

Financial Section

Five-Year Summary

Daifuku Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2009, 2008, 2007, 2006 and 2005

	2009	2009	2008	2007	2006	2005
	(Millions of yen and thousands of U.S. dollars)					
For the Year						
Net sales	¥242,182	\$2,464,710	¥231,619	¥232,703	¥198,811	¥166,232
Cost of sales	195,430	1,988,908	182,260	186,991	159,312	134,696
Selling, general and administrative expenses	31,736	322,987	28,680	26,876	22,982	20,746
Operating income	15,015	152,814	20,677	18,837	16,517	10,790
Income before income taxes and minority interests	13,956	142,031	20,592	18,356	16,741	8,580
Net income	7,851	79,901	11,893	11,382	10,253	5,231
Net income per share (Yen and U.S. dollars)	¥ 70.29	\$ 0.72	¥ 105.05	¥ 100.50	¥ 92.20	¥ 46.07
Cash dividends per share (Yen and U.S. dollars)	26.00	0.26	26.00	25.00	18.00	13.00
Capital investment	¥ 4,613	\$ 46,954	¥ 4,071	¥ 8,281	¥ 5,236	¥ 3,671
Depreciation	3,930	39,998	3,401	2,886	2,271	2,184
R&D expenditures	8,018	81,608	6,964	7,564	7,629	4,970
At Year-End						
Total assets	¥194,727	\$1,981,754	¥222,386	¥195,016	¥181,990	¥147,158
Working capital	75,087	764,169	64,840	60,351	52,249	42,575
Interest-bearing liabilities	55,417	563,986	33,559	33,764	33,856	29,136
Net assets	82,810	842,770	88,709	80,718	68,882	53,337
Net assets per share (Yen and U.S. dollars)	¥ 718.68	\$ 7.31	¥ 746.59	¥ 682.01	¥ 608.12	¥ 480.14
No. of employees	5,660		5,663	4,702	4,109	3,716
Ratios						
Operating income/net sales	6.2%		8.9%	8.1%	8.3%	6.5%
Income before income taxes and minority interests/net sales	5.8		8.9	7.9	8.4	5.2
Net income/net sales	3.2		5.1	4.9	5.2	3.1
Return on shareholders' equity (ROE)	9.6		14.7	15.6	16.8	10.2
Shareholders' equity/total assets	40.9		38.0	39.6	37.8	36.2

Notes: 1. The U.S. dollar amounts in this annual report are translated from Japanese yen for convenience only, at the rate of ¥98.26 = U.S.\$1, on the Tokyo Foreign Exchange Market on March 31, 2009.

2. Effective the year ended March 31, 2007, the Daifuku Group has adopted the appropriate accounting standard guidelines for the presentation of net assets in the balance sheet. Please refer to Note 12 in the accompanying Notes to the Consolidated Financial Statements.

3. In the calculation of shareholders' equity ratio and ROE, net assets, less the amount equivalent to minority interests (average of beginning and end of fiscal period), are used.

4. Net assets used to calculate net assets per share exclude minority interests.

Contents

Consolidated Financial Review	22
Consolidated Balance Sheets	26
Consolidated Statements of Income	28
Consolidated Statements of Changes in Net Assets..	29
Consolidated Statements of Cash Flows.....	31
Notes to the Consolidated Financial Statements.....	32
Report of Independent Auditors	48

Consolidated Financial Review

Overview

In the fiscal year ended March 31, 2009, the global economy plunged into an overall recession as the effects of a financial catastrophe in developed countries that had been triggered by the U.S. subprime loan crisis spilled over into the real economy, engulfing Japan and other Asian nations. In the material handling industry, cutbacks in customer capital expenditure, particularly in the second half, significantly affected operating results.

Under these circumstances, although the Daifuku Group's sales in the mainstay Logistics Systems segment advanced steadily, underpinned by an order backlog from the previous fiscal period, there was a decrease in orders received across all its businesses. As a result, net orders received (see Note below) fell 13.0% compared with the previous fiscal year to 212,017 million yen, and consolidated net sales increased 4.6% to 242,182 million yen.

Note: The previous fiscal year's net orders received were calculated using an actual basis that included an order backlog of 18,543 million yen to the end of December 2007 for Jervis B. Webb Company ("Webb"), which was acquired at the end of 2007. In the previous fiscal year (the year ended March 31, 2008), the inclusion of Webb into the Daifuku Group's scope of consolidation was limited to the balance sheets by reason of the acquisition date. From the fiscal year under review, however, Webb has been fully consolidated into Daifuku's consolidated financial statements, including statements of income.

Of the consolidated net sales, domestic net sales (sales to customers in Japan) fell 11.3% to 115,532 million yen, whereas overseas net sales grew 24.9% to 126,650 million yen following the inclusion of Jervis B. Webb Company ("Webb") in the scope of consolidation. Consequently, the overseas net sales ratio climbed from the 43.8% in the previous fiscal year to 52.3%, exceeding the Three-Year Business Plan target (more than 50%).

Regarding earnings, operating income decreased 27.4% to 15,015 million yen due to such factors as a deterioration in order profitability and worsening factory operating levels brought about by the decline in orders received. Factoring in extraordinary losses incurred, such as a loss on disposal of tangible fixed assets associated with the redevelopment of the site of a former plant and an impairment loss on investment securities caused by falling stock prices, net income plummeted 34.0% to 7,851 million yen.

Operating Results by Business Segment

Logistics Systems

With regard to storage, transport, and picking and sorting systems for the manufacturing and distribution industries, orders were generally favorable for large-scale projects for the electronics, distribution and pharmaceutical wholesale industries. In the second half, however, small- and medium-sized projects suffered from the effects of the deterioration in the economic environment. Additional influencing factors were the second-half postponement of capital investment planned for automobile production lines in the automotive industry as well as postponement and revision of capital investment plans for cleanroom transport and storage systems in the electronics industry. In contrast, Webb's North America-centered business, which is seeing sales expansion in airport baggage handling conveyor systems and an increasing number of inquiries for automatic guided vehicles is carrying the Group's expectations in the months ahead.

Although sales based on the order backlog performed steadily in all business areas in the segment, projects for which orders received and sales were recorded within the fiscal year under

review were less than planned. From the profit perspective, although the aftermarket service business had made steady progress, the profit ratio inevitably declined due primarily to a downturn in the factory operating rate in the latter half of the fiscal year under review.

As a result, in the Logistics Systems business segment, orders received decreased 11.4% from the previous fiscal year to 194,953 million yen, net sales increased 7.0% to 223,257 million yen, and operating income fell 16.2% to 22,050 million yen.

Electronics

The Electronics business underwent major structural reforms, such as switching to a global products-oriented business, across its entire operating range, from sales and technology to production and aftermarket service, producing some favorable signs, such as a doubling in the number of project inquiries. However, these moves were profoundly affected by the decrease in capital investment in its mainstay manufacturing customers' businesses due to the economic downturn.

Consequently, in the Electronics business segment, orders received fell 36.7% from the previous fiscal year to 6,397 million yen, net sales decreased 24.4% to 7,711 million yen, and there was a 1,057 million yen fall in operating income resulting in the recording of an operating loss of 467 million yen.

Other

Although taking the industry lead in this segment's mainstay product of car wash machines thanks to eco-friendly models that reduce water utilization and noise levels, service station and automobile dealer customer demand trended downward.

As a result, in the Other business segment, orders received fell 21.2% from the previous fiscal year to 10,666 million yen, and net sales fell 12.5% to 11,213 million yen, with operating income increasing 39.8% to 545 million yen.

Earnings

As previously mentioned, consolidated net sales increased 4.6% year on year, but both the cost to sales ratio and the selling, general and administrative expenses ratio rose due to such factors as the deterioration in order profitability and worsening factory operating levels, leading to operating income decreasing 27.4%

to 15,015 million yen. As a result, the operating income margin fell from 8.9% in the previous fiscal year to 6.2%.

Income before special items, income taxes and minority interests (sum of operating income and non-operating income and expenses) decreased 27.9% from the previous fiscal year to 14,882 million yen, due mainly to an increased interest expense on the increase of long- and short-term borrowings intended to redouble the Company's funding capability.

Income before income taxes and minority interests (pretax income) plunged 32.2% compared with the previous fiscal year to 13,956 million yen as a result of recording extraordinary losses that included the previously mentioned loss on disposal of fixed assets in connection with the redevelopment of the Komaki Works and the impairment loss on investment securities caused by falls on the stock market.

Net income, the result of deducting income taxes and minority interests from pretax income, decreased 34.0% to 7,851 million yen. The ratio of net income to net sales slipped from 5.1% to 3.2%.

Consequently, net income per share of common stock was down from 105.05 yen to 70.29 yen (representing a decrease from 103.29 yen to 69.09 yen on a diluted basis).

Financial Standing

Assets, Liabilities and Net Assets

As of March 31, 2009, total assets stood at 194,727 million yen, a decrease of 27,659 million yen compared with the 222,386 million recorded at the end of the previous fiscal year. This decrease was primarily due to a reduction in inventories and a decrease in cash on hand and in banks under current assets.

