

Financial Section

Five-Year Summary

Daifuku Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2008, 2007, 2006, 2005, and 2004

	2008	2008	2007	2006	2005	2004
	(Millions of yen and thousands of U.S. dollars)					
For the Year						
Net sales	¥231,619	\$2,311,569	¥232,703	¥198,811	¥166,232	¥138,661
Cost of sales	182,260	1,818,971	186,991	159,312	134,696	115,034
Selling, general and administrative expenses	28,680	286,233	26,875	22,982	20,746	18,269
Operating income	20,677	206,364	18,836	16,517	10,790	5,358
Income before income taxes and minority interests	20,592	205,511	18,355	16,741	8,580	3,146
Net income	11,893	118,696	11,382	10,253	5,231	1,635
Net income per share (Yen and U.S. dollars)	¥ 105.05	\$ 1.05	¥ 100.50	¥ 92.20	¥ 46.07	¥ 14.50
Cash dividends per share (Yen and U.S. dollars)	26.00	0.26	25.00	18.00	13.00	10.00
Capital investment	¥ 4,071	\$ 40,632	¥ 8,280	¥ 5,236	¥ 3,671	¥ 1,374
Depreciation	3,401	33,950	2,885	2,271	2,184	2,474
R&D expenditures	6,964	69,504	7,564	7,629	4,970	4,231
At Year-End						
Total assets	¥222,386	\$2,219,428	¥195,015	¥181,990	¥147,158	¥129,712
Working capital	64,840	647,107	60,351	52,249	42,575	40,440
Interest-bearing liabilities	33,559	334,921	33,764	33,856	29,136	32,050
Net assets	88,709	885,320	80,717	68,882	53,337	49,082
Net assets per share (Yen and U.S. dollars)	¥ 746.59	\$ 7.45	¥ 682.01	¥ 608.12	¥ 480.14	¥ 442.61
No. of employees	5,663		4,702	4,109	3,716	3,453
Ratios						
Operating income/net sales	8.9%		8.1%	8.3%	6.5%	3.9%
Income before income taxes and minority interests/net sales	8.9		7.9	8.4	5.2	2.3
Net income/net sales	5.1		4.9	5.2	3.1	1.2
Return on shareholders' equity (ROE)	14.7		15.6	16.8	10.2	3.3
Shareholders' equity/total assets	38.0		39.6	37.8	36.2	37.8

Notes: 1. The U.S. dollar amounts in this annual report are translated from Japanese yen for convenience only, at the rate of ¥100.20 = U.S.\$1, the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2008.

2. For the fiscal years ended March 31, 2008 and 2007 (fiscal 2007 and 2006), the line item "net assets" is provided, as the Company adopted, effective fiscal 2006, the new accounting standards for the presentation of net assets in the balance sheet. For prior fiscal years, conventional shareholders' equity, rather than net assets, is presented in this line item.

3. In the calculation of net assets per share, the amount of minority interests is subtracted from the amount of total net assets.

4. In the calculation of return on shareholders' equity (ROE) and the shareholders' equity/total assets ratio, shareholders' equity represents the amount of total net assets less minority interests.

Contents

Consolidated Financial Review	26
Consolidated Balance Sheets	28
Consolidated Statements of Income	30
Consolidated Statements of Changes in Net Assets..	31
Consolidated Statements of Cash Flows.....	33
Notes to the Consolidated Financial Statements.....	34
Report of Independent Auditors	48

Consolidated Financial Review

Overview

In the fiscal year ended March 31, 2008 (fiscal 2007), the overall global economic situation was one of expectation that the trend toward expansion would continue. Ongoing high growth in the emerging economies, such as China, India and Russia, and in Asian countries compensated for the U.S. subprime loan crisis that spilled over to cause a growth slowdown in developed countries. Underpinned by robust exports and capital expenditure, the Japanese economy continued its underlying expansion, but in the second half there was concern that such factors as the slowdown in the U.S. economy and soaring prices for oil and other resources would lead to a recessionary phase.

Note: Jervis B. Webb Company ("Webb") and its subsidiaries, and Osaka Machinery Works Co., Ltd. ("Osaka Machinery Works") were both acquired late in the fiscal year under review. As their deemed date of acquisition was the fiscal year-end, only the balance sheets of these two company groups are consolidated in Daifuku's consolidated financial settlement for fiscal 2007.

Orders Received and Net Sales

In fiscal 2007, Daifuku's mainstay Logistics Systems segment enjoyed a favorable level of orders received for storage, transport, sorting and picking systems from IT, food, beverage, pharmaceuticals and other manufacturing and distribution industries in Japan and overseas; for cleanroom transport and storage systems from the electronics industries in Japan, the United States and Asia; and for conveyor systems for automobile production lines in Japan, Europe, the United States and Asia. As a result, net orders received increased 3.2% compared with the previous fiscal year, to 243,761 million yen.

Although Logistics Systems enjoyed brisk business, consolidated net sales edged down 0.5%, to 231,619 million yen. Of the

total consolidated net sales, domestic net sales (sales to customers in Japan) edged up 0.9% to 130,204 million yen, and overseas net sales, affected in part by exchange rates, decreased 2.1% to 101,415 million yen. Consequently, the overseas net sales ratio remained essentially unchanged, dropping down slightly from the previous fiscal year's 44.5% to 43.8%. By region, overseas sales were 16,592 million yen in North America, 75,008 million in Asia and 9,814 million in other regions, accounting for 7.2%, 32.4% and 4.2% of total consolidated net sales, respectively.

Although these circumstances brought about intensified competition in the material handling industry, the Daifuku Group was able to better its best-ever performance in terms of orders received, recorded in fiscal 2006, by unerringly seizing on the opportunities afforded by the growth-oriented capital investment carried out by customer industries in Japan and overseas. Regarding earnings, although net sales were down slightly, Daifuku was able to record all-time Company highs in operating income, income before income taxes and net income for the sixth consecutive year.

total consolidated net sales, domestic net sales (sales to customers in Japan) edged up 0.9% to 130,204 million yen, and overseas net sales, affected in part by exchange rates, decreased 2.1% to 101,415 million yen. Consequently, the overseas net sales ratio remained essentially unchanged, dropping down slightly from the previous fiscal year's 44.5% to 43.8%. By region, overseas sales were 16,592 million yen in North America, 75,008 million in Asia and 9,814 million in other regions, accounting for 7.2%, 32.4% and 4.2% of total consolidated net sales, respectively.

Income

Operating income increased 9.8% year on year, to 20,677 million yen. In addition to the improvement in operating levels brought about by the higher level of orders received, this improvement in earnings reflected the thorough implementation of cost-management measures for large-scale project contracts; the promotion of optimal global production and increased material procurement from global sources; the leveraging of IT-driven new production control systems; and the cultivation of strong partnerships with overseas affiliates. Daifuku also expanded its income generated from aftermarket

service and retrofitting business. As a result, the operating income margin rose to 8.9% from 8.1% in the previous fiscal year.

Income before income taxes and minority interests (pretax income), which is operating income added to other income and expenses, increased 12.2% to 20,592 million yen compared with the previous fiscal year. Net income, the result of deducting income taxes and minority interests from pretax income, rose 4.5% to 11,893 million yen. Both the ratio of pretax income to net sales

as well as the ratio of net income to net sales displayed upward trends, from 7.9% to 8.9%, and from 4.9% to 5.1%, respectively.

Net income per share of common stock was 105.05 yen, up from 100.50 in the previous fiscal year (representing an increase from 98.82 yen to 103.29 yen on a diluted basis). Reflecting this

favorable upturn, 16 yen per share was distributed as a year-end dividend, 1 yen per share more than was distributed a year ago. Consequently, when added to the interim dividend already paid, the dividend for the year totaled 26 yen per share, a year-on-year increase of 1 yen per share.

Financial Standing

As of March 31, 2008, total assets stood at 222,386 million yen, an increase of 27,371 million yen compared with the 195,015 million yen recorded at the end of the previous fiscal year. This increase was primarily due to the acquisition of shares in Webb and Osaka Machinery Works, their total assets adding 25,376 million yen at the time of acquisition.

Including this factor, both current assets and fixed assets increased at the fiscal year-end, by 19,751 million yen to 165,253 million yen, and by 7,620 million yen to 57,133 million yen, respectively. Capital investment for the fiscal year under review, primarily for the purpose of modernizing Daifuku production bases in Japan and overseas, totaled 4,071 million yen.

Meanwhile, total liabilities rose 19,379 million yen to 133,677 million yen. The main factor in this increase was the newly consolidated liabilities amounting to 17,837 million yen resulting from the aforementioned acquisition of Webb and Osaka Machinery

Works. Including this factor again, current liabilities increased 15,262 million yen to 100,413 million yen, and long-term liabilities rose 4,117 million yen to 33,264 million yen. Total interest-bearing liabilities, such as short- and long-term borrowings and corporate bonds, totaled 33,559 million yen, a decrease of 205 million yen compared with the previous fiscal year-end.

Net assets at the end of the fiscal year under review (Note 1) amounted to 88,709 million yen, an increase of 7,991 million yen compared with the end of the previous fiscal year. The primary contributory factor was an increase in retained earnings, which more than offset a partial fall in valuation and translation adjustments. As a result, net assets per share (Note 2) increased to 746.59 yen from 682.01 yen at the previous fiscal year-end.

