080	¥ 9,221	¥ —	¥138,661
Inter—segment sales	8,734	941	2,882	(12,557)	—
Total	124,094	15,021	12,103	(12,557)	138,661
Operating expenses	115,883	15,217	11,320	(9,117)	133,303
Operating income (loss)	¥ 8,211	¥ (196)	¥ 783	¥ (3,440)	¥ 5,358
Identifiable assets	¥ 90,519	¥ 9,085	¥ 6,654	¥ 23,454	¥129,712

For the year ended March 31, 2003

	(Millions of Yen)				
	Japan	North America	Other	Adjustments and eliminations	Consolidated total
Sales:					
Sales to outside customer	¥113,083	¥23,277	¥7,748	¥ —	¥144,108
Inter—segment sales	17,353	618	1,836	(19,807)	—
Total	130,436	23,895	9,584	(19,807)	144,108
Operating expenses	123,393	23,454	9,277	(16,676)	139,448
Operating income (loss)	¥ 7,043	¥ 441	¥ 307	¥ (3,131)	¥ 4,660
Identifiable assets	¥ 89,987	¥14,742	¥7,326	¥ 18,435	¥130,400

For the year ended March 31, 2004

	(Thousands of U.S. dollars)				
	Japan	North America	Other	Adjustments and eliminations	Consolidated total
Sales:					
Sales to outside customer	$1,092,117	$133,291	$ 87,293	$ —	$1,312,701
Inter—segment sales	82,683	8,908	27,290	(118,881)	—
Total	1,174,800	142,199	114,583	(118,881)	1,312,701
Operating expenses	1,097,064	144,058	107,163	(86,313)	1,261,972
Operating income (loss)	$ 77,736	$ (1,859)	$ 7,420	$ (32,568)	$ 50,729
Identifiable assets	$ 856,943	$ 86,007	$ 62,992	$ 222,043	$1,227,985

(3) Overseas sales

For the year ended March 31, 2004

	(Millions of Yen)			
	North America	Asia	Other	Total
Overseas sales	¥13,424	¥32,923	¥4,914	¥ 51,261
Consolidated sales	—	—	—	138,661
Ratio of overseas sales to consolidated sales	9.7%	23.7%	3.6%	37.0%

For the year ended March 31, 2003

	(Millions of Yen)			
	North America	Asia	Other	Total
Overseas sales	¥18,148	¥21,851	¥10,871	¥ 50,870
Consolidated sales	—	—	—	144,108
Ratio of overseas sales to consolidated sales	12.6%	15.2%	7.5%	35.3%

For the year ended March 31, 2004

	(Thousands of U.S. dollars)			
	North America	Asia	Other	Total
Overseas sales	$127,086	$311,680	$46,526	$ 485,292
Consolidated sales	—	—	—	1,312,701
Ratio of overseas sales to consolidated sales	9.7%	23.7%	3.6%	37.0%

Overseas net sales for the years ended March 31, 2004 and 2003 included exports by the Company and offshore sales by its consolidated subsidiaries, excluding sales to Japan.

17. Earnings per share

The amounts of basic and diluted net income per share for the years ended March 31, 2004 and 2003 were as follows:

	March 31, 2004	March 31, 2003	March 31, 2004
	(Millions of yen)		(Thousands of U.S. dollars)
Net income per share			
—Basic	**¥14.50**	¥10.02	**$ 0.14**
—Diluted	**—**	—	**—**

The figure of diluted net income per share is not disclosed, since there was no potential share of common stock that had dilutive effect.

The amounts and numbers used for the basic net income per share computation for the years ended March 31, 2004 and 2003 were as follows;

	March 31, 2004	March 31, 2003	March 31, 2004
	(Millions of yen)		(Thousands of U.S. dollars)
Net income	**¥1,635**	¥1,164	**$15,475**
Bonuses to directors and corporate auditors	**22**	5	**206**
Adjusted net income	**¥1,613**	¥1,159	**$15,269**
Weighted average number of shares of common stock	**111,219,936**	113,432,778	

18. Subsequent event

On June 29, 2004 the shareholders of the Company approved the payment of a cash dividend to shareholders of record on March 31, 2004 of ¥10 per share, or a total of ¥1,109 million ($10,498 thousand).

Report of Independent Auditors

To the Board of Directors and Shareholders of
DAIFUKU Co., Ltd.

We have audited the accompanying consolidated balance sheets of DAIFUKU Co., Ltd. and its consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The amounts 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.

ChuoAoyama PricewaterhouseCoopers

Osaka, Japan
June 29, 2004