Due to these factors, current assets at the fiscal year-end fell 23,077 million yen from a year ago to 142,175 million yen. Fixed assets also decreased 4,582 million yen to 52,551 million yen due to such factors as the disposal of tangible fixed assets. Capital investment for the year under review, which primarily benefited the Logistics Systems business, was 542 million yen higher than that of the previous fiscal year, totaling 4,613 million yen.

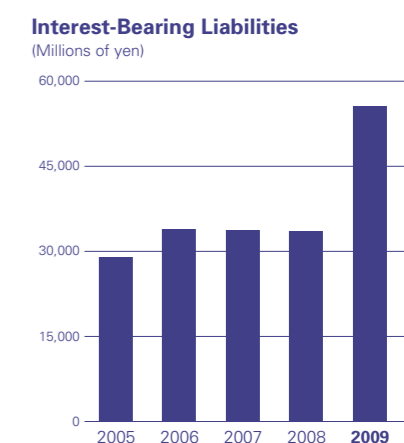
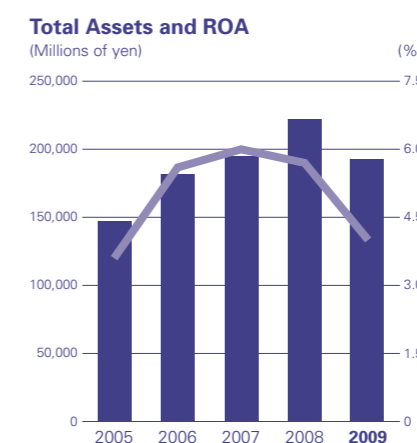
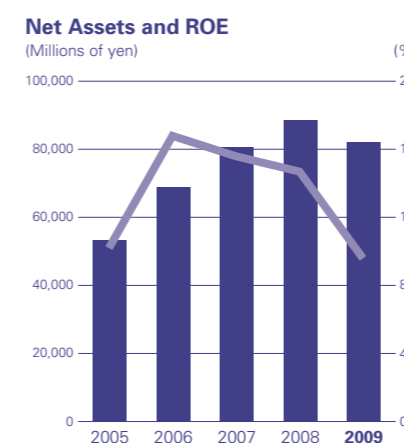
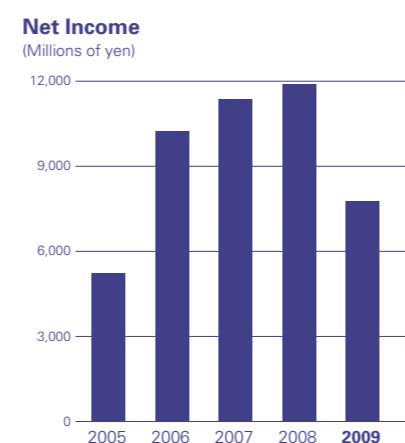
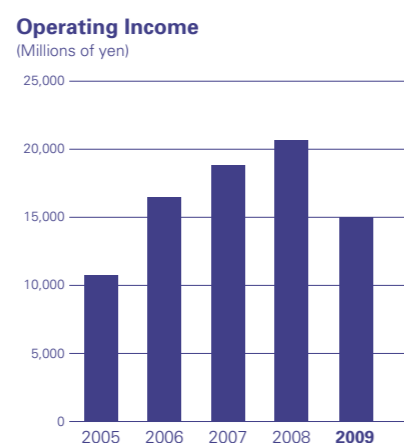
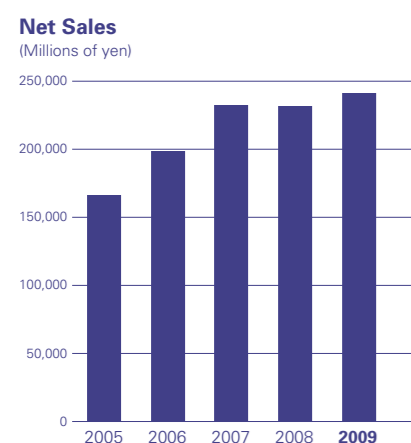
At 111,916 million yen, total liabilities at the end of the fiscal year under review were 21,761 million yen less than they had been at the end of the previous fiscal year due mainly to decreases in notes and accounts payable and advances on sales contracts. In contrast, short- and long-term loans increased to

cover future financial needs. Including these factors again, current liabilities at the end of the fiscal year under review decreased 33,325 million yen to 67,088 million yen, and long-term debt increased 11,563 million yen to 44,827 million yen. Total interest-bearing liabilities, such as short- and long-term borrowings and corporate bonds, totaled 55,417 million yen, an increase of 21,858 million yen compared with the previous fiscal year-end.

Net assets at the end of the fiscal year under review amounted to 82,810 million yen, a decrease of 5,899 million yen compared with the end of the previous fiscal year. The primary contributory factor was a fall in valuation and translation adjustments associated with the strong yen, despite an increase in retained earnings.

As a result, net assets per share decreased from 746.59 yen at the previous fiscal-year end to 718.68 yen, while the equity ratio remaining sound, rising from 38.0% to 40.9%.

Return on equity (ROE) fell from 14.7% at the end of the previous fiscal year to 9.6%.



Cash Flows

Primarily due to decreases in trade payables and advances on sales contracts, the previous fiscal year's net cash inflow from operating activities of 21,235 million yen became a net cash outflow of 8,425 million yen.

The previous year's net cash used in investing activities of 6,341 million yen increased to 6,900 million yen in the fiscal year under review. The slight increase was primarily due to the increased outflow of payments for purchase of property, plant and equipment, such as the headquarters area upgrade.

Basic Policy Regarding Dividend Payments, Payments for Fiscal Years 2008 and 2009

As one of its key management issues, Daifuku places the utmost importance on the payment of dividends to its shareholders. Based on this, Daifuku adopted a dividend policy based on its consolidated net income performance, while allocating its residual surplus to investment funds for future growth.

The year-end dividend of 16 yen per share for the fiscal year under review matched that of the previous fiscal year. When

Mainly affected by additional proceeds from long-term loans, the previous year's net cash used in financing activities of 3,531 million yen became an inflow of 16,189 million yen in the fiscal year under review.

After factoring in the effects of exchange rate and subsidiary changes to the above, cash and cash equivalents decreased at the end of the fiscal year under review by 3,312 million yen from a year ago to 27,902 million yen.

added to the interim dividend already paid, the dividend for the year totaled 26 yen per share, again the same as that for the previous fiscal year.

Due to the anticipated downturn in performance, we are forecasting a full-year dividend of 20 yen per share for the current fiscal year, made up of equal interim and year-end dividends of 10 yen per share.

Outlook for Fiscal 2009

Economic Situation and Orders Received

Looking ahead, the economic situation cannot be said to have bottomed out, despite increasing public spending in countries across the globe, and the severity of the downward trend in capital expenditure, which has a strong bearing on the Daifuku Group in particular, seems set to increase. Compared with a year before, the order backlog (as at March 31, 2009), on which business performance is based, has seen a substantial decrease, and it is further expected that a fall in project orders during the current fiscal year (fiscal 2009, ending March 31, 2010) will be unavoidable.

Outlook by Business Segment and Daifuku's Response

In Factory Automation and Distribution Automation (FA&DA), one of Daifuku's three mainstay Logistics Systems businesses—covering storage, transport, and picking and sorting systems for the manufacturing and distribution industries—there will be a relatively modest decline in orders for large-scale projects, such as those for the distribution, pharmaceutical and food wholesale industries. Despite this, there is concern that the slump in orders for small- and medium-sized projects will be prolonged. On the positive side, however, there are fields that are sustaining growth, such as material handling systems for agricultural distribution and those related to solar cell production. While seeking to increase business opportunities in these fields, the Company also plans to keep up with its business performance through the constant expansion of the aftermarket service business centered around the broad customer base of automated warehouse systems.

As there are many cases of new investment being postponed in developed countries, the focus of the Automotive Factory Automation (AFA) business, covering automobile production line systems in the automotive industry, will be on projects for such emerging economies as China. In the ongoing harsh environment in semiconductors and flat-panel displays, the Company will persevere and prepare for the market upturn for its e-Factory Automation (eFA) business by focusing on the development of

next-generation cleanroom transport and storage systems. At Webb, where sales of airport baggage handling systems remain brisk, we will be able to witness the synergies derived from combining Daifuku's unit load AS/RS with Webb's automatic guided vehicle.

Daifuku's Electronics business, which is also being impacted by the ongoing harsh conditions caused by capital expenditure retrenchment on the part of its customers, will accelerate structural reforms that encompass its sales system. With the market for its mainstay car wash machines continuing to show signs of shrinkage, Daifuku's Other business segment will also intensify its streamlining efforts by merging sales subsidiaries, for example.

In contrast, because of the comparatively weak effect that economic downturns have on after-delivery maintenance, equipment upgrades and retrofits, Daifuku is planning to further enhance its strengths in the aftermarket service business that encompasses these lines of services, as mentioned earlier.

Under the auspices of the Operations Improvement Committee, which has already been set up, robust measures are being put in place to lower the Company's break-even points, centered around companywide cost reductions and operational streamlining.