Return on equity (ROE) edged down from 15.6% at the end of the previous fiscal year to 14.7%, while the equity ratio fell from 39.6% to 38.0% (Note 3).

Notes: 1. For the fiscal years ended March 31, 2008 and 2007 (fiscal 2007 and 2006), the line item "net assets" is provided, as the Company adopted, effective fiscal 2006, the new accounting standards for the presentation of net assets in the balance sheet. For prior fiscal years, conventional shareholders' equity, rather than net assets, is presented in this line item.
2. In the calculation of net assets per share, the amount of minority interests is subtracted from the amount of total net assets.
3. In the calculation of return on shareholders' equity (ROE) and the shareholders' equity/total assets ratio, shareholders' equity represents the amount of total net assets less minority interests.

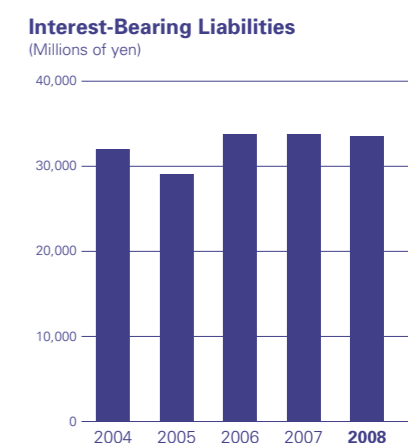
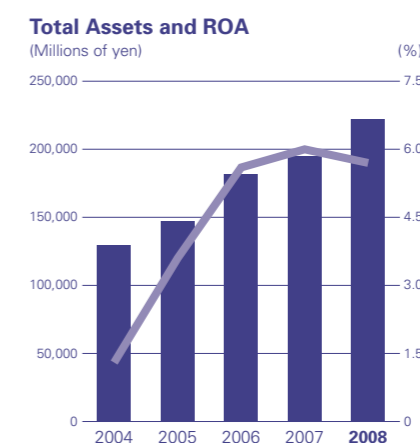
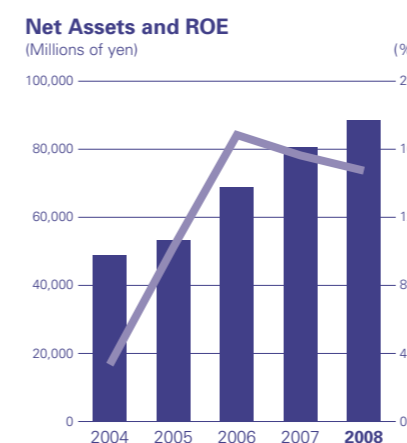
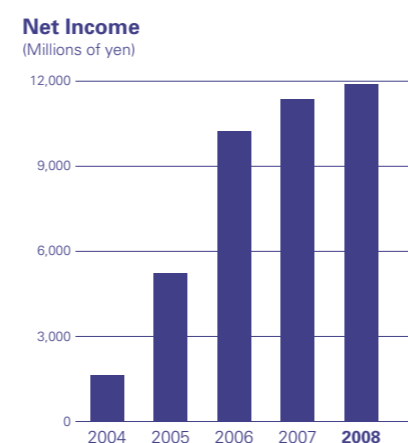
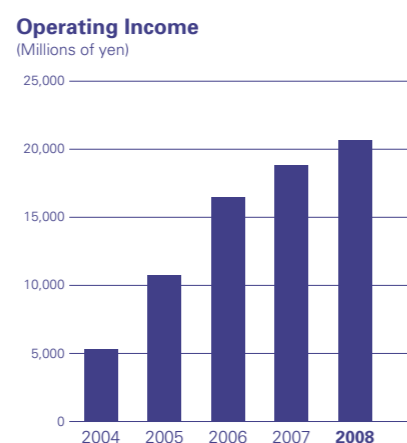
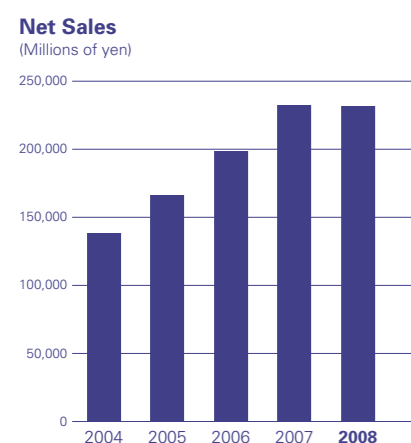
Cash Flows

Net cash provided by operating activities grew from 864 million yen recorded in the previous fiscal year to 21,235 million yen. The primary factors in this growth included a higher level of income before income taxes and minority interests and an increased amount of advances on sales contracts.

Net cash used in investing activities amounted to 6,341 million yen, as compared with 10,257 million yen in the previous fiscal year. Despite the outflow recorded in connection with the acquisition of shares in Webb and Osaka Machinery Works, the principal factors for this decrease in investing activities included the lower levels of capital expenditures in fixed assets mentioned above.

Net cash used in financing activities totaled 3,531 million yen, versus the previous fiscal year's 2,328 million yen. This result is mainly due to ¥2,824 million allocated for cash dividend payments.

After factoring in the effect of exchange rate change on cash and cash equivalents and other factors, cash and cash equivalents at the end of the fiscal year under review increased by 11,245 million yen from a year ago, to 31,215 million yen.



Consolidated Balance Sheets

Daifuku Co., Ltd. and consolidated subsidiaries
March 31, 2008 and 2007

	March 31		March 31
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S.dollars) (Note 5)
ASSETS			
Current assets:			
Cash on hand and in banks (Note 19)	¥ 31,749	¥ 19,980	\$ 316,859
Notes and accounts receivable	62,235	61,474	621,117
Inventories	53,512	52,547	534,058
Deferred income taxes (Note 18)	4,299	3,678	42,913
Other current assets	13,732	8,006	137,046
Less: allowance for doubtful accounts	(276)	(185)	(2,762)
Total current assets	165,253	145,501	1,649,233
Fixed assets:			
Property, plant and equipment (Notes 6 and 9):			
Buildings and structures	20,289	17,330	202,487
Machinery and vehicles	4,440	3,811	44,311
Equipment	1,305	1,361	13,031
Land	12,008	10,087	119,844
Construction in progress	931	785	9,291
Others	155	98	1,556
Total property, plant and equipment	39,130	33,473	390,522
Intangible assets:			
Goodwill	1,714	1,155	17,113
Other	1,988	1,913	19,844
Total Intangible assets	3,703	3,068	36,957
Investments and other assets:			
Investments in securities (Notes 7 and 8)	4,423	5,656	44,146
Long-term loans	423	445	4,227
Deferred income taxes (Note 18)	4,843	3,662	48,338
Other (Note 8)	4,935	3,551	49,259
Less: allowance for doubtful accounts	(326)	(344)	(3,256)
Total investments and other assets	14,299	12,970	142,714
Total assets	¥222,386	¥195,015	\$2,219,428

The accompanying notes are an integral part of these statements.

	March 31		March 31
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S.dollars) (Note 5)
LIABILITIES			
Current liabilities:			
Notes and accounts payable	¥ 42,034	¥ 44,190	\$ 419,504
Short term loans and current portion of long term loans (Note 9)	6,297	6,452	62,853
Current portion of long-term bonds (Note 9)	4,000	3,000	39,920
Income taxes payable	3,797	3,545	37,900
Deferred income taxes (Note 18)	55	31	549
Advances on sales contracts	22,284	13,352	222,404
Provision for directors' bonuses	75	—	753
Other current liabilities	21,867	14,578	218,240
Total current liabilities	100,413	85,150	1,002,126
Long-term liabilities:			
Bonds (Note 9)	4,000	4,000	39,920
Bonds with subscription rights to shares (Note 9)	4,998	4,998	49,880
Long-term loans (Note 9)	14,263	15,313	142,347
Long-term payables	1,574	2,370	15,715
Deferred income taxes (Note 18)	2,283	48	22,785
Provision for retirement benefits (Note 10)	2,733	2,175	27,284
Provision for directors' retirement benefits	78	—	785
Negative goodwill	1,060	—	10,583
Other long-term liabilities	2,272	241	22,679
Total long-term liabilities	33,264	29,147	331,981
Total liabilities	133,677	114,297	1,334,107
Contingent liabilities (Note 12)			
NET ASSETS			
Shareholders' equity (Note 14):			
Common stock:			
Authorized—250,000,000 shares			
Issued— 113,671,494 shares	8,024	8,024	80,080
Capital surplus	9,030	9,028	90,123
Retained earnings	66,587	57,577	664,546
Less: treasury stock, at cost—466,485 shares	(286)	(240)	(2,861)
Total shareholders' equity	83,355	74,389	831,889
Valuation and translation adjustments:			
Net unrealized gain on securities	127	1,001	1,270
Deferred gain (loss) on hedges	18	(60)	185
Foreign currency translation adjustments	1,016	1,896	10,148
Total valuation and translation adjustments	1,162	2,837	11,603
Minority interests			
Total net assets	88,709	80,717	885,320
Total liabilities and net assets	¥222,386	¥195,015	\$2,219,428

