
Business Report

**Fiscal Year Ended March 31, 2010
(April 2009 – March 2010)**

May 2010

DAIFUKU CO., LTD.

1-1. FY2009 Consolidated Results

(Billion yen)	(FY09)	(FY08)	(Year-on-year)
Orders	133.2	212.0	(-37.2%)
Net sales	154.2	242.1	(-36.3%)
Operating income	0.08	15.0	(-99.5%)
Ordinary income	-0.13	14.8	(-15.0)
Net income	1.0	7.8	(-87.0%)

1-1. FY2009 Consolidated Results

	(FY09)	(FY08)
Net income per share	9.20 yen	70.29 yen
ROE	1.3%	9.6%
Ordinary income to total assets	-0.1%	7.1%
Operating income margin	0.1%	6.2%

1-2. Overview

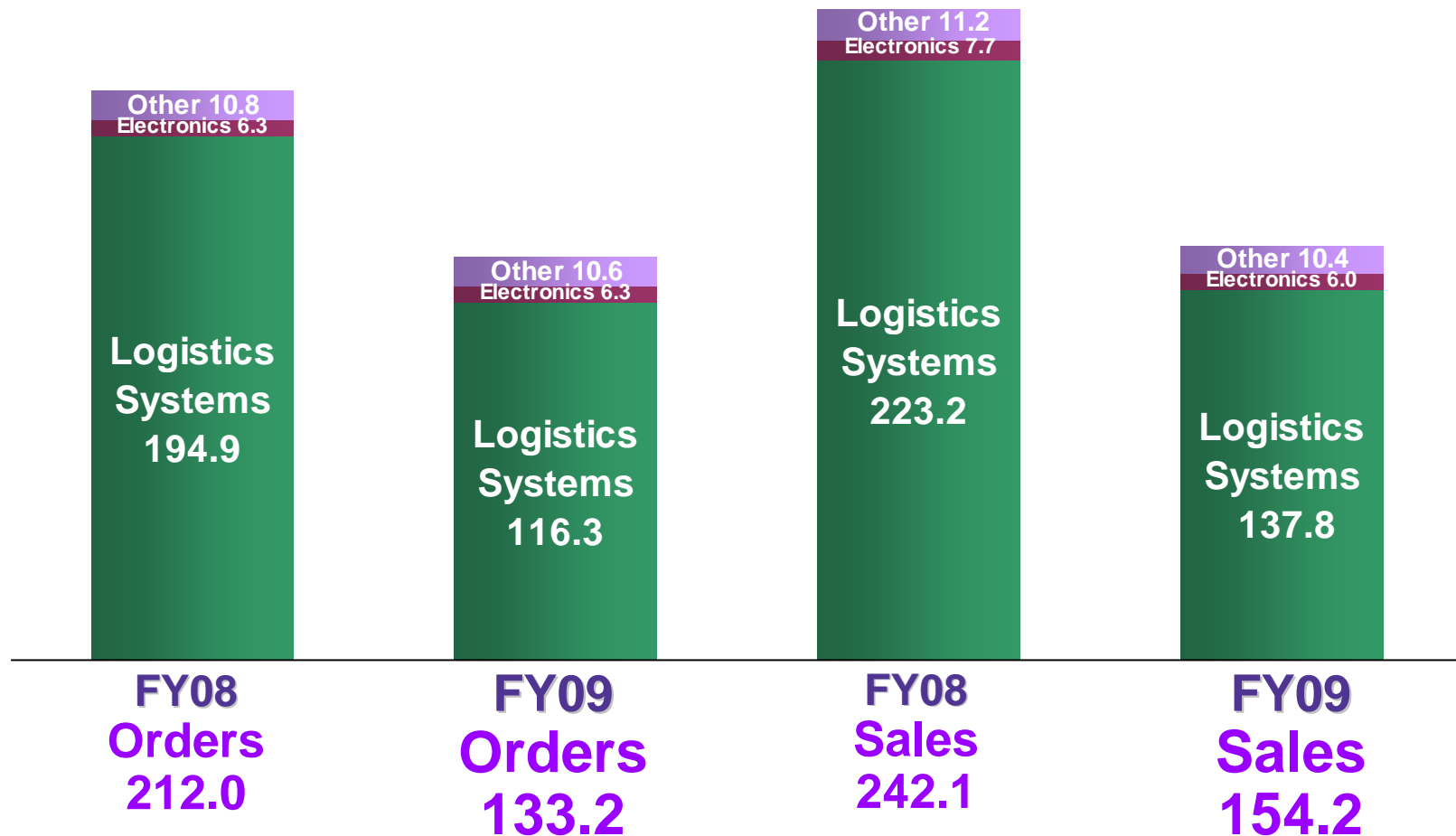
The material handling and logistics industry faced a difficult business environment, as profit margins on orders deteriorated in the face of tougher competition and the emergence of rivals in Asia, in addition to reduced capital spending in the industrial arena.