Medium- to Long-Term Measures

Over the medium- to long-term, Daifuku will push ahead with a process of enhancing and combining elements of its business in anticipation of diversifying and globalizing market needs. In global terms, the automotive, semiconductor and flat-panel display as well as the distribution industries have high growth potential. Given this situation, the Daifuku Group intends to augment its global response capabilities, including in such areas as the commercialization of cost-effective equipment for developing countries.

In response to the diversification of market needs, the Company will widen the horizons of the Logistics Systems business. Furthermore, by focusing on the development of proprietary, cutting-edge technologies, Daifuku is aiming to respond to

advanced needs as well as broaden its share of the market through product differentiation. As such initiatives are underpinned by its highly skilled employees, Daifuku will focus even more on nurturing young personnel at global facilities.

Sales and Profit Outlook for Fiscal 2009

To provide added impetus after the economic downturn, the Daifuku Group is developing a positive approach along the lines of the abovementioned business segments as well as on a companywide basis. However, in reality it will be difficult for the performance and capital expenditures of customer companies to rapidly recover and revert to growth. Accordingly, Daifuku currently (as of June 2009) anticipates its sales and earnings for the current fiscal year to show significant setbacks.

Application of Accounting Standards That Have a Positive Effect on Sales and Income in Fiscal 2009

The Accounting Standard for Construction Contracts (Percentage-of-Completion Method, ASBJ Statement No. 15, dated December 27, 2007) comes into effect in Japan from the current fiscal year ending March 31, 2010. Percentage of completion is an accounting

method for calculating revenues and costs depending on the state of progress on a construction contract (project). Previously, Daifuku had applied the completed-contract method when recording sales with regard to long-term construction contracts. In accordance with the new accounting standard, from the current fiscal year, Daifuku will apply the percentage-of-completion method to projects that meet certain criteria in terms of order scale and contract duration. The completed-contract method will still be applied to those projects that fall outside the criteria.

Cautionary Statement with Respect to Forward-Looking Statements:

The statements contained herein about the future, such as those in the abovementioned business performance outlook, are forward-looking statements made based on the information currently available to the Company as of June 2009, as well as certain assumptions judged to be rational by the Company based on such information. Readers should bear in mind that, due to various factors (including but not limited to the risks listed below), actual results may differ substantially.

Business-Related Risks

The main items that the Daifuku Group recognizes as risks and responds to as such are as follows.

Risk Covered by Internal Control Operations (Headed by the CRO)

- (1) Risk related to overseas business development (changes to each country's laws and regulations; changes in the social, political and economic situation; deterioration of public safety, disruption to transportation/electric power infrastructure; currency exchange restrictions and fluctuations; tax system changes; taxation by transfer price; trade protection regulations; customer credit risk from different commercial practices; different employment/social insurance systems; changes in labor environment; difficulties in recruiting/retaining personnel; outbreaks of disease, etc.)
- (2) Major disruption to production (damage to facilities, etc.)
- (3) Impact of natural or man-made disasters, war, acts of terrorism, strikes, etc.
- (4) Environmental problems
- (5) Labor relations issues (deterioration in employee-management relationship, outbreak of industrial disputes, etc.)
- (6) Joint ventures (changes in management policy at joint venture partner(s), change in management environment, etc.)

Risk Covered by Management of Operating Divisions

- (1) Changes in conditions of the markets related to semiconductors, flat-panel displays as well as automobiles (changes in demand/capital investment trends, etc.)
- (2) Product quality issues (product defects/failures, quality claims/complaints, etc.)
- (3) Risk related to development of new products/technologies (mismatch between new products/technologies and market

needs; rival development with competitor; absence of intellectual property (IP) right protection; breach of another company's IP rights; emergence of new alternative technology products from other companies, etc.)

Risk Covered by Sales Management

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

Risk Covered by Manufacturing Control

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

Risk Covered by Corporate Affairs Management

- (1) Risk related to IP rights (failure to obtain the license for use of the necessary third-party IP rights/high royalty demands; third-party allegations of IP right infringement(s); lack of protection of Daifuku IP rights in certain overseas countries and regions, etc.)
- (2) Information management (leak of important and/or personal information to outside the Company; use for purposes other than that intended, etc.)
- (3) Securing of personnel (recruitment and retention of competent personnel; difficulties in training human resources and securing successors, etc.)
- (4) Customer credit risk (customer bankruptcy; doubtful accounts/bad debts, etc.)

Risk Covered by Compliance Committee

- (1) Compliance-related risk (trouble or losses caused by director or employee failure to observe laws, regulations, standards, internal regulations, contracts, etc.)

Consolidated Balance Sheets

Daifuku Co., Ltd. and consolidated subsidiaries
March 31, 2009 and 2008

	March 31		March 31
	2009	2008	2009
	(Millions of yen)		(Thousands of U.S.dollars) (Note 5)
ASSETS			
Current assets:			
Cash on hand and in banks (Note 22)	¥ 28,294	¥ 31,749	\$ 287,952
Notes and accounts receivable	62,715	62,235	638,261
Inventories	—	53,512	—
Merchandise and finished goods	3,220	—	32,776
Work in process	24,698	—	251,359
Raw materials and supplies (Note 9)	7,285	—	74,141
Deferred income taxes (Note 21)	3,651	4,299	37,164
Other current assets (Note 9)	12,617	13,732	128,407
Less: allowance for doubtful accounts	(307)	(276)	(3,129)
Total current assets	142,175	165,253	1,446,935
Fixed assets:			
Property, plant and equipment (Notes 6 and 9):			
Buildings and structures	17,055	20,289	173,579
Machinery and vehicles	3,950	4,440	40,206
Equipment	1,056	1,305	10,749
Land	11,523	12,008	117,274
Lease assets	292	—	2,973
Construction in progress	396	931	4,034
Others	116	155	1,184
Total property, plant and equipment	34,391	39,130	350,001
Intangible assets:			
Software	1,968	—	20,037
Goodwill	1,092	1,714	11,114
Other (Note 9)	1,023	1,988	10,413
Total intangible assets	4,084	3,703	41,566
Investments and other assets:			
Investments in securities (Notes 7 and 8)	5,192	4,423	52,848
Long-term loans	415	423	4,224
Deferred income taxes (Note 21)	2,901	4,843	29,525
Other (Note 8)	5,914	4,935	60,189
Less: allowance for doubtful accounts	(347)	(326)	(3,538)
Total investments and other assets	14,075	14,299	143,249
Total assets	¥194,727	¥222,386	\$1,981,753

The accompanying notes are an integral part of these statements.

	March 31		March 31
	2009	2008	2009
	(Millions of yen)		(Thousands of U.S.dollars) (Note 5)
LIABILITIES			
Current liabilities:			
Notes and accounts payable	¥ 27,437	¥ 42,034	\$ 279,237
Short term loans and current portion of long term loans (Note 9)	15,909	6,297	161,912
Current portion of long-term bonds (Note 9)	—	4,000	—
Lease obligations (Note 9)	60	—	611
Income taxes payable	1,773	3,797	18,050
Deferred income taxes (Note 21)	57	55	584
Advances on sales contracts	8,730	22,284	88,845
Provision for directors' bonuses	22	75	231
Provision for losses on construction contracts	78	—	802
Other current liabilities	13,018	21,867	132,490
Total current liabilities	67,088	100,413	682,766
Long-term liabilities:			
Bonds (Note 9)	10,000	4,000	101,770
Bonds with subscription rights to shares (Note 9)	4,998	4,998	50,865
Long-term loans (Note 9)	24,509	14,263	249,438
Lease obligations (Note 9)	207	—	2,107
Long-term payables	561	1,574	5,710
Deferred income taxes (Note 21)	1,087	2,283	11,068
Provision for retirement benefits (Note 10)	1,419	2,733	14,444
Provision for directors' retirement benefits	83	78	844
Negative goodwill	904	1,060	9,204
Other long-term liabilities	1,057	2,272	10,760
Total long-term liabilities	44,827	33,264	456,216
Total liabilities	111,916	133,677	1,138,983
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	81,661
Capital surplus	9,029	9,030	91,891
Retained earnings	71,078	66,587	723,371
Less: treasury stock, at cost— March 31, 2009 — 2,984,630 shares	(2,404)	(286)	(24,473)
Total shareholders' equity	85,727	83,355	872,450
Valuation and translation adjustments:			
Net unrealized loss (gain) on securities	(387)	127	(3,944)
Deferred loss (gain) on hedges	(32)	18	(333)
Foreign currency translation adjustments	(5,758)	1,016	(58,599)
Total valuation and translation adjustments	(6,178)	1,162	(62,877)
Minority interests	3,261	4,191	33,196
Total net assets	82,810	88,709	842,770
Total liabilities and net assets	¥194,727	¥222,386	\$1,981,753