Consolidated Statements of Income

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2008 and 2007

	March 31		March 31
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S.dollars) (Note 5)
Net sales	¥231,619	¥232,703	\$2,311,569
Cost of sales	182,260	186,991	1,818,971
Gross profit	49,358	45,712	492,597
Selling expenses (Notes 15 and 16)	14,650	14,213	146,208
General and administrative expenses (Note 15)	14,030	12,662	140,024
Operating income	20,677	18,836	206,364
Other income:			
Interest income	316	249	3,161
Dividend income	86	67	864
Refunded foreign taxes	162	—	1,623
Dividend distribution from silent partnership	119	—	1,194
Miscellaneous income	398	250	3,979
Other expenses:			
Interest expenses	440	471	4,392
Foreign exchange loss	411	187	4,102
Loss on amortization of value-added taxes	135	—	1,348
Miscellaneous expenses	147	256	1,472
Income before special items, income taxes and minority interests	20,628	18,487	205,871
Special income:			
Gain on sales of property, plant and equipment	20	92	204
Gain on sales of investments in securities	239	136	2,387
Gain on change in equity of a subsidiary	—	100	—
Others	33	31	330
Special loss:			
Loss on sales of property, plant and equipment	5	40	57
Loss on disposal of property, plant and equipment (Note 17)	143	451	1,433
Loss on valuation of investments in securities	101	—	1,011
Loss on prior periods adjustment	56	—	560
Others	22	—	219
Income before income taxes and minority interests	20,592	18,355	205,511
Income taxes (Note 18):			
Current	6,785	6,046	67,717
Deferred	1,335	611	13,323
	8,120	6,657	81,041
Minority interests in net income of consolidated subsidiaries	(578)	(315)	(5,773)
Net income	¥ 11,893	¥ 11,382	\$ 118,696
	(Yen)		(U.S.dollars) (Note 5)
Net income per share (Note 24)	¥ 105.05	¥ 100.50	\$ 1.05
Cash dividends per share	26.00	25.00	0.26

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2008 and 2007

	Shareholders' Equity					Total shareholders' equity
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	
	(Millions of yen)					
Balance at March 31, 2006	113,670	¥8,023	¥9,022	¥49,394	¥(172)	¥66,267
Issuance of new stock	0	1	0	—	—	2
Net income	—	—	—	11,382	—	11,382
Cash dividends	—	—	—	(3,171)	—	(3,171)
Bonuses to directors	—	—	—	(5)	—	(5)
Decrease of newly consolidated subsidiaries	—	—	—	(22)	—	(22)
Purchase of treasury stock	—	—	—	—	(69)	(69)
Gain on disposal of treasury stock	—	—	4	—	1	6
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2007	113,671	¥8,024	¥9,028	¥57,577	¥(240)	¥74,389
Net income	—	—	—	11,893	—	11,893
Cash dividends	—	—	—	(2,830)	—	(2,830)
Bonuses to directors	—	—	—	(11)	—	(11)
Decrease of newly consolidated subsidiaries	—	—	—	(40)	—	(40)
Purchase of treasury stock	—	—	—	—	(47)	(47)
Gain on disposal of treasury stock	—	—	1	—	1	2
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2008	113,671	¥8,024	¥9,030	¥66,587	¥(286)	¥83,355
	Valuation and Translation Adjustments					
	Net unrealized gain on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
	(Millions of yen)					
Balance at March 31, 2006	¥1,521	¥—	¥1,092	¥2,614	¥ 921	¥69,803
Issuance of new stock	—	—	—	—	—	2
Net income	—	—	—	—	—	11,382
Cash dividends	—	—	—	—	—	(3,171)
Bonuses to directors	—	—	—	—	—	(5)
Decrease of newly consolidated subsidiaries	—	—	—	—	—	(22)
Purchase of treasury stock	—	—	—	—	—	(69)
Gain on disposal of treasury stock	—	—	—	—	—	6
Net changes of items other than shareholders' equity	(520)	(60)	803	222	2,569	2,791
Balance at March 31, 2007	¥1,001	¥(60)	¥1,896	¥2,837	¥3,490	¥80,717
Net income	—	—	—	—	—	11,893
Cash dividends	—	—	—	—	—	(2,830)
Bonuses to directors	—	—	—	—	—	(11)
Decrease of newly consolidated subsidiaries	—	—	—	—	—	(40)
Purchase of treasury stock	—	—	—	—	—	(47)
Gain on disposal of treasury stock	—	—	—	—	—	2
Net changes of items other than shareholders' equity	(873)	78	(879)	(1,674)	700	(973)
Balance at March 31, 2008	¥ 127	¥ 18	¥1,016	¥1,162	¥4,191	¥88,709

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets (Continued)

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2008 and 2007

	Shareholders' Equity					
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	(Thousands)			(Thousands of U.S. dollars) (Note 5)		
Balance at March 31, 2007	113,671	\$80,080	\$90,106	\$574,623	\$ 2,399	\$742,410
Net income	—	—	—	118,696	—	118,696
Cash dividends	—	—	—	(28,250)	—	(28,250)
Bonuses to directors	—	—	—	(116)	—	(116)
Decrease of newly consolidated subsidiaries	—	—	—	(406)	—	(406)
Purchase of treasury stock	—	—	—	—	(472)	(472)
Gain on disposal of treasury stock	—	—	17	—	11	28
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2008	113,671	\$80,080	\$90,123	\$664,546	\$(2,861)	\$831,889

	Valuation and Translation Adjustments					
	Net unrealized gain on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
						(Thousands of U.S. dollars) (Note 5)
Balance at March 31, 2007	\$9,990	\$(601)	\$18,925	\$28,313	\$34,836	\$805,560
Net income	—	—	—	—	—	118,696
Cash dividends	—	—	—	—	—	(28,250)
Bonuses to directors	—	—	—	—	—	(116)
Decrease of newly consolidated subsidiaries	—	—	—	—	—	(406)
Purchase of treasury stock	—	—	—	—	—	(472)
Gain on disposal of treasury stock	—	—	—	—	—	28
Net changes of items other than shareholders' equity	(8,719)	786	(8,777)	(16,710)	6,991	(9,718)
Balance at March 31, 2008	\$1,270	\$ 185	\$10,148	\$11,603	\$41,827	\$885,320

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, 2008 and 2007

	March 31		March 31
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars) (Note 5)
Cash flows from operating activities:			
Income before taxes and minority interests	¥20,592	¥18,355	\$205,511
Adjustments for:			
Depreciation	3,401	2,885	33,950
Amortization of goodwill	159	124	1,591
Loss on disposal or sales of property, plant and equipment	149	492	1,490
Gain on sales of investments in securities	(229)	(136)	(2,288)
Gain on change in equity of a subsidiary	—	(100)	—
Interest and dividend income	(403)	(316)	(4,025)
Interest expenses	440	471	4,392
Decrease (increase) in notes and account receivables	3,939	(7,664)	39,315
Decrease (increase) in inventories	1,354	(5,964)	13,519
(Decrease) increase in notes and account payable	(7,720)	8,684	(77,048)
Increase (decrease) in advances on sales contracts	10,041	(5,930)	100,215
Other, net	(4,025)	(3,769)	(40,171)
Subtotal	27,700	7,131	276,454
Interest and dividend income received	402	310	4,020
Interest expenses paid	(441)	(543)	(4,405)
Income taxes paid	(6,783)	(6,048)	(67,703)
Other, net	356	14	3,562
Net cash provided by operating activities	21,235	864	211,927
Cash flows from investing activities:			
Payments for purchase of investments in securities	(706)	(116)	(7,049)
Proceeds from sales of investments in securities	310	676	3,100
Payments for purchase of property, plant and equipment	(3,862)	(9,721)	(38,546)
Proceeds from sales of property, plant and equipment	3	111	39
Collection of loans receivable	21	21	217
Investments in time deposits	(1,297)	(2)	(12,951)
Proceeds from refund of time deposits	1,295	—	12,924
Payments for additional purchase of stock of consolidated subsidiaries (Note 19)	(108)	(510)	(1,087)
Payments for purchase of stock of non-consolidated subsidiaries	(2,221)	—	(22,173)
Other, net	224	(714)	2,242
Net cash used in by investing activities	(6,341)	(10,257)	(63,283)
Cash flows from financing activities:			
(Decrease) increase in short-term loans, net	(132)	868	(1,320)
Proceeds from long-term loans	3,000	11,193	29,940
Repayment of long-term loans	(4,356)	(12,394)	(43,481)
Proceeds from issuance of bonds	3,972	—	39,646
Redemption of bonds	(3,000)	—	(29,940)
Proceeds from issuance of common stock to minority interests	—	1,339	—
Payment of cash dividends	(2,824)	(3,163)	(28,191)
Payments for purchase of treasury stock	(47)	(69)	(472)
Proceeds from disposal of treasury stock	2	6	28
Other, net	(145)	(109)	(1,450)
Net cash used in financing activities	(3,531)	(2,328)	(35,242)
Effect of exchange rate change on cash and cash equivalents	(384)	424	(3,834)
Net increase (decrease) in cash and cash equivalents	10,978	(11,297)	109,567
Cash and cash equivalents at beginning of year	19,969	29,851	199,297
Increase in cash and cash equivalents resulting from change of scope of consolidation	266	1,415	2,663
Cash and cash equivalents at end of year (Note 19)	¥31,215	¥19,969	\$311,528

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2008 and 2007

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 their consolidated subsidiaries.