Orders and net sales declined substantially in the mainstay logistics systems segment.

With respect to profits, operating income fell, reflecting the positing of an operating loss in the electronics segment, in addition to deteriorating factory operation levels, given lower net sales and orders, as well as weaker profitability on rising competition, despite Group initiatives such as extensive cost cutting, comprehensive project management, and load adjustment among factories taking advantage of the consolidation of production bases into Shiga Works in Japan. In addition, the Group recorded ordinary loss, mainly reflecting the posting of interest expenses and foreign exchange losses. Net income declined, primarily affected by the addition of Osaka Machinery Works Co., Ltd.; the entity became a wholly owned subsidiary of the Company, and a fall in deferred income taxes.

1-3. Orders and Net sales by Segment (Consolidated)

(Billion yen)



1-4. Logistics Systems

■ Orders

- Orders remained solid in **storage, transport, sorting and picking systems for the manufacturers and distribution centers**. Principally large-scale orders in food manufacturers and distribution centers, including pharmaceutical wholesalers remained strong. However, demand for small- and medium-sized projects failed to recover.
- Inquiries have emerged in projects related to agriculture, solar batteries and lithium-ion batteries.



The Rackbuil System, rack-supported building AS/RS

1-4. Logistics Systems

■ Orders

- With respect to **cleanroom transport and storage systems for electronics manufacturers**, both market prices and the market size fell significantly. However, orders for systems for flat-panel display factories were robust in China in the third quarter and picked up for semiconductor manufacturers in North America and South Korea in the fourth quarter.



The Clean Stocker for flat-panel displays (7th generation)

1-4. Logistics Systems

■ Orders

- Although inquiries for **automobile production line systems** were solid in emerging countries, including China and India, difficult conditions continued as aggressive capital spending had yet to resume in Japan, the United States and Europe.
- **Airport baggage handling systems** grew at a sluggish pace in North America, given the postponement of large-scale orders to the next fiscal year, although investment plans in baggage inspection lines were robust.

1-4. Logistics Systems

■ Sales

- Sales of **storage, transport, sorting and picking systems for manufacturers and distribution centers** remained solid, as large-scale projects were almost in line with the plan, particularly in electronics and food manufacturing, as well as distribution centers including pharmaceutical wholesalers, and the service business contributed with installation work during the long holiday seasons. This offset weaker sales of systems for small- and medium-sized projects, influenced by the struggling economy.

1-4. Logistics Systems

■ Sales

- Sales of **cleanroom transport and storage systems for electronics manufacturers and automobile production line systems** declined, primarily because of a sharp fall in orders for new projects since the second half of 2008.
- With respect to **automobile production line systems**, a decline in remodeling work during the holiday seasons in May, August and the New Year also had an impact.