Consolidated Statements of Income

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2009 and 2008

	March 31		March 31
	2009	2008	2009
	(Millions of yen)		(Thousands of U.S.dollars) (Note 5)
Net sales	¥242,182	¥231,619	\$2,464,709
Cost of sales (Note 16)	195,430	182,260	1,988,908
Gross profit	46,752	49,358	475,801
Selling expenses (Note 15)	16,468	14,650	167,604
General and administrative expenses (Notes 15 and 16)	15,267	14,030	155,382
Operating income	15,015	20,677	152,814
Other income:			
Interest income	249	316	2,535
Dividend income	92	86	937
Refunded foreign taxes	5	162	57
Dividend distribution from silent partnership	—	119	—
Amortization of negative goodwill	100	—	1,022
Land and house rental revenue	152	—	1,551
Miscellaneous income	380	398	3,869
Other expenses:			
Interest expenses	795	440	8,098
Foreign exchange loss	139	411	1,422
Loss on amortization of value-added taxes	—	135	—
Miscellaneous expenses	177	147	1,804
Income before special items, income taxes and minority interests	14,882	20,628	151,462
Special income:			
Gain on sales of property, plant and equipment	69	20	708
Gain on sales of investments in securities	1	239	19
Reversal of allowance for doubtful accounts	28	—	289
Others	9	33	92
Special loss:			
Loss on sales of property, plant and equipment (Note 20)	8	5	88
Loss on disposal of property, plant and equipment (Note 17)	424	143	4,321
Loss on valuation of investments in securities	431	101	4,389
Losses on impairment of fixed assets (Note 18)	119	—	1,211
Loss on prior periods adjustment	—	56	—
Others	52	22	529
Income before income taxes and minority interests	13,956	20,592	142,031
Income taxes (Note 21):			
Current	4,324	6,785	44,010
Deferred	2,000	1,335	20,358
	6,324	8,120	64,368
Minority interests in net income of consolidated subsidiaries	(219)	578	2,238
Net income	¥ 7,851	¥ 11,893	\$ 79,900
	(Yen)		(U.S.dollars) (Note 4)
Net income per share (Note 27)	¥ 70.29	¥ 105.05	\$ 0.72
Cash dividends per share	26.00	26.00	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, 2009 and 2008

	Shareholders' Equity					
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings (Millions of yen)	Treasury stock, at cost	Total 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)
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
Effect of changes in accounting policies applied to foreign subsidiaries	—	—	—	(441)	—	(441)
Net income	—	—	—	7,851	—	7,851
Cash dividends	—	—	—	(2,918)	—	(2,918)
Purchase of treasury stock	—	—	—	—	(2,129)	(2,129)
Disposal of treasury stock	—	—	(1)	—	10	9
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2009	113,671	¥8,024	¥9,029	¥71,078	¥(2,404)	¥85,727
	Valuation and Translation Adjustments					
	Net unrealized loss (gain) on securities	Deferred loss (gain) on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
	(Millions of yen)					
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)
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
Effect of changes in accounting policies applied to foreign subsidiaries	—	—	—	—	—	(441)
Net income	—	—	—	—	—	7,851
Cash dividends	—	—	—	—	—	(2,918)
Purchase of treasury stock	—	—	—	—	—	(2,129)
Disposal of treasury stock	—	—	—	—	—	9
Net changes of items other than shareholders' equity	(514)	(51)	(6,774)	(7,341)	(929)	(8,270)
Balance at March 31, 2009	¥ (387)	¥(32)	¥(5,758)	¥(6,178)	¥3,261	¥82,810

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, 2009 and 2008

	Shareholders' Equity					Total shareholders' equity
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	
Balance at March 31, 2008	113,671	\$81,661	\$91,903	\$677,667	\$ (2,917)	\$848,313
Effect of changes in accounting policies applied to foreign subsidiaries	—	—	—	(4,497)	—	(4,497)
Changes of items during the period						
Net income	—	—	—	79,900	—	79,900
Cash dividends	—	—	—	(29,699)	—	(29,699)
Purchase of treasury stock	—	—	—	—	(21,667)	(21,667)
Disposal of treasury stock	—	—	(11)	—	111	100
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2009	113,671	\$81,661	\$91,891	\$723,371	\$ (24,473)	\$872,450

	Valuation and Translation Adjustments					Total net assets
	Net unrealized loss (gain) on securities	Deferred loss (gain) on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	
Balance at March 31, 2008	\$ 1,295	\$ 188	\$ 10,348	\$ 11,832	\$42,635	\$902,799
Effect of changes in accounting policies applied to foreign subsidiaries	—	—	—	—	—	(4,497)
Changes of items during the period						
Net income	—	—	—	—	—	79,900
Cash dividends	—	—	—	—	—	(29,699)
Purchase of treasury stock	—	—	—	—	—	(21,667)
Disposal of treasury stock	—	—	—	—	—	100
Net changes of items other than shareholders' equity	(5,239)	(522)	(68,948)	(74,710)	(9,456)	(84,166)
Balance at March 31, 2009	\$(3,944)	\$(333)	\$(58,599)	\$(62,877)	\$33,196	\$842,770

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, 2009 and 2008

	March 31		March 31
	2009	2008	2009
	(Millions of yen)		(Thousands of U.S. dollars) (Note 5)
Cash flows from operating activities:			
Income before taxes and minority interests	¥13,956	¥20,592	\$142,031
Adjustments for:			
Depreciation	3,930	3,401	39,998
Amortization of goodwill	230	159	2,344
Amortization of negative goodwill	(100)	—	(1,022)
Interest and dividend income	(341)	(403)	(3,472)
Interest expenses	795	440	8,098
Loss on disposal or sales of property, plant and equipment	433	149	4,409
Gain on sales of investments in securities	(1)	(229)	(19)
Decrease (increase) in notes and account receivables	(4,510)	3,939	(45,900)
Decrease in inventories	16,926	1,354	172,265
Decrease in notes and account payable	(10,117)	(7,720)	(102,964)
Increase (decrease) in advances on sales contracts	(15,162)	10,041	(154,313)
Other, net	(7,935)	(4,025)	(80,755)
Subtotal	(1,896)	27,700	(19,300)
Interest and dividend income received	333	402	3,398
Interest expenses paid	(752)	(441)	(7,653)
Income taxes paid	(6,370)	(6,783)	(64,834)
Other, net	259	356	2,639
Net cash used in (provided by) operating activities	(8,425)	21,235	(85,750)
Cash flows from investing activities:			
Investments in time deposits	(258)	(1,297)	(2,631)
Proceeds from refund of time deposits	311	1,295	3,165
Payments for purchase of property, plant and equipment	(4,938)	(3,862)	(50,255)
Proceeds from sales of property, plant and equipment	77	3	791
Payments for purchase of investments in securities	(2,107)	(706)	(21,447)
Proceeds from sales of investments in securities	13	310	134
Payments for purchase of stock of subsidiaries and affiliates	(19)	(2,330)	(201)
Collection of loans receivable	9	21	93
Other, net	12	224	126
Net cash used in by investing activities	(6,900)	(6,341)	(70,223)
Cash flows from financing activities:			
Increase (decrease) in short-term loans, net	2,837	(132)	28,880
Proceeds from long-term loan	21,579	3,000	219,620
Repayment of long-term loan	(3,979)	(4,356)	(40,501)
Proceeds from issuance of bonds	5,894	3,972	59,985
Redemption of bonds	(4,000)	(3,000)	(40,708)
Proceeds from disposal of treasury stock	9	2	100
Payments for purchase of treasury stock	(2,129)	(47)	(21,667)
Payment of cash dividends	(2,910)	(2,824)	(29,618)
Other, net (Note 22)	(1,113)	(145)	(11,334)
Net cash provided by (used in) financing activities	16,189	(3,531)	164,757
Effect of exchange rate change on cash and cash equivalents	(4,194)	(384)	(42,689)
Net (decrease) increase in cash and cash equivalents	(3,331)	10,978	(33,906)
Cash and cash equivalents at beginning of year	31,215	19,969	317,678
Increase in cash and cash equivalents resulting from change of scope of consolidation	18	266	191
Cash and cash equivalents at end of year (Note 22)	¥27,902	¥31,215	\$283,963

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, 2009 and 2008

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. Necessary adjustments to the accounts of the consolidated overseas subsidiaries have been reflected in the accompanying consolidated financial statements, in all material respects, to present them in conformity with International Financial Reporting Standards or accounting principles generally accepted in the United States of America. (See Note 3 "Accounting Change" (1) Application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements.")

The presentation of the accompanying consolidated financial statements is made in conformity with the "Regulations Concerning Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (ordinance promulgated by the Cabinet office) and meets the requirements for 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 51 subsidiaries as of March 31, 2009 (54 subsidiaries as of March 31, 2008).

ForgePro India Pvt., Ltd., which was not consolidated for the fiscal year ended March 31, 2008 (fiscal 2007) is included

in the consolidation for the fiscal year ended March 31, 2009 (fiscal 2008) due to the being increased of its significance.

Daifuku Pioneer Co., Ltd. and Daifuku Bowl-More Ltd. which were consolidated for the fiscal year 2007 were merged with Taiwan Daifuku Co., Ltd. and Daifuku Qubica AMF Co., Ltd. respectively and Jervis B. Webb Company of Georgia and The Triax Company which were consolidated for the fiscal year 2007 were liquidated in the fiscal year 2008 so these were not included in the consolidation for the fiscal year 2008.

The Company had two affiliates including Renace Laboratory, Inc. as of March 31, 2009 (one non-consolidated subsidiary and two affiliates as of March 31, 2008) which were accounted for not by the equity method but cost method since the net income and the balance of retained earnings of these companies were not significant as of March 31, 2009.