The Company and its domestic subsidiaries have maintained their accounts and records in accordance with the provisions set forth in the Japanese Corporate Law and in conformity with generally accepted accounting principles prevailing in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The accounts of the consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries in which the subsidiaries have been incorporated.

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 "Regulation Concerning the Terminology, Forms and Methods of Preparation of Consolidated Financial Statements Regulation" (ordinance promulgated by the Ministry of Finance) and meets the requirements for the disclosure of financial information of the Company on a consolidated basis.

Amounts less than ¥1 million and \$1 thousand have been omitted. As a result, the totals shown in the consolidated financial statements and notes thereto do not necessarily agree with sum of the individual account balances.

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

2. Summary of significant accounting policies

(1) Principles of consolidation

The consolidated financial statements consist of the accounts of the parent company and 54 subsidiaries as of March 2008 (38 subsidiaries as of March 31, 2007).

Daifuku QubicaAMF Co., Ltd. and Daifuku India Private Limited, which were not consolidated for the fiscal year 2007 are included in the consolidation for the fiscal year 2008 due to their increased significance.

Jervis B. Webb Company and its 12 group companies and Osaka Machinery Works Co., Ltd. are included in the

consolidation for the fiscal year 2008 due to the acquisition of their shares.

The Company has consolidated only the balance sheet of Jervis B. Webb Company and its 12 group companies as of December 31, 2007 and Osaka Machinery Works as of March 31, 2008.

ForgePro India Private Ltd. was not consolidated in the year ended March 31, 2008 because the gross sales, total assets, net income (a component of the Company's equity stake) and the retained earnings (a component of the Company's equity stake) available for the Company are not material to the consolidated results of operations, total assets, net income and retained earnings of the Company.

The Company had one non-consolidated subsidiary of ForgePro India Private Ltd. and two affiliates including Renace Laboratory, Inc., as of March 31, 2008 (two non-consolidated subsidiaries and two affiliates as of March 31, 2007) which were accounted for not by equity method but by cost method since the net income and the balance of retained earnings of those companies were not significant as of March 31, 2008.

The Company had three affiliates, including Webb India Private Limited and Chengde Webb Conveyor Machinery Co., Ltd. as of March 31, 2008 (no affiliates as of March 31, 2007), which are accounted for equity method. These affiliates are consolidated based on the accounts as of their fiscal year-ends because their fiscal years were different from ours.

The consolidated subsidiaries adopt the same fiscal year as the Company except that 35 and 22 foreign consolidated subsidiaries as of March 31, 2008 and 2007, respectively, adopt fiscal years ended December 31. For the consolidation of these foreign subsidiaries, the Company makes appropriate adjustments for any material transactions subsequent to December 31.

All significant intercompany transactions, account balances and unrealized profit within the consolidated Group have been eliminated.

(2) Translation of foreign currencies

Accounts receivable and payable denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are charged or credited to income for the period.

Assets, liabilities, income and expenses of foreign subsidiaries and affiliates accounted for by equity method are translated into Japanese yen at year-end exchange rates. Shareholders' equity of foreign subsidiaries and affiliates is translated into Japanese yen at the historical exchange rates. The translation differences in Japanese yen arising from the use of different rates are recorded as "Foreign currency translation adjustments" in the consolidated balance sheets.

A portion equivalent to the equity of minority interests is included in "Minority interests" and the Company's

portion is presented as a separate component of net assets in the consolidated balance sheets.

(3) Cash and cash equivalents

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

(4) Inventories

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

(5) Financial instruments

(a) Derivatives

All derivatives are stated at fair value.

(b) Securities

Under the Japanese accounting standard for financial instruments, securities are classified into four categories, that is, "trading securities," "held-to-maturity debt securities," "investments in subsidiaries and affiliates" and "other securities."

"Trading securities" are the securities that are held for the purpose of generating profits from short-term changes in prices. "Held-to-maturity debt securities" are the debt securities that the Company has an intention to hold to maturity.

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

"Investments in non-consolidated subsidiaries and affiliates" are stated at cost and cost of securities sold is determined based on the moving average method.

"Other securities" for which market quotations are available are stated at fair value. Unrealized gain or loss on securities included as a component of 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 and cost of securities sold is determined based on the moving average method.

(c) Hedge accounting

① Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as assets or liabilities and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The interest rate swaps which meet the exceptional criteria to apply hedge accounting are not revalued to market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

② The derivatives designated as hedging instruments by the Company are mainly forward exchange contracts and interest swap agreements. The corresponding hedged items are accounts receivable and payable, futures transactions denominated in foreign currencies, and 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 fluctuation in foreign exchange and interest rates. Thus, the Company's purchases of hedging instruments are limited to, at maximum, the amounts of the hedged items.

③ The implementation and management of hedge transactions are carried out to hedge the risk of fluctuations in currency rates and interest rates in accordance with internal regulations which provide transaction and authorization limits.

(6) Leases

The finance leases do not transfer ownership of the leased property to the lessee during the lease terms. Therefore, the leased property is not capitalized and the related rent expenses are charged to income in the period incurred.

The finance leases of overseas subsidiaries are recorded as sales transactions.

(7) Matters regarding the valuation of assets and liabilities of consolidated subsidiaries.

The assets and liabilities of consolidated subsidiaries are stated at fair value.

(8) Property, plant and equipment and depreciation

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

Depreciation of the assets of the consolidated overseas subsidiaries is computed principally on the straight-line method.

Property, plant and equipment are principally depreciated by the declining-balance method. The estimated useful life over which the asset is depreciated and the treatment of undepreciated balances is principally determined according to the same standards set out in the Corporation Tax Law of Japan.

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

(Accounting change)

In accordance with the revision made to the Japanese Corporation Tax Law, the Company and its domestic consolidated subsidiaries changed their depreciation method for property, plant and equipment acquired on or after

April 1, 2007, to the method stipulated by the revised Corporation Tax Law, effective from the fiscal year ended March 31, 2008.

As a result of this change, "Operating income," "Income before special items and income taxes and minority interests" and "Income before income taxes and minority interests income taxes" decreased by ¥43 million (\$43 thousand) respectively, for the fiscal year under review, as compared with the previous accounting method.

The impact to segment information is described in note 23.

(Additional information)

In accordance with the revision made to the Japanese Corporation Tax Law, the Company and its domestic consolidated subsidiaries began depreciation of the residual value of the property, plant and equipment acquired on and before March 31, 2007, whereby the residual value is now depreciated down to the memorandum price in equal installments over the five-year period commencing from the fiscal year following the year in which depreciation had reached to the residual value which was defined as 5% of the acquisition cost under the previous Tax Law provisions.

As a result of this change, "Operating income," "Income before special items and income taxes and minority interests" and "Income before income taxes and minority interests income taxes" decreased by ¥104 million (\$1,047 thousand) respectively, for the fiscal year under review, as compared with the previous accounting method.

The impact to segment information is described in note 23.

(9) Impairment of property, plant and equipment

The Company and its subsidiaries review its property, plant and equipment 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 or value in use.

(10) Goodwill and negative goodwill

Goodwill recognized by the Company and consolidated subsidiaries are being amortized on a straight-line basis from 5 years to 15 years.

(11) Income taxes

Income taxes of the Company and its 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 reported in the financial statements.

(12) Allowance for doubtful accounts

To prepare losses on uncollectible account receivable, the Company and its domestic consolidated subsidiaries

provide allowances for doubtful accounts based on historical default rates with respect to receivables, and specific allowances for doubtful trade receivables and advances at estimated amounts considered to be uncollectible after reviewing individual collectivity. In overseas consolidated subsidiaries, allowances are provided mainly for specific receivables at estimated amounts considered to be uncollectible after reviewing their collectibility.

(13) Provision for retirement benefits

Retirement benefit costs for employees of the Company and its subsidiaries are provided based on estimates of the pension obligations and the plan assets at the end of the fiscal year.

Unrecognized prior service obligations are amortized on a straight-line basis over the average estimated remaining service year of the employee (five years) from the time such liability arose.

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

(14) Provision for directors' retirement benefits

The estimated payment of retirement benefits to directors of newly domestic consolidated subsidiaries from the year ended March 31, 2008 is determined in accordance with company policy and accrued as of the end of the fiscal year.

(15) Provision for bonus to directors

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

(16) 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 are recorded as an asset or liability in the consolidated balance sheet.

(17) Reclassifications

Certain prior-year amounts in the accompanying consolidated balance sheet have been reclassified to conform to the current year presentation.

There are no significant impacts.

3. Accounting change

Directors' bonus

Effective from the year ended March 31, 2007, the Company applied "Accounting standard for directors' bonuses" (Accounting Standard Board of Japan Statement No.4 issued on November 29, 2005 by the Accounting Standards Board of Japan).

As a result of the application of this standard, "Operating income," "Income before special items," "Income

taxes and minority interests," and "Income before income taxes and minority interests" for the year ended March 31, 2007 decreased by ¥242 million, respectively.

In addition, the effect of the application of this standard on segment information is discussed in note 23.

4. Reclassification of presentation

(1) Consolidated Balance Sheet

Provision for directors' bonuses which in prior years was included in other current liabilities was reclassified from this fiscal year.

Note: The amount of provision for directors' bonuses which was included in other current liabilities in the prior year was ¥67 million (\$678 thousand).

5. 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 ¥100.20 to U.S. \$1, being the effective rate of exchange at March 31, 2008.