The Flexible Drive System - chainless conveyor system

1-5. Electronics

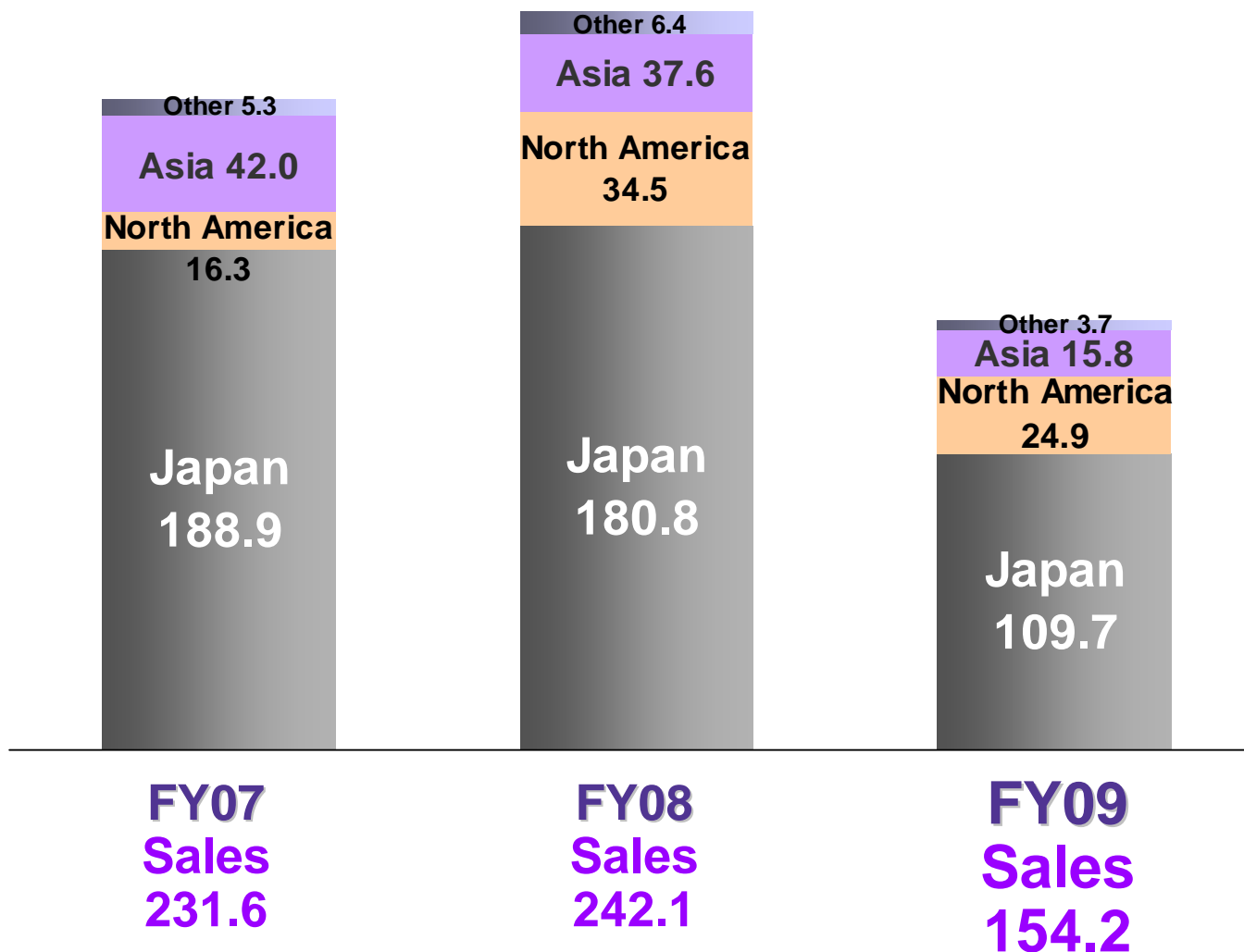
- **The Electronics segment has focused on the development of new customers and the bolstering of marketing activities to non-manufacturing sectors, such as digital signage with high growth potential, public transportation systems, medical equipment, and store facilities.**
- **Sales of photovoltaic data measurement and display systems to public facilities, such as educational institutions and public offices were strong, reflecting the promotion of a clean energy policy by the government. In total, however, both orders and sales fell short of breakeven points.**

- Although sales remained sluggish, the mainstay **car wash machine business** almost achieved its sales target at the beginning of the fiscal year under review, thanks to special demand attributable to lease subsidies for the replacement of car wash machines for the service stations in the first half of the year.
- Sales of **wheelchair lifts for care-provider vehicles** remained strong, with shipments rising approximately 40% from the same period of the previous fiscal year.

2. References

Net Sales by Area (Consolidated)