The Company had three affiliates including Webb India Pvt., Ltd. and Chengde Webb Conveyor Machinery Co., Ltd. as of March 31, 2009 (three affiliates as of March 31, 2008), which are accounted for by the equity method. These affiliates are consolidated by the accounts as of their fiscal years because their fiscal years were different from the Company's.

The consolidated subsidiaries adopt the same fiscal year as the Company except that 32 and 35 foreign consolidated subsidiaries as of March 31, 2009 and 2008, respectively adopt their fiscal years ended on 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 among the consolidated group have been eliminated.

(2) Translation of foreign currencies

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

Assets, liabilities, income and expenses of foreign subsidiaries and affiliates accounted for by the 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 net assets in the balance sheets, and cost of securities sold is determined based on the moving average method.

"Other securities" for which market quotations are unavailable are stated at cost and cost of securities sold is determined based on the moving average method.

(c) Hedge accounting

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 fluctuations in foreign exchange and interest rates. Thus, the Company's purchases of hedging instruments are limited to, at maximum, the amounts of the hedged items.

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

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

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

(7) Depreciation of fixed assets

① Property, plant and equipment (excluding lease assets)

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

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

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.

(Additional information)

In accordance with the revision made to the Japanese Corporation Tax Law, the Company and its domestic consolidated subsidiaries reviewed useful life of machinery and equipment and changed their useful life.

As a result of this change, "Operating income," "Income before special items, income taxes and minority interests," and "Income before income taxes and minority interests" decreased by ¥198 million (\$2,025 thousand) respectively, for the fiscal year under review, as compared with the previous accounting method.

The impact to segment information is described in note 26.

② Intangible assets

Intangible assets are principally amortized by the straight-line method.

Amortization of software for internal use is computed using the straight-line method over the estimated in-house working life of five years

③ Lease assets

Finance lease transactions which transfer the ownership:

The lease assets are depreciated using the same method as the fixed assets in the Company's possession.

Finance lease transactions which do not transfer the ownership:

The leased assets are fully depreciated using the straight-line method over the lease-term equivalent which represents the expected useful life on the basis that the residual value equals to zero (In the case there are any leases with guaranteed residual value, such value is regarded as accounting.)

(8) 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.

(9) Goodwill and negative goodwill

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

(10) Income taxes

Income taxes of the Company and its consolidated subsidiaries consist of corporate income taxes, local inhabitant 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.

(11) Allowance for doubtful accounts

To prepare for losses on uncollectible account receivable, the Company and its consolidated domestic subsidiaries provide allowances for doubtful accounts based on historical default rates with respect to receivables, and specific allowances for doubtful trade receivables and advances at estimated amounts considered to be uncollectible after reviewing individual collectibility. In consolidated overseas subsidiaries, allowances are provided mainly for specific receivables at estimated amounts considered to be uncollectible after reviewing their collectibility.

(12) 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.

(13) Provision for directors' retirement benefits

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

(14) Provision for directors' bonuses

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

(15) Provision for losses on construction contracts

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

(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 sheets have been reclassified to conform to the current year presentation.

There are no significant impacts.

3. Accounting change

(1) Application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"

The Company applied the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18, issued on May 17, 2006) effective April 1, 2008, and has made the necessary adjustments to consolidated financial statements.

These adjustments increased operating income; income before special items, income taxes and minority

interests; and income before income taxes and minority interests by ¥311 million (\$3,168 thousand), ¥286 million (\$2,917 thousand) and ¥323 million (\$3,293 thousand), respectively, for the year ended March 31, 2009.

Also, the beginning retained earnings at April 1, 2008 was decreased downward by ¥441 million (\$4,497 thousand) and, accordingly, the year-end retained earnings at March 31, 2009 was decreased by the same amount.

The impact of this change on segment information is described in the relevant part of note 26.

(2) Accounting Standard for Lease Transactions

Finance lease transactions that do not transfer the ownership of the leased assets to the lessees had previously been accounted for by applying the accounting treatment similar to that for rental transactions. However, beginning the year ended March 31, 2009, the Company applied the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, originally issued on June 17, 1993, and last revised on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, issued on January 18, 1994, and last revised on March 30, 2007), whereby the previous accounting treatment was changed to that for ordinary sale and purchase transactions.

In the finance lease transactions that do not transfer the ownership of the leased assets, depreciation of leased assets is calculated by the straight-line method based on the assumption that the useful life equals to the lease term and the residual value equals to zero. (In the case there are any leases with guaranteed residual value, such value is regarded as accounting.)

Of the finance lease transactions that do not transfer the ownership of the leased assets, however, those for which the commencement day of lease transactions fell prior to the initial fiscal year of the application of the above Accounting Standard continue to be treated for accounting purposes as rental transactions.

This accounting change had no material impact on 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, 2009.

4. Reclassification of presentation

(1) Consolidated balance sheets

(a) As the "Cabinet Office Ordinance Amending Part of Regulations Concerning Terminology, Forms and Preparation Methods of Financial Statements" (Cabinet Office Ordinance No. 50, issued on August 7, 2008) is to be applied, the line item "Inventories" presented in the previous years' balance sheet has been divided into "Merchandise and finished goods," "Work in process" and "Raw materials and supplies," beginning the year ended March 31, 2009.

The amounts of "Merchandise and finished goods," "Work in process" and "Raw materials and supplies" included in the "Inventories" in the previous year, ended

March 31, 2008, were ¥3,400 million (\$34,604 thousand), ¥42,796 million (\$435,538 thousand) and ¥7,316 million (\$74,460 thousand), respectively.

(b) As its materiality has increased, "Software" (previously included in "Other" of "Intangible assets") is presented as a new independent line item within "Intangible assets," beginning the year ended March 31, 2009.

The amount of "Software" included in "Other" in the previous year, ended March 31, 2008, was ¥1,346 million (\$13,699 thousand).

(2) Consolidated statements of income

As its materiality has increased, "Land and house rent received" (previously included in "Miscellaneous income" of "Other income") is now presented as a new independent line item within "Other income."

The amount of "Land and house rent received" included in "Miscellaneous income" in the previous year, ended March 31, 2008, was ¥105 million (\$1,077 thousand).

(3) Consolidated statements of cash flows

In order to augment the comparability of financial statements addressing the addition of XBRL to the EDINET filing system, "Payments for additional purchase of stocks of consolidated subsidiaries," which were presented as an independent line item in the previous year's statement of cash flows, have been combined into "Payments for purchase of stocks of subsidiaries and affiliates" from the year ended March 31, 2009.

The amount of "Payments for additional purchase of stocks of consolidated subsidiaries" in the previous year, ended March 31, 2008, was ¥108 million (\$1,108 thousand).

5. United States dollar amounts

The Company prepares its consolidated financial statements in Japanese yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetical results of translating yen into dollars at the rate of ¥98.26 to U.S. \$1, being the effective rate of exchange at March 31, 2009.

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 ¥98.26 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 ¥40,950 million (\$416,760 thousand) and ¥42,936 million for the years ended March 31, 2009 and 2008, respectively.

7. Investments in securities

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

	March 31, 2009 (Millions of yen)		
	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Investments in securities:			
Equity securities	¥524	¥794	¥270

	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, 2009 (Thousands of U.S. dollars)		
	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Investments in securities:			
Equity securities	\$5,340	\$8,090	\$2,750

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

	March 31, 2009 (Millions of yen)		
	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Investments in securities:			
Equity securities	¥2,965	¥2,109	¥(856)
Bond	1,891	1,855	(35)
Total	¥4,857	¥3,965	¥(892)

	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, 2009 (Thousands of U.S. dollars)		
	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Investments in securities:			
Equity securities	\$30,181	\$21,466	\$(8,714)
Bond	19,250	18,885	(365)
Total	\$49,432	\$40,352	\$(9,079)

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

The Company recognized an impairment loss on securities of ¥427 million (\$4,348 thousand) for the fiscal year ended March 31, 2009. Impairment is calculated on those securities whose degree of decline is more than 50% of

the acquisition cost and in a case 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.

Of those securities with carrying amounts on the consolidated balance sheets that do not exceed their acquisition cost, the above bond is convertible bonds with subscription rights to shares issued by the Company.

Held-to-maturity bonds with market value as of March 31, 2009 and 2008:

Not applicable

"Other securities" sold during the years ended March 31, 2009 and 2008 were as follows:

March 31					
2009			2008		
(Millions of yen)					
Proceeds of Sales	Gain on Sales	Loss on Sales	Proceeds of Sales	Gain on Sales	Loss on Sales
¥13	¥1	¥—	¥310	¥239	¥9

March 31, 2009 (Thousands of U.S. dollars)		
Proceeds of Sales	Gain on Sales	Loss on Sales
\$134	\$19	\$—

Book values of "other securities" which are not marketable as of March 31, 2009 and 2008 were summarized as follows:

	March 31, 2009 (Millions of yen)		March 31, 2009 (Thousands of U.S. dollars)
	2009	2008	2009
Investments in securities:			
Investment in non-consolidated subsidiaries and affiliates	¥248	¥ 444	\$2,530
Other securities			
Unlisted securities	184	1,211	1,876

8. Investments in non-consolidated subsidiaries and affiliates

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

	March 31, 2009 (Millions of yen)		March 31, 2009 (Thousands of U.S. dollars)
	2009	2008	2009
Investments in securities	¥248	¥444	\$2,530
Investments and other assets, Other (investments in capital)	132	167	1,344

9. Short-term borrowings and long-term debt

Short-term borrowings are principally bank loans.