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 ¥100.20 to U.S. \$1 or at any other rate.

6. Accumulated depreciation of property plant and equipment

Accumulated depreciation of property plant and equipment was ¥42,936 million (\$428,509 thousand) and ¥36,449 million for the years ended March 31, 2008 and 2007, respectively.

7. Investments in securities

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

March 31, 2008 (Millions of yen)			
	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Investments in securities:			
Equity securities	¥925	¥1,427	¥502

March 31, 2007 (Millions of yen)			
	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Investments in securities:			
Equity securities	¥1,545	¥3,243	¥1,698

March 31, 2008 (Thousands of U.S. dollars)			
	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Investments in securities:			
Equity securities	\$9,237	\$14,250	\$5,012

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

March 31, 2008 (Millions of yen)			
	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Investments in securities:			
Equity securities	¥1,774	¥1,339	¥(434)

March 31, 2007 (Millions of yen)			
	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Investments in securities:			
Equity securities	¥668	¥644	¥(24)

March 31, 2008 (Thousands of U.S. dollars)			
	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Investments in securities:			
Equity securities	\$17,706	\$13,368	\$(4,337)

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

The Company recognized an impairment loss on securities of ¥68 million (\$683 thousand) for the fiscal year ended March 31, 2008. Impairment is calculated on those securities whose degree of decline is more than 50% of the acquisition cost and in cases where the condition remains the same for the past two years for those securities whose degree of decline is more than 40% and below 50% of acquisition cost.

Held-to-maturity bonds with market value as of March 31, 2008 and 2007:

Not applicable

"Other securities" sold during the years ended March 31, 2008 and 2007 were as follows:

March 31					
2008			2007		
(Millions of yen)					
Proceeds of Sales	Gain on Sales	Loss on Sales	Proceeds of Sales	Gain on Sales	Loss on Sales
¥310	¥239	¥9	¥676	¥136	¥—

March 31		
2008		
(Thousands of U.S. dollars)		
Proceeds of Sales	Gain on Sales	Loss on Sales
\$3,100	\$2,387	\$99

Book values of "other securities" which are not marketable as of March 31, 2008 and 2007 were summarized as follows:

	March 31		March 31
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Investments in securities:			
Investment in non-consolidated subsidiaries and affiliates	¥ 444	¥ 606	\$ 4,439
Other securities			
Unlisted securities	1,211	1,160	12,088

8. Investments in non-consolidated subsidiaries and affiliates

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

	March 31		March 31
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Investments in securities	¥444	¥606	\$4,439
Investments and other assets, Other (investments in capital)	167	—	1,668

9. Short-term borrowings and long-term debt

Short-term borrowings are principally bank loans.

The weighted average interest rate applicable to the short-term loans outstanding as of March 31, 2008 was 3.7%.

Short-term borrowings outstanding as of March 31, 2008 and 2007 consisted of the following:

	March 31		March 31
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Loans from banks			
Secured and unsecured	¥2,310	¥2,149	\$23,059

Long-term borrowings are principally bank loans.

The weighted average interest rates applicable to the long-term loans outstanding as of March 31, 2008 were 1.7%.

Long-term debt outstanding as of March 31, 2008 and 2007, consisted of the following:

	March 31		March 31
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Loans, principally from banks			
Secured and unsecured	¥18,250	¥19,615	\$182,140
Less: portion due within one year	3,987	4,302	39,793
Subtotal	14,263	15,313	142,347
Bonds			
0.56% yen unsecured bonds, due 2007	—	3,000	—
0.42% yen unsecured bonds, due 2008	2,000	2,000	19,960
0.47% yen unsecured bonds, due 2008	2,000	2,000	19,960
Zero coupon yen unsecured convertible bonds, due 2011	4,998	4,998	49,880
2013 and thereafter	4,000	—	39,920
Bonds total	12,998	11,998	129,720
Less: portion due within one year	4,000	3,000	39,920
Subtotal	8,998	8,998	89,800
Total	¥23,261	¥24,311	\$232,147

The 0.56% unsecured bonds in the principal amount of ¥3,000 million, due 2007, issued on October 1, 2004, were sold in Japan at their face value.

The 0.42% unsecured bonds in the principal amount of ¥2,000 million, due 2008, issued on May 31, 2005, were issued in Japan at their face value.

The 0.47% unsecured bonds in the principal amount of ¥2,000 million, due 2008, issued on May 31, 2005, were issued in Japan at their face value.

The 1.35% unsecured bonds in the principal amount of ¥2,500 million, due 2013, issued on February 15, 2008, were issued in Japan at their face value.

The 1.36% unsecured bonds in the principal amount of ¥800 million, due 2013, issued on February 15, 2008, were issued in Japan at their face value.

The 1.35% unsecured bonds in the principal amount of ¥700 million, due 2013, issued on February 15, 2008, were issued in Japan at their face value.

The zero coupon unsecured convertible bonds with subscription rights to shares in the principal amount of ¥4,998 million, due 2011, issued on February 7, 2006, were issued in Japan at their face value (¥5,000 million).

Bond details

The outstanding aggregate annual maturity of long-term debt other than the portion due within one year as of March 31, 2008 was as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2010	¥ —	\$ —
2011	4,998	49,880
2012	—	—
2013 and thereafter	4,000	39,920
	¥8,998	\$89,800

Loan details

The outstanding aggregate annual maturity of long-term loans other than the portion due within one year as of March 31, 2008 was as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2010	¥11,263	\$112,406
2011	3,000	\$29,940
2012	—	—
2013 and thereafter	—	—
	¥14,263	\$142,347

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

Convertible bonds	Conversion price per share	Conversion period
Zero coupon yen unsecured bonds, due 2011	¥2,586 (\$25.81)	March 1, 2006–March 30, 2011

When requested by bondholders who intend to exercise their stock option rights, in lieu of paying redemptions for the bonds, the Company acknowledges that subscription payments necessary upon the exercise of subscription rights are wholly paid. Such requests are deemed to be made when bondholders exercise their subscription rights.

Assets pledged as collateral for long-term loans with banks as of March 31, 2008 were as follows:

	March 31		March 31
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Buildings, less accumulated depreciation	¥ 75	¥135	\$ 758
Land	—	200	—
Others	51	51	512
Total	¥127	¥387	\$1,270

In addition to the above, beginning the year ended March 31, 2008, certain assets of Jervis B. Webb Company and its subsidiaries, which were newly included in the Company's consolidated subsidiaries, were pledged as collateral at ¥20,119 million (\$200,792 thousand). However, this pledge was released in full on April 9, 2008.

Secured liabilities

	March 31		March 31
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Short-term loan	¥446	¥119	\$4,452
Long-term loan	—	56	—
	¥446	¥175	\$4,452

10. Retirement benefit plans

Employees who terminate their services with the Company or its domestic subsidiaries are, under most circumstances, entitled to lump-sum severance indemnities determined by reference to current basic rates of pay, length of service and conditions under which the terminations occur.

Certain of the overseas subsidiaries sponsor defined contribution plans.

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

Through March 31, 2005, the amount of severance indemnities to be paid by the Company and its domestic subsidiaries was 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.

On March 31, 2005, the Company and its domestic consolidated subsidiaries terminated conventional defined benefit retirement plans. On April 1, 2005, the Company and its domestic consolidated subsidiaries transferred non-contributory pension plans to hybrid type pension plans (cash balance plans) and a part of lump-sum severance indemnities to defined contribution pension plans upon the enactment of the Defined Contribution Pension Law.

The provision for retirement benefits as of March 31, 2008 and 2007 was as follows:

	March 31		March 31
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
(1) Projected benefit obligations	¥(20,943)	¥(19,017)	\$ (209,021)
(2) Plan assets	15,794	20,094	157,629
(3) Funded status (1)+(2)	(5,149)	1,077	(51,392)
(4) Unrecognized actuarial differences	3,899	(2,332)	38,916
(5) Unrecognized prior service cost	(567)	(851)	(5,666)
(6) Prepaid pension cost	916	68	9,142
(7) Provision for retirement benefits recognized on balance sheet			
((3)+(4)+(5)-(6))	¥ (2,733)	¥(2,175)	\$ (27,284)

Net pension expense relating to the retirement benefits for the years ended March 31, 2008 and 2007 were as follows:

	March 31		March 31
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥1,008	¥924	\$10,059
Interest cost	357	351	3,569
Expected return on plan assets	(601)	(577)	(5,999)
Amortization of actuarial differences	(595)	(456)	(5,940)
Amortization of prior service cost	(283)	(283)	(2,833)
Net pension expense	(114)	(42)	(1,144)
Other	340	319	3,401
	¥ 226	¥277	\$ 2,257

Other is the pension contribution under the defined contribution plan.

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

	March 31	
	2008	2007
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	5.0%	5.0%
Method of attributing the projected benefits to periods of services	Straight-line basis	Straight-line basis
Amortization of unrecognized actuarial differences	5 years	5 years
Amortization of unrecognized prior service cost	5 years	5 years

11. Lease commitments

Rent expense relating to finance leases, other than those that transfer ownership of leased transactions for the years ended March 31, 2008 and 2007 were summarized as follows:

Amount of leased assets for acquisition cost equivalent, accumulated depreciation equivalent, accumulated impairment equivalent and net book value equivalent.