The weighted average interest rates applicable to the short-term loans outstanding as of March 31, 2009 were 2.7%.

Short-term borrowings outstanding as of March 31, 2009 and 2008 consisted of the following:

	March 31, 2009 (Millions of yen)		March 31, 2009 (Thousands of U.S. dollars)
	2009	2008	2009
Loans from banks			
Secured and unsecured	¥4,659	¥2,310	\$47,423

Long-term borrowings are principally bank loans.

The weighted average interest rates applicable to the long-term loans outstanding as of March 31, 2009 were 1.8%.

Long-term debt outstanding as of March 31, 2009 and 2008, consisted of the following:

	March 31, 2009 (Millions of yen)		March 31, 2009 (Thousands of U.S. dollars)
	2009	2008	2009
Loans, principally from banks			
Secured and unsecured	¥35,759	¥18,250	\$363,927
Less: portion due within one year	11,249	3,987	114,488
Subtotal	24,509	14,263	249,438

	March 31, 2009 (Millions of yen)		March 31, 2009 (Thousands of U.S. dollars)
	2009	2008	2009
Loans, principally from banks			
Secured and unsecured	¥35,759	¥18,250	\$363,927
Less: portion due within one year	11,249	3,987	114,488
Subtotal	24,509	14,263	249,438

	March 31, 2009 (Millions of yen)		March 31, 2009 (Thousands of U.S. dollars)
	2009	2008	2009
Bonds			
0.42% yen unsecured bonds, due 2008	—	2,000	—
0.47% yen unsecured bonds, due 2008	—	2,000	—
Zero coupon yen unsecured convertible bonds, due 2011	4,998	4,998	50,865
1.35% yen unsecured bonds, due 2013	3,200	—	32,566
1.36% yen unsecured bonds, due 2013	800	—	8,141
2014 and thereafter	6,000	4,000	61,062
Bonds total	14,998	12,998	152,635
Less: portion due within one year	—	4,000	—
Subtotal	14,998	8,998	152,635
Total	¥39,507	¥23,261	\$402,074

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).

The 1.70% unsecured bonds in the principal amount of ¥ 2,000 million, due 2014, issued on January 30, 2009, were issued in Japan at their face value.

The 2.02% unsecured bonds in the principal amount of ¥ 2,000 million, due 2014, issued on March 25, 2009,

were issued in Japan at their face value.

The 1.80% unsecured bonds in the principal amount of ¥ 2,000 million, due 2014, issued on March 25, 2009, were issued in Japan at their face value.

Bond details

The outstanding aggregate annual maturity of long-term debt other than the portion due within one year as of March 31, 2009 was as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2011	¥ 4,998	\$ 50,865
2012	—	—
2013	4,000	40,708
2014	6,000	61,062
	¥14,998	\$152,635

Loan details

The outstanding aggregate annual maturity of long-term loans other than the portion due within one year as of March 31, 2009 was as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2011	¥ 3,032	\$ 30,860
2012	850	8,659
2013	55	564
2014	20,505	208,685
	¥24,444	\$248,770

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

Convertible bonds	Conversion price per share	Conversion period
Zero coupon yen unsecured bonds, due 2011	¥2,586 (\$26.31)	March 1, 2006–March 30, 2011

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

The Company has unsecured convertible bonds issued by the Company with subscription rights to shares, of the face value of ¥1,990 million (\$ 20,252 thousand) and they are included in "Investments in securities" at the carrying amount of ¥1,855 million (\$ 18,885 thousand).

Lease obligation details

Lease obligations outstanding as of March 31, 2009 and 2008 consisted of the following:

	March 31		March 31
	2009	2008	2009
	(Millions of yen)		(Thousands of U.S. dollars)
Lease obligations	¥267	¥—	\$2,719
Less: portion due within one year	60	—	611
	¥207	¥—	\$2,107

The aggregate annual maturity of lease obligations other than the portion due within one year outstanding as of March 31, 2009 was as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2011	¥50	\$517
2012	37	381
2013	21	223
2014	18	190
	¥128	\$1,312

Assets pledged as collateral for short-term loans with banks as of March 31, 2009 and 2008 were as follows:

	March 31		March 31
	2009	2008	2009
	(Millions of yen)		(Thousands of U.S. dollars)
Buildings, less accumulated depreciation	¥268	¥ 75	\$2,732
Machinery and vehicles	168	—	1,710
Others	142	51	1,454
Total	¥579	¥127	\$5,897

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
	2009	2008	2009
	(Millions of yen)		(Thousands of U.S. dollars)
Short-term loan	¥405	¥446	\$4,126
	¥405	¥446	\$4,126

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.

The Company and its domestic subsidiaries have defined contribution plans and hybrid type of pension plans (cash balance plans).

Certain of the overseas subsidiaries have defined contribution plans.

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

The provision for retirement benefits as of March 31, 2009 and 2008 were as follows:

	March 31		March 31
	2009	2008	2009
	(Millions of yen)		(Thousands of U.S. dollars)
(1) Projected benefit obligations	¥(37,825)	¥(20,943)	\$ (384,954)
(2) Plan assets	27,128	15,794	276,085
(3) Funded status (1)+(2)	(10,697)	(5,149)	(108,869)
(4) Unrecognized actuarial differences	11,350	3,899	115,510
(5) Unrecognized prior service cost	(283)	(567)	(2,888)
(6) Prepaid pension cost	1,787	916	18,196
(7) Provision for retirement benefits recognized on balance sheet ((3)+(4)+(5)-(6))	¥ (1,419)	¥ (2,733)	\$ (14,444)

Net pension expense relating to the retirement benefits for the years ended March 31, 2009 and 2008 were as follows:

	March 31		March 31
	2009	2008	2009
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥1,109	¥1,008	\$11,287
Interest cost	1,669	357	16,992
Expected return on plan assets	(2,126)	(601)	(21,641)
Amortization of actuarial differences	164	(595)	1,669
Amortization of prior service cost	(427)	(283)	(4,348)
Net pension expense	388	(114)	3,958
Other	506	340	5,157
	¥ 895	¥ 226	\$ 9,116

"Other" is the pension contribution under the defined contribution plan.

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

	March 31	
	2009	2008
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 expenses relating to the finance lease transactions which do not transfer the ownership of the leased assets, other than, those for which the commencement day of lease transactions fell prior to the initial fiscal year of the application of "Accounting Standard for Lease Transactions," for the years ended March 31, 2009 and 2008 were summarized as follows:

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

	March 31		March 31
	2009	2008	2009
	(Millions of yen)		(Thousands of U.S. dollars)
Machinery and vehicles	¥1,696	¥1,672	\$17,266
Equipment	250	442	2,550
Other	165	184	1,689
Subtotal	2,113	2,299	21,506
Accumulated depreciation	720	632	7,336
Net book value equivalent	¥1,392	¥1,667	\$14,169

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

(2) The future minimum lease payments required under the terms of these finance leases as of March 31, 2009 and 2008 were as follows:

	March 31		March 31
	2009	2008	2009
	(Millions of yen)		(Thousands of U.S. dollars)
Due within one year	¥ 303	¥ 335	\$ 3,091
Due after one year	1,088	1,332	11,078
	¥1,392	¥1,667	\$14,169

Interest 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.

	March 31		March 31
	2009	2008	2009
	(Millions of yen)		(Thousands of U.S. dollars)
Lease payments and depreciation equivalent:			
Lease payments	¥338	¥362	\$3,449
Depreciation equivalent	338	362	3,449

Method of calculating depreciation equivalent amount for leases:

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

Operating leases

The future minimum lease payments for non-cancellable leases as of March 31, 2009 and 2008 were as follows:

	March 31		March 31
	2009	2008	2009
	(Millions of yen)		(Thousands of U.S. dollars)
Due within one year	¥ 348	¥—	\$ 3,546
Due after one year	2,191	—	22,307
	¥2,540	¥—	\$25,854

Impairment of leased assets

For the years ended March 31, 2009 and 2008, there were no impairment losses on leased assets.

12. Contingent liabilities

The contingent liabilities as of March 31, 2009 and 2008 were as follows:

	March 31		March 31
	2009	2008	2009
	(Millions of yen)		(Thousands of U.S. dollars)
Bank borrowings of non-consolidated subsidiaries, affiliates	¥ 90	¥102	\$ 915
Bank borrowings of the company employees	14	25	150
	¥104	¥128	\$1,066

13. Derivatives and hedging activities

Derivative financial instruments are utilized by the Company and its subsidiaries principally to reduce the exposure to the risk 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, 2009					(In thousands of shares)
Class of shares	As of March 31, 2008	Increase	Decrease	As of March 31, 2009	
Common stock	113,671	—	—	113,671	
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	

(2) Matters regarding treasury stock:

For the year ended March 31, 2009					For the year ended March 31, 2008				
Class of shares	As of March 31, 2008		As of March 31, 2009		Class of shares	As of March 31, 2007		As of March 31, 2008	
	Increase	Decrease	Increase	Decrease		Increase	Decrease		
Common stock	466,485	2,532,876	14,731	2,984,630	Common stock	437,038	31,422	1,975	466,485

Notes: 1. Treasury stock of common stock increased by 2,500,000 shares of repurchase resolved by Board of Directors' meeting and by 32,876 shares due to purchases of less-than-a-unit shares.
2. The decrease of 14,731 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 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.

(3) Matters regarding dividends:

① Dividends paid during the year ended March 31, 2009:

Resolution adopted	Class of shares	Aggregate amount (Millions of yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 16, 2008	Common stock	¥1,811	¥16	March 31, 2008	June 30, 2008
Board of Directors' meeting on November 13, 2008	Common stock	1,106	10	September 30, 2008	December 8, 2008

Dividends paid during the year ended March 31, 2008:

Resolution adopted	Class of shares	Aggregate amount (Millions of yen)	Amount per share (Yen)	Record date	Effective date
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

Dividends paid during the year ended March 31, 2009:

Resolution adopted	Class of shares	Aggregate amount (Thousands of U.S. dollars)	Amount per share (U.S. dollars)	Record date	Effective date
Board of Directors' meeting on May 16, 2008	Common stock	\$18,433	\$0.16	March 31, 2008	June 30, 2008
Board of Directors' meeting on November 13, 2008	Common stock	11,265	0.10	September 30, 2008	December 8, 2008

② Dividends with a record date during the year ended March 31, 2009, 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 15, 2009	Common stock	Retained earnings	¥1,770	¥16	March 31, 2009	June 29, 2009

Resolution adopted	Class of shares	Source of dividends	Aggregate amount (Thousands of U.S. dollars)	Amount per share (U.S. dollars)	Record date	Effective date
Board of Directors' meeting on May 15, 2009	Common stock	Retained earnings	\$18,023	\$0.16	March 31, 2009	June 29, 2009

15. Major items of selling, general and administrative expenses

Major items of selling, general and administrative expenses for the years ended March 31, 2009 and 2008 were as follows:

Selling expenses

	March 31		March 31
	2009	2008	
	(Millions of yen)		(Thousands of U.S. dollars)
Sales commissions	¥ 775	¥ 762	\$ 7,894
Advertising expenses	450	240	4,581
Salaries and bonuses	6,953	6,393	70,770
Provision for retirement benefits	207	5	2,114
Welfare expenses	1,216	1,123	12,383
Traveling and transportation expenses	1,558	1,538	15,858
Rent expenses	616	613	6,273
Depreciation	205	129	2,086
Outsourcing expenses	1,102	—	11,223

General and administrative expenses

	March 31		March 31
	2009	2008	
	(Millions of yen)		(Thousands of U.S. dollars)
Directors' compensations	¥1,208	¥1,266	\$12,294
Salaries and bonuses	5,015	4,577	51,046
Provision for retirement benefits	(121)	1	(1,240)
Welfare expenses	496	522	5,051
Research and development expenses	2,569	2,500	26,154
Depreciation	1,165	946	11,865
Outsourcing expenses	2,661	—	27,081

16. Research and development

Research and development expenditures charged to income were ¥8,018 million (\$81,608 thousand) and ¥6,964 million for the years ended March 31, 2009 and 2008, respectively.

17. Loss on disposal of property, plant and equipment

Major items of loss on disposal of property, plant and equipment for the years ended March 31, 2009 and 2008 were as follows:

	March 31		March 31
	2009	2008	
	(Millions of yen)		(Thousands of U.S. dollars)
Buildings and structures	¥102	¥35	\$1,043
Machinery and vehicles	139	81	1,420
Equipment	15	16	157
Removal and other expenses	167	9	1,699

18. Losses on impairment of fixed assets

Losses on impairment were recognized for the following asset groups for the fiscal year ended March 31, 2009.

Location	Purposes	Assets class
TAIWAN CONTEC CO., LTD.	Goodwill	Goodwill
	Manufacturing Equipment	Machinery and vehicles Equipment
CONTEC MICROELECTRONICS U.S.A. INC.	Operating Equipment	Buildings and structures Equipment Software

Due to the deterioration of these companies, business environment, the above goodwill and fixed assets were impaired by ¥119 million (\$1,211 thousand), the excess of the carrying amounts over the recoverable amounts, and the impairment loss was charged to income as "Special loss."

Breakdown of the loss are ¥111 million (\$1,139 thousand) for Goodwill, ¥0.05 million (\$0.6 thousand) for Buildings and structures, ¥1 million (\$14 thousand) for Machinery and vehicles, ¥3 million (\$36 thousand) for Equipment and ¥2 million (\$21 thousand) for Software. The recoverable amounts were measured at the net realizable value on sales based on reasonable estimation.

For the year ended March 31, 2008:

Not applicable

19. Gain on sales of property, plant and equipment

Major items of gain on sales of property, plant and equipment for the years ended March 31, 2009 and 2008 were as follows:

	March 31		March 31
	2009	2008	
	(Millions of yen)		(Thousands of U.S. dollars)
Buildings	¥62	¥—	\$640
Machinery and vehicles	5	—	54
Equipment	1	—	12

20. Loss on sales of property, plant and equipment

Major items of loss on sales of property, plant and equipment for the years ended March 31, 2009 and 2008 were as follows:

	March 31		March 31
	2009	2008	
	(Millions of yen)		(Thousands of U.S. dollars)
Machinery and vehicles	¥6	¥—	\$68
Land	1	—	19

21. Income taxes

The significant components of deferred tax assets and liabilities as of March 31, 2009 and 2008 were summarized as follows:

	March 31		March 31
	2009	2008	2009
	(Millions of Yen)		(Thousands of U.S. dollars)
Deferred tax assets			
Current assets:			
Research and development expenses	¥1,466	¥ 911	\$14,928
Accrued expenses	1,310	1,885	13,339
Accounts payable, others	307	328	3,125
Unrealized profit on inventories	146	345	1,491
Accrued enterprise tax	100	244	1,020
Others	691	606	7,039
Subtotal	4,023	4,321	40,944
Less: valuation allowance	(371)	(6)	(3,776)
Offset against deferred tax liabilities (current)	(0)	(14)	(3)
Total deferred tax assets (current)	¥3,651	¥4,299	\$37,164
Non-current assets			
Provision for retirement benefits	¥3,075	¥4,301	\$31,303
Loss carried forward of consolidated subsidiaries	1,674	2,021	17,036
Allowance for investment loss	—	950	—
Excess depreciation	332	615	3,384
Net unrealized loss on securities	260	—	2,655
Long-term accounts payable	249	608	2,542
Loss on valuation of investment securities	223	—	2,269
Unrealized gain on sales of fixed assets	582	594	5,932
Allowance for doubtful accounts	136	129	1,389
Others	601	576	6,125
Subtotal	7,137	9,798	72,640
Less: valuation allowance	(2,086)	(3,152)	(21,235)
Offset against deferred tax liabilities (non-current)	(2,149)	(1,802)	(21,880)
Total deferred tax assets (Non-current)	¥2,901	¥4,843	\$29,525
Deferred tax liabilities:			
Current liabilities:			
Others	¥ 57	¥ 69	\$ 587
Offset against deferred tax assets (current)	(0)	(14)	(3)
Total deferred tax liabilities (current)	¥ 57	¥ 55	\$ 584
Non-current liabilities:			
Net unrealized gain on assets of consolidated subsidiaries	¥ 675	¥1,479	\$ 6,873
Gain on securities contributed to employee retirement benefit trust	1,228	1,228	12,501
Retained earnings for overseas subsidiaries	317	291	3,228
Provision of reserve for advanced depreciation of fixed assets	375	282	3,816
Provision for retirement benefits	238	357	2,424
Others	403	447	4,105
Offset against deferred tax assets (non-current)	(2,149)	(1,802)	(21,880)
Total deferred tax liabilities	¥1,087	¥2,283	\$11,068

Reconciliation of the differences between the statutory rate and the effective income tax rate as of March 31, 2009 and 2008 were as follows:

	March 31	
	2009	2008
Statutory tax rate	41.0%	41.0%
Tax rate difference applied for overseas subsidiaries	1.0	(4.8)
Expenses not deductible for income tax purposes	1.7	1.3
Tax credit	(0.4)	(0.4)
Increase of valuation allowance	1.8	2.8
Others	0.2	(0.5)
Effective tax rate	45.3%	39.4%

22. Consolidated statements of cash flows

(1) The components of cash and cash equivalents as of March 31, 2009 and 2008 were as follows:

	March 31		March 31
	2009	2008	2009
	(Millions of yen)		(Thousands of U.S. dollars)
Cash on hand and in banks	¥28,294	¥31,749	\$287,952
Time deposits with original maturities with more than three months	(391)	(534)	(3,988)
Total	¥27,902	¥31,215	\$283,963

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

For the year ended March 31, 2009:

Not applicable

For the year ended March 31, 2008:

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):

	March 31	
	(Millions of yen)	(Thousands of 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.:

	March 31	
	(Millions of yen)	(Thousands of 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)

(3) "Other, net" of "Cash flows from investing activities" includes ¥1,034 million (\$10,524 thousand) of dividends which Jervis B. Webb Company paid to its prior shareholders.