	March 31		March 31
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Machinery and vehicles	¥1,672	¥2,647	\$16,693
Equipment	442	276	4,419
Other	184	83	1,837
Subtotal	2,299	3,007	22,950
Accumulated depreciation	632	1,097	6,309
Net book value equivalent	¥1,667	¥1,910	\$16,640

The amounts equivalent to the acquisition cost of leased assets and future minimum lease payments are calculated based upon the inputted interest method because future minimum lease payments account for only a small proportion of property, plant and equipment.

The future minimum lease payments required under the terms of these financing leases as of March 31, 2008 and 2007 were as follows:

	March 31		March 31
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Due within one year	¥ 335	¥ 300	\$ 3,343
Due after one year	1,332	1,609	13,297
	¥1,667	¥1,910	\$16,640

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

	March 31		March 31
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Lease payments and depreciation equivalent:			
Lease payments	¥362	¥335	\$3,619
Depreciation equivalent	362	335	3,619

Method of calculating depreciation equivalent amount for leases:

The leased assets are fully depreciated using the straight-line method over the lease-term equivalent which represents the expected useful life. However, the leased

assets with the residual value guarantee are depreciated only to the amount of the residual value.

Impairment of leased assets

For the year ended March 31, 2008 and 2007 there were no impairment losses on leased assets.

12. Contingent liabilities

The contingent liabilities as of March 31, 2008 and 2007 were as follows:

	March 31		March 31
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Bank borrowings of non-consolidated subsidiaries, affiliates	¥102	¥113	\$1,022
Bank borrowings of the company employees	25	42	256
	¥128	¥156	\$1,279

13. Derivatives and hedging activities

Derivative financial instruments are utilized by the Company and its subsidiaries principally to reduce the exposure resulting from fluctuations in interest rates and foreign exchange rates.

The Company and its subsidiaries have established certain internal controls which include policies and procedures for risk assessments, approval, reporting and monitoring of transactions involving derivative financial instruments.

The Company and its subsidiaries do not utilize derivative financial instruments for the purpose of speculation.

The Company and its subsidiaries are exposed to certain market risks arising from its forward exchange 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 non-performance by any of these counterparties all of whom are financial institutions with high bond ratings.

Accordingly, information relating to fair values is not applicable.

14. Consolidated statements of changes in net assets

(1) Matters regarding issued shares:

For the year ended March 31, 2008					(In thousands of shares)
Class of shares	As of March 31, 2007	Increase	Decrease	As of March 31, 2008	
Common stock	113,671	—	—	113,671	
For the year ended March 31, 2007					(In thousands of shares)
Class of shares	As of March 31, 2006	Increase	Decrease	As of March 31, 2007	
Common stock	113,670	0	—	113,671	

(2) Matters regarding treasury stock:

For the year ended March 31, 2008					(In shares)	For the year ended March 31, 2007					(In shares)
Class of shares	As of March 31, 2007	Increase	Decrease	As of March 31, 2008		Class of shares	As of March 31, 2006	Increase	Decrease	As of March 31, 2007	
Common stock	437,038	31,422	1,975	466,485		Common stock	400,683	40,330	3,975	437,038	

Notes: 1. Treasury stock of common stock increased by 31,422 shares due to purchases of less-than-a-unit shares.
2. The decrease of 1,975 shares of common stock in treasury was due to sale of less-than-a-unit shares to shareholders owning less-than-a-unit shares.

Notes: 1. Treasury stock of common stock increased by 40,330 shares due to purchases of less-than-a-unit shares.
2. The decrease of 3,975 shares of common stock in treasury was due to sale of less-than-a-unit shares to shareholders owning less-than-a-unit shares.

(3) Matters regarding dividends:

① Dividends paid:

Resolution adopted	Class of shares	Aggregate amount (Millions of yen)	Amount per share (Yen)	Record date	Effective date
Annual Meeting of Shareholders on June 29, 2006	Common stock	¥2,038	¥18	March 31, 2006	June 30, 2006
Board of Directors' meeting on November 16, 2006	Common stock	1,132	10	September 30, 2006	December 12, 2006
Board of Directors' meeting on May 17, 2007	Common stock	1,698	15	March 31, 2007	June 29, 2007
Board of Directors' meeting on November 15, 2007	Common stock	1,132	10	September 30, 2007	December 7, 2007

Resolution adopted	Class of shares	Aggregate amount (Millions of U.S. dollars)	Amount per share (U.S. dollars)	Record date	Effective date
Board of Directors' meeting on May 17, 2007	Common stock	\$16,946	\$0	March 31, 2007	June 29, 2007
Board of Directors' meeting on November 15, 2007	Common stock	11,297	0	September 30, 2007	December 7, 2007

② Dividends with a record date during the year ended March 31, 2008, payable in the following fiscal year:

Resolution adopted	Class of shares	Source of dividends	Aggregate amount (Millions of yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 17, 2007	Common stock	Retained earnings	¥1,698	¥15	March 31, 2007	June 29, 2007
Board of Directors' meeting on May 16, 2008	Common stock	Retained earnings	1,811	16	March 31, 2008	June 30, 2008

Resolution adopted	Class of shares	Source of dividends	Aggregate amount (Millions of U.S. dollars)	Amount per share (U.S. dollars)	Record date	Effective date
Board of Directors' meeting on May 16, 2008	Common stock	Retained earnings	\$18,076	\$0	March 31, 2008	June 30, 2008

15. Major items of selling, general and administrative expenses

Major items of selling, general and administrative expenses for the years ended March 31, 2008 and 2007 were as follows:

Selling expenses

	March 31		March 31
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Sales commissions	¥ 762	¥ 590	\$ 7,614
Advertising expenses	240	235	2,397
Salaries and bonuses	6,393	6,281	63,811
Provision for retirement benefits	5	3	54
Welfare expenses	1,123	1,204	11,212
Traveling and transportation expenses	1,538	1,602	15,354
Rent expenses	613	557	6,123
Depreciation	129	99	1,296

General and administrative expenses

	March 31		March 31
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Directors' compensation	¥1,266	¥1,255	\$12,640
Salaries and bonuses	4,577	3,765	45,680
Provision for retirement benefits	1	1	11
Provision for directors' retirement benefits	—	209	—
Welfare expenses	522	404	5,213
Research and development expenses	2,500	2,417	24,954
Depreciation	946	1,076	9,450

16. Research and development

Research and development expenditures charged to income were ¥6,964 million (\$69,504 thousand) and ¥7,564 million for the years ended March 31, 2008 and 2007, respectively.

17. Loss on disposal of non-current assets

Major items of loss of non-current assets for the years ended March 31, 2008 and 2007 were as follows:

	March 31		March 31
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Buildings and structures	¥35	¥ 39	\$352
Machinery and vehicles	81	137	813
Equipment	16	25	160
Removal and other expenses	9	248	91

18. Income taxes

The significant components of deferred tax assets and liabilities as of March 31, 2008 and 2007 are summarized as follows:

	March 31		March 31
	2008	2007	2008
	(Millions of Yen)		(Thousands of U.S. dollars)
Deferred tax assets			
Current assets:			
Accrued expenses	¥1,885	¥1,677	\$18,815
Accounts payable, others	328	340	3,275
Accrued enterprise tax	244	226	2,439
Allowance for doubtful accounts	—	26	—
Unrealized profit on inventories	345	248	3,446
Research and development expenses	911	963	9,092
Others	606	208	6,056
Subtotal	4,321	3,691	43,125
Less: valuation allowance	(6)	(12)	(64)
Offset against deferred tax liabilities (current)	(14)	—	(147)
Total deferred tax assets (current)	¥4,299	¥3,678	\$42,913
Non-current assets			
Loss on devaluation of investment securities	¥ —	¥ 57	\$ —
Provision for retirement benefits	4,301	3,999	42,933
Loss carried forward of consolidated subsidiaries	2,021	488	20,176
Allowance for investment loss	950	—	9,481
Excess depreciation	615	—	6,145
Long-term accounts payable	608	665	6,068
Unrealized gain on sales of fixed assets	594	594	5,933
Allowance for doubtful accounts	129	134	1,290
Others	576	543	5,757
Subtotal	9,798	6,482	97,787
Less valuation allowance	(3,152)	(599)	(31,464)
Offset against deferred tax liabilities (non-current)	(1,802)	(2,220)	(17,984)
Total deferred tax assets (Non-current)	¥4,843	¥3,662	\$48,338
Deferred tax liabilities:			
Current liabilities:			
Others	¥ 69	¥ 31	\$ 696
Offset against deferred tax assets (current)	(14)	—	(147)
Total deferred tax liabilities (current)	¥ 55	¥ 31	\$ 549
Non-current liabilities:			
Net unrealized gain on assets of consolidated subsidiaries	¥1,479	¥ —	\$14,762
Gain on securities contributed to employee retirement benefit trust	1,228	1,228	12,259
Retained earnings for overseas subsidiaries	291	—	2,905
Net unrealized gain on securities	—	686	—
Provision of reserve for advanced depreciation of fixed assets	282	289	2,815
Provision for retirement benefits	357	—	3,563
Others	447	63	4,463
Offset against deferred tax assets (non-current)	(1,802)	(2,220)	(17,984)
Total deferred tax liabilities	¥2,283	¥ 48	\$22,785

A reconciliation of the differences between the statutory rate and the effective income tax rate as of March 31, 2008 and 2007 is as follows:

	March 31	
	2008	2007
Statutory tax rate	41.0%	41.0%
Lower tax rates of overseas subsidiaries	(4.8)	(5.8)
Utilization of net operating loss carry-forward in the consolidated subsidiaries	—	(1.1)
Expenses not deductible for income tax purposes	1.3	1.6
Tax credit	(0.4)	(0.7)
Increase of valuation allowance	2.8	1.1
Others	(0.5)	0.2
Effective tax rate	39.4%	36.3%

19. Consolidated statements of cash flows

(1) The components of cash and cash equivalents as of March 31, 2008 and 2007 were as follows:

	March 31		March 31
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Cash on hand and in banks	¥31,749	¥19,980	\$316,859
Time deposits with original maturities with more than three months	(534)	(10)	(5,331)
Total	¥31,215	¥19,969	\$311,528

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

The following figures represent assets and liabilities of the newly consolidated companies as at the time the consolidation commenced following the share acquisition, as well as the acquisition costs of their shares in relation to the net payments for the acquisition.

a) Jervis B. Webb Company and its subsidiaries (aggregate total of 12 companies):

	(Thousands of U.S. dollars)	
	(Millions of yen)	U.S. dollars
Current assets	¥15,706	\$156,755
Non-current assets	7,463	74,488
Current liabilities	(11,498)	(114,752)
Non-current liabilities	(5,467)	(54,568)
Negative goodwill	(595)	(5,940)
Acquisition cost	5,609	55,983
Cash and cash equivalents	(3,805)	(37,978)
Net payment for acquisition of shares	¥ 1,804	\$ 18,004

b) Osaka Machinery Works Co., Ltd.:

	(Thousands of U.S. dollars)	
	(Millions of yen)	U.S. dollars
Current assets	¥ 615	\$ 6,143
Non-current assets	1,589	15,866
Current liabilities	(205)	(2,054)
Non-current liabilities	(666)	(6,648)
Negative goodwill	(465)	(4,642)
Minority interests	(417)	(4,168)
Acquisition cost	450	4,495
Cash and cash equivalents	(32)	(326)
Net payment for acquisition of shares	¥ 417	\$ 4,168

20. Notes regarding stock options, etc.

For the years ended March 31, 2008 and 2007: Not applicable.

21. Related party transactions

There were no transactions with directors for the years ended as of March 31, 2008 and 2007.

22. Notes regarding business combinations

For the year ended March 31, 2008

Matters related to purchase method:

1. The major business combination implemented during the year is as follows:

- Name of the acquired company: Jervis B. Webb Company (based in the United States)
- Principal business of the acquired company: Manufacture and sale of material handling systems for the automobile industry and general manufacturing industries and airport baggage handling systems.
- Main reason for the business combination implemented: Jervis B. Webb Company has a high brand recognition in the United States, a wealth of human resources in North America and through its local affiliates in India and elsewhere, and strong customer relationships built through its global production and sales networks. Through the business combination, therefore, the Company aims to further expand its business and improve performance by effectively utilizing the management resources of the two companies.

d. Date of business combination:

December 20, 2007

e. Legal status of business combination:

Acquisition of shares by cash

f. Name of company after combination:

Jervis B. Webb Company

g. Ratio of voting rights acquired:

100.0%

h. Period of operation of acquired company included in consolidated financial statements:

Because the deemed acquisition date fell on December 31, 2007 which was the fiscal year-end of the acquired company none of its operating period is included in the period for the Company's Consolidated Statements of Income.

i. Acquisition cost and breakdown thereof:

Payment for acquisition of shares	¥5,304 million
	(\$52,939 thousand)
Incidental expenses	¥305 million
	(\$3,044 thousand)
Acquisition cost	¥5,609 million
	(\$55,983 thousand)

j. Amount of goodwill or negative goodwill and the cause thereof:

① Amount of negative goodwill:	¥595 million
	(\$5,940 thousand)

② Cause:

Because the fair value of net assets at the time of acquisition exceeded the acquisition cost, the difference was recognized as negative goodwill.

k. Amounts of assets and liabilities taken over on the acquisition date and principal components thereof:

	¥	\$
① Assets:		
Current assets	¥15,706	\$156,755
Non-current assets	7,463	74,488
Total	¥23,170	\$231,244
② Liabilities:		
Current liabilities	¥11,498	\$114,752
Non-current liabilities	5,467	54,568
Total	¥16,965	\$169,320

l. Pro forma amounts of estimated effects to the consolidated statement of income on the assumption that the business combination was completed on the first day of the consolidated fiscal year under review:

Sales	¥35,112	(\$350,421)
Operating income	716	(\$7,151)
Ordinary income	566	(\$5,658)
Net income	1,945	(\$19,415)

Notes: 1. The above information should neither be construed to imply any such event to arise in the future, nor to indicate the operating results of the consolidated company in the case where the investment was actually made at the beginning of the consolidated fiscal year.

2. The above note to the pro forma approximate amounts is unaudited.

2. Effective January 1, 2008, two of the Company's consolidated subsidiaries were merged with each other and combined their operating assets.

a. Parties of combination:

Taiwan Daifuku Co., Ltd. and Daifuku Pioneer Co., Ltd.

b. Legal status of business combination:

Transaction under common control

c. Name of company after combination:

Taiwan Daifuku Co., Ltd.

d. Outline of transaction including purpose thereof:

In response to the changing industrial structure of the Taiwanese market, which has increasingly trended toward information technology, Taiwan Daifuku Co., Ltd. absorbed Daifuku Pioneer Co., Ltd. by merger, with a view toward building an organization that aims for enhanced customer satisfaction, higher operating efficiency and ultimately greater competitiveness by realizing synergies of the integration through function-based organizational structure and operations.

e. Outline of accounting treatment employed:

Taiwan Daifuku Co., Ltd., as the surviving company, assumed the assets and liabilities of Daifuku Pioneer Co., Ltd. as of January 1, 2008 at book value.

For the year ended March 31, 2008

	(Thousands of U.S. dollars)				
	Logistics systems	Electronics	Other products	Elimination or corporate	Consolidated total
Sales:					
Sales to outside customers	\$2,082,003	\$101,743	\$127,822	\$ —	\$2,311,569
Inter-segment sales	1,510	113,665	28,815	(143,991)	—
Total	2,083,513	215,409	156,637	(143,991)	2,311,569
Operating expenses	1,820,869	209,522	152,742	(77,929)	2,105,204
Operating income	\$ 262,644	\$ 5,886	\$ 3,895	\$ (66,061)	\$ 206,364
Identifiable assets					
Depreciation	\$1,648,671	\$140,285	\$ 76,127	\$354,343	\$2,219,428
Capital expenditure	21,244	2,676	608	9,420	33,950
	21,847	2,456	1,233	15,095	40,632

These sections include the following main products:

Logistics systems: conveyor systems, monorail systems, automatic guided vehicles, automated storage and retrieval systems, racks, box pallets

Electronics: modules for personal computers

Other: car wash machines, wheelchair lifts for care-provider vehicles, bowling machines

Operating expenses in the "Elimination or corporate" column in the amount of ¥6,619 million (\$66,061 thousand) are expenses for the Company's departments of human resources, general affairs, finance & accounting and management-related affairs.

Corporate assets in the "Elimination or corporate" column include ¥39,788 million (\$39,788 thousand) of primarily short-term investments (bank deposits and marketable securities) and long-term investments (investments in securities).

Change in accounting treatment:

As stated in "Summary of significant accounting policies," in accordance with the revision made to the Japanese Corporation Tax Law, the Company and its domestic consolidated subsidiaries changed their depreciation method for property, plant and equipment acquired on and after April 1, 2007, to the one stipulated by the revised Corporation Tax Law, effective from the fiscal year ended March 31, 2008.

As a result of this change, operating expenses in the Logistics systems, Electronics goods and Other segments and those included in "Elimination or corporate" increased by ¥20 million (\$203 thousand), ¥2 million (\$24 thousand), ¥2 million (\$21 thousand) and ¥18 million (\$184 thousand), respectively, and operating income in these segments and items decreased by the same amounts, respectively, for the fiscal year ended March 31, 2008, as compared with the previous accounting method.

Additional information:

As stated in "Summary of significant accounting policies," in accordance with the revision made to the Japanese Corporation Tax Law, the Company and its domestic consolidated subsidiaries began depreciation of the residual value of property, plant and equipment acquired on and before March 31, 2007, whereby the difference between the remaining 5% value of the acquisition cost and the memorandum price is now depreciated over a five-year period commencing from the fiscal year following that in which depreciation to the maximum depreciable amount was completed under the previous Tax Law provisions.

As a result of this change, operating expenses in the Logistic systems, Electronics and Other segments and those included in "Elimination or corporate" increased by ¥67 million (\$670 thousand), ¥0 million (\$8 thousand), ¥2 million (\$26 thousand) and ¥34 million (\$342 thousand), respectively, and operating income in these segments and items decreased by the same amounts, respectively, for the fiscal year ended March 31, 2008, as compared with the previous accounting method.

23. Segment information

Segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2008 and 2007 is presented below:

(1) Segment information by product

For the year ended March 31, 2008

	(Millions of yen)				
	Logistics systems	Electronics	Other products	Elimination or corporate	Consolidated total
Sales:					
Sales to outside customers	¥208,616	¥10,194	¥12,807	¥ —	¥231,619
Inter-segment sales	151	11,389	2,887	(14,427)	—
Total	208,768	21,584	15,695	(14,427)	231,619
Operating expenses	182,451	20,994	15,304	(7,808)	210,941
Operating income	¥ 26,316	¥ 589	¥ 390	¥ (6,619)	¥ 20,677
Identifiable assets					
Depreciation	¥165,196	¥14,056	¥ 7,627	¥35,505	¥222,386
Capital expenditure	2,128	268	61	943	3,401
	2,189	246	123	1,512	4,071

For the year ended March 31, 2007

	(Millions of yen)				
	Logistics systems	Electronics	Other products	Elimination or corporate	Consolidated total
Sales:					
Sales to outside customers	¥209,155	¥11,547	¥12,000	¥ —	¥232,703
Inter-segment sales	134	12,165	3,353	(15,653)	—
Total	209,290	23,712	15,353	(15,653)	232,703
Operating expenses	185,352	22,744	14,677	(8,906)	213,867
Operating income	¥ 23,938	¥ 967	¥ 676	¥ (6,746)	¥ 18,836
Identifiable assets					
Depreciation	¥135,101	¥15,378	¥11,718	¥32,816	¥195,015
Capital expenditure	1,776	191	59	859	2,885
	5,699	356	485	1,739	8,280

(2) Segment information by geographic area

For the year ended March 31, 2008

	(Millions of yen)					
	Japan	North America	Asia	Other	Elimination or corporate	Consolidated total
Sales:						
Sales to outside customers	¥175,575	¥15,278	¥35,541	¥5,223	¥ —	¥231,619
Inter-segment sales	13,324	1,044	6,510	101	(20,981)	—
Total	188,900	16,323	42,051	5,324	(20,981)	231,619
Operating expenses	166,560	15,662	37,886	5,193	(14,361)	210,941
Operating income	¥ 22,339	¥ 660	¥ 4,164	¥ 131	¥ (6,619)	¥ 20,677
Identifiable assets						
	¥137,248	¥33,056	¥27,282	¥3,831	¥20,968	¥222,386

For the year ended March 31, 2007

	(Millions of yen)					
	Japan	North America	Asia	Other	Elimination or corporate	Consolidated total
Sales:						
Sales to outside customers	¥174,565	¥17,845	¥33,990	¥6,302	¥ —	¥232,703
Inter-segment sales	15,968	492	7,160	254	(23,877)	—
Total	190,533	18,338	41,151	6,557	(23,877)	232,703
Operating expenses	169,628	17,825	37,079	6,464	(17,131)	213,867
Operating income	¥ 20,905	¥ 512	¥ 4,072	¥ 92	¥ (6,746)	¥ 18,836
Identifiable assets						
	¥132,084	¥11,659	¥28,641	¥1,909	¥20,720	¥195,015

For the year ended March 31, 2008

	(Thousands of U.S. dollars)					Consolidated total
	Japan	North America	Asia	Other	Elimination or corporate	
Sales:						
Sales to outside customers	\$1,752,247	\$152,483	\$354,708	\$52,131	\$ —	\$2,311,569
Inter-segment sales	132,982	10,427	64,971	1,012	(209,394)	—
Total	1,885,230	162,910	419,680	53,143	(209,394)	2,311,569
Operating expenses	1,662,280	156,314	378,113	51,829	(143,332)	2,105,204
Operating income	\$ 222,949	\$ 6,596	\$ 41,566	\$ 1,314	\$ (66,061)	\$ 206,364
Identifiable assets	\$1,369,741	\$329,908	\$272,277	\$38,236	\$209,264	\$2,219,428

Geographical distances are considered in the classification of countries or areas. Main countries or areas included in the above geographical areas:

North America: U.S.A., Canada

Asia: Singapore, Thailand, Taiwan, Korea, China and India

Other: U.K.

Change in accounting treatment:

As stated in "Summary of significant accounting policies" in accordance with the revision made to the Japanese Corporation Tax Law, the Company and its domestic consolidated subsidiaries changed its depreciation method for property, plant and equipment acquired on and April 1, 2007 to the one stipulated by the revised Corporation Tax Law, effective from the fiscal year ended March 31, 2008.

As a result of this change, operating expenses in Japan and those included in "Eliminations or corporate" increased by ¥25 million (\$249 thousand) and ¥18 million (\$184 thousand), respectively, and operating income in such segments and items decreased by the same amounts, respectively, for the fiscal year ended March 31, 2008, as compared with the previous accounting method.

Additional information:

As stated in "Summary of Significant Accounting Policies" in accordance with the revision made to the Japanese Corporation Tax Law, the Company and its domestic consolidated subsidiaries began depreciation of the residual value for the property, plant and equipment acquired on and before March 31, 2007, whereby the difference between the remaining 5% value of the acquisition cost and the memorandum price is now depreciated over a five-year period commencing from the fiscal year following that in which depreciation to the maximum depreciable amount was completed under the previous Tax Law provisions.

As a result of this change, operating expenses in Japan and those included in "Eliminations or corporate" increased by ¥70 million (\$705 thousand) and ¥34 million (\$342 thousand), respectively, and operating income in such segments and items decreased by the same amounts, respectively, for the fiscal year ended March 31, 2008, as compared with the previous accounting method.

(3) Overseas sales

For the year ended March 31, 2008

	(Millions of yen)			Total
	North America	Asia	Other	
Overseas sales	¥16,592	¥75,008	¥9,814	¥101,415
Consolidated sales				231,619
Ratio of overseas sales to consolidated sales	7.2%	32.4%	4.2%	43.8%

For the year ended March 31, 2007

	(Millions of yen)			Total
	North America	Asia	Other	
Overseas sales	¥15,985	¥75,330	¥12,305	¥103,622
Consolidated sales				232,703
Ratio of overseas sales to consolidated sales	6.9%	32.4%	5.3%	44.5%

For the year ended March 31, 2008

	(Thousands of U.S. dollars)			Total
	North America	Asia	Other	
Overseas sales	\$165,595	\$748,591	\$97,948	\$1,012,135
Consolidated sales				2,311,569
Ratio of overseas sales to consolidated sales	7.2%	32.4%	4.2%	43.8%

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

Overseas sales for the years ended March 31, 2008 and 2007 included exports by the Company and offshore sales by its consolidated subsidiaries, excluding sales to Japan.

Main countries or areas included in the above geographical areas:

North America: U.S.A., Canada

Asia: Singapore, Thailand, Taiwan, Korea, China and India

Other: U.K., Poland, Sweden and Denmark

24. Earnings per share

The amounts of basic and diluted net income per share for the years ended March 31, 2008 and 2007 were as follows:

	March 31		March 31
	2008	2007	2008
	(Yen)		(U.S. dollars)
Net assets per share	¥746.59	¥682.01	\$7.45
Net income per share			
—Basic	105.05	100.50	1.05
—Diluted	103.29	98.82	1.03

The amounts and numbers used for the basic and diluted net income per share computation for years ended March 31, 2008 and 2007 were as follows:

	March 31		March 31
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Net income	¥11,893	¥11,382	\$118,696
Amounts not attributed to ordinary shareholders	—	—	—
Adjusted net income	11,893	11,382	118,696

	March 31	
	2008	2007
	(Thousands of shares)	
Weighted average number of shares of common stock	113,217	113,253
Effect of dilutive securities (of which: convertible bonds with subscription rights to shares)	1,932	1,933
Weighted average number of shares of common stock for diluted net income per share	115,150	115,187

	March 31		March 31
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Total net assets	¥ 88,709	¥ 80,717	\$885,320
Amount deducted from total net assets	4,191	3,490	41,827
(Of the above amount, minority interests)	(4,191)	(3,490)	(41,827)
Total net assets for common stocks	¥ 84,517	¥ 77,226	\$843,492
Number of issued and outstanding common stocks at the fiscal year-end (thousands of shares)	113,205	113,234	

25. Subsequent events

For the year ended March 31, 2007, the acquisition of treasury stock was resolved at Board of Directors' meeting on August 12, 2008 for the objective of enabling a flexible capital policy in accordance with the article 156 of Japanese Corporate Law which is applied by substituting article 165, clause 3 of the Japanese Corporate Law.

Details are as follows;

- (1) Class of shares to acquire
Common stock
- (2) Number of shares to acquire 2,500,000 shares (Maximum)
(2.2% to the outstanding shares excluding treasury stocks)
- (3) The aggregate acquisition cost
¥3,000 million (\$29,940 thousand) (Maximum)
- (4) Acquisition period
From August 18, 2008 to September 29, 2008
- (5) Acquisition method
Acquisition on the Tokyo Stock Exchange

For the year ended March 31, 2007:

Not applicable

Report of Independent Auditors



PricewaterhouseCoopers Aarata
NIM Plaza Midousuji Bldg., 5th Floor
3-6-3 Awajimachi, Chuo-ku
Osaka-shi, Osaka 541-0047
Japan
Telephone : +81 (6) 6202 3546
Facsimile : +81 (6) 6202 3547
www.pwc.com/jp/aarata

Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheet of Daifuku Co., Ltd. (“the Company”) and its subsidiaries as of March 31, 2008, and the related consolidated statements of income, changes in net assets and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of March 31, 2008, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 5 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

September 16, 2008