23. Notes regarding stock options, etc.

For the years ended March 31, 2009 and 2008:

Not applicable.

24. Related party transactions

For the years ended March 31, 2009 and 2008:

Not applicable.

25. Notes regarding business combinations

For the year ended March 31, 2009:

Not applicable

For the year ended March 31, 2008:

(Matters related to purchase method)

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

a. Name of the acquired company:

Jervis B. Webb Company (based in the United States)

b. 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.

c. 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 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 ended March 31, 2008:

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 in 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.

26. Segment information

Segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2009 and 2008 is presented below:

(1) Segment information by product

For the year ended March 31, 2009:

	(Millions of yen)				
	Logistics systems	Electronic goods	Other products	Elimination or corporate	Consolidated total
Sales:					
Sales to outside customers	¥223,257	¥ 7,711	¥11,213	¥ —	¥242,182
Inter-segment sales	93	8,484	3,119	(11,697)	—
Total	223,350	16,196	14,333	(11,697)	242,182
Operating expenses	201,300	16,664	13,787	(4,585)	227,166
Operating income	¥ 22,050	¥ (467)	¥ 545	¥ (7,112)	¥ 15,015
Identifiable assets	¥131,661	¥11,562	¥ 7,926	¥43,576	¥194,727
Depreciation	1,980	286	189	1,473	3,930
Impairment loss	—	119	—	—	119
Capital expenditure	2,141	361	274	1,836	4,613

For the year ended March 31, 2008:

	(Millions of yen)				
	Logistics systems	Electronic goods	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	¥165,196	¥14,056	¥ 7,627	¥35,505	¥222,386
Depreciation	2,128	268	61	943	3,401
Capital expenditure	2,189	246	123	1,512	4,071

For the year ended March 31, 2009:

	(Thousands of U.S. dollars)				
	Logistics systems	Electronic goods	Other products	Elimination or corporate	Consolidated total
Sales:					
Sales to outside customers	\$2,272,108	\$ 78,483	\$114,117	\$ —	\$2,464,709
Inter-segment sales	948	86,348	31,751	(119,049)	—
Total	2,273,056	164,832	145,869	(119,049)	2,464,709
Operating expenses	2,048,651	169,594	140,316	(46,666)	2,311,895
Operating income	\$ 224,405	\$ (4,761)	\$ 5,553	\$ (72,383)	\$152,814
Identifiable assets	\$1,339,926	\$117,674	\$ 80,673	\$443,478	\$1,981,753
Depreciation	20,151	2,920	1,926	15,000	39,998
Impairment loss	—	1,211	—	—	1,211
Capital expenditure	21,793	3,675	2,794	18,690	46,953

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

Operating expenses in the "Elimination or Corporate" column in the amount of ¥7,112 million (\$72,383 thousand) are expenses for the Company's departments of human resources, general affairs, finance & accounting and management related.

Corporate assets in the "Elimination or Corporate" column include ¥48,324 million (\$491,806 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," effective from the fiscal year 2009, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18, issued on May 18, 2006) was applied and the necessary adjustments were made to consolidated financial statements.

As a result of this change, operating income in the Logistic systems, Electronic goods and Other products increased by ¥284 million (\$2,893 thousand), ¥15 million (\$152 thousand) and ¥12 million (\$122 thousand) respectively for the year ended March 31, 2009 as compared with the previous accounting method.

Additional information:

As stated in the "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 useful life of machinery and equipment.

As a result of this change, operating income in the Logistic systems, Electronic goods, Other products and "Elimination or Corporate" decreased by ¥162 million (\$1,651 thousand), ¥2 million (\$25 thousand), ¥2 million (\$22 thousand) and ¥32 million (\$326 thousand) respectively for the year ended March 31, 2009 as compared with the previous accounting method.

(2) Segment information by geographic area

For the year ended March 31, 2009:

	(Millions of yen)					
	Japan	North America	Asia	Other	Elimination or corporate	Consolidated total
Sales:						
Sales to outside customers	¥169,335	¥33,839	¥32,619	¥6,388	¥ —	¥242,182
Inter-segment sales	11,537	734	5,042	78	(17,393)	—
Total	180,873	34,574	37,661	6,466	(17,393)	242,182
Operating expenses	160,533	33,463	36,941	6,509	(10,281)	227,166
Operating income (loss)	¥ 20,339	¥ 1,110	¥ 720	¥ (42)	¥ (7,112)	¥15,015
Identifiable assets	¥117,158	¥16,520	¥26,535	¥2,611	¥31,901	¥194,727

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, 2009

	(Thousands of U.S. dollars)					Consolidated total
	Japan	North America	Asia	Other	Elimination or corporate	
Sales:						
Sales to outside customers	\$1,723,341	\$344,388	\$331,967	\$65,012	\$ —	\$2,464,709
Inter-segment sales	117,421	7,475	51,318	799	(177,015)	—
Total	1,840,763	351,864	383,285	65,811	(177,015)	2,464,709
Operating expenses	1,633,763	340,563	375,952	66,247	(104,631)	2,311,895
Operating income	\$ 206,999	\$ 11,301	\$ 7,332	\$ (435)	\$ (72,383)	\$ 152,814
Identifiable assets	\$1,192,326	\$168,134	\$270,048	\$26,576	\$324,667	\$1,981,753

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, Malaysia, Thailand, Taiwan, Korea and China

Other: U.K.

Change in accounting treatment:

As stated in "Summary of significant accounting policies," effective from the fiscal year 2009, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18, issued on May 18, 2006) was applied and the necessary adjustments were made to consolidated financial statements.

As a result of this change, operating income decreased by ¥48 million (\$492 thousand) in North America and increased by ¥359 million (\$3,660 thousand) in Asia for the year ended March 31, 2009 as compared with the previous accounting method.

Changes in useful lives of tangible assets:

As stated in the "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 useful life of machinery and equipment.

As a result of this change, operating income in Japan and "Elimination or Corporate" decreased by ¥166 million (\$1,699 thousand) and ¥32 million (\$326 thousand) for the year ended March 31, 2009 as compared with the previous accounting method.

(3) Overseas sales

For the year ended March 31, 2009:

	(Millions of yen)			
	North America	Asia	Other	Total
Overseas sales	¥34,131	¥83,087	¥9,432	¥126,650
Consolidated sales				242,182
Ratio of overseas sales to consolidated sales	14.1%	34.3%	3.9%	52.3%

For the year ended March 31, 2008:

	(Millions of yen)			
	North America	Asia	Other	Total
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, 2009:

	(Thousands of U.S. dollars)		
	North America	Asia	Other
Overseas sales	\$347,356	\$845,584	\$95,993
Consolidated sales			
Ratio of overseas sales to consolidated sales	14.1%	34.3%	3.9%

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

Overseas sales for the years ended March 31, 2009 and 2008 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: Indonesia, Thailand, Taiwan, Korea, China and India

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

27. Earnings per share

The amounts of basic and diluted net income per share for years ended March 31, 2009 and 2008 were as follows:

	March 31		March 31 2009
	2009	2008	
	(Yen)	(U.S. dollars)	
Net assets per share	¥718.68	¥746.59	\$7.31
Net income per share			
—Basic	70.29	105.05	0.72
—Diluted	60.09	103.29	0.70

The amounts and numbers used for the basic and diluted net income per share computation for years ended March 31, 2009 and 2008 were as follows:

Net income per share

	March 31		March 31 2009
	2009	2008	
	(Millions of yen)	(Thousands of U.S. dollars)	
Net income	¥7,851	¥11,893	\$79,900
Amount not attributed to holders of common stock	—	—	—
Adjusted net income	7,851	11,893	79,900

	March 31	
	2009	2008
	(Thousands of shares)	
Weighted average number of shares of common stock	111,695	113,217
Effect of dilutive securities (of which: convertible bonds with subscription rights to shares)	(1,932)	(1,932)
Weighted average number of shares of common stock for diluted net income per share	113,628	115,150

Net assets per share

	March 31		March 31 2009
	2009	2008	
	(Millions of yen)	(Thousands of U.S. dollars)	
Total net assets	¥ 82,810	¥ 88,709	\$842,770
Amount deducted from total net assets (of which: minority interests)	3,261	4,191	33,196
	(3,261)	(4,191)	(33,196)
Total net assets for common stocks	¥ 79,548	¥ 84,517	\$809,573
Number of issued and outstanding shares of common stock at fiscal year end (thousands of shares)	110,686	113,205	

28. Subsequent events

Not applicable

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, 2009, 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, 2009 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, 2009 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.

Supplemental Information

As discussed in Note 3 “Accounting change”, the Company applied the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18, issued on May 18, 2006) effective April 1, 2008, and has made the necessary adjustments to consolidated financial statements.

PricewaterhouseCoopers Aarata

August 7, 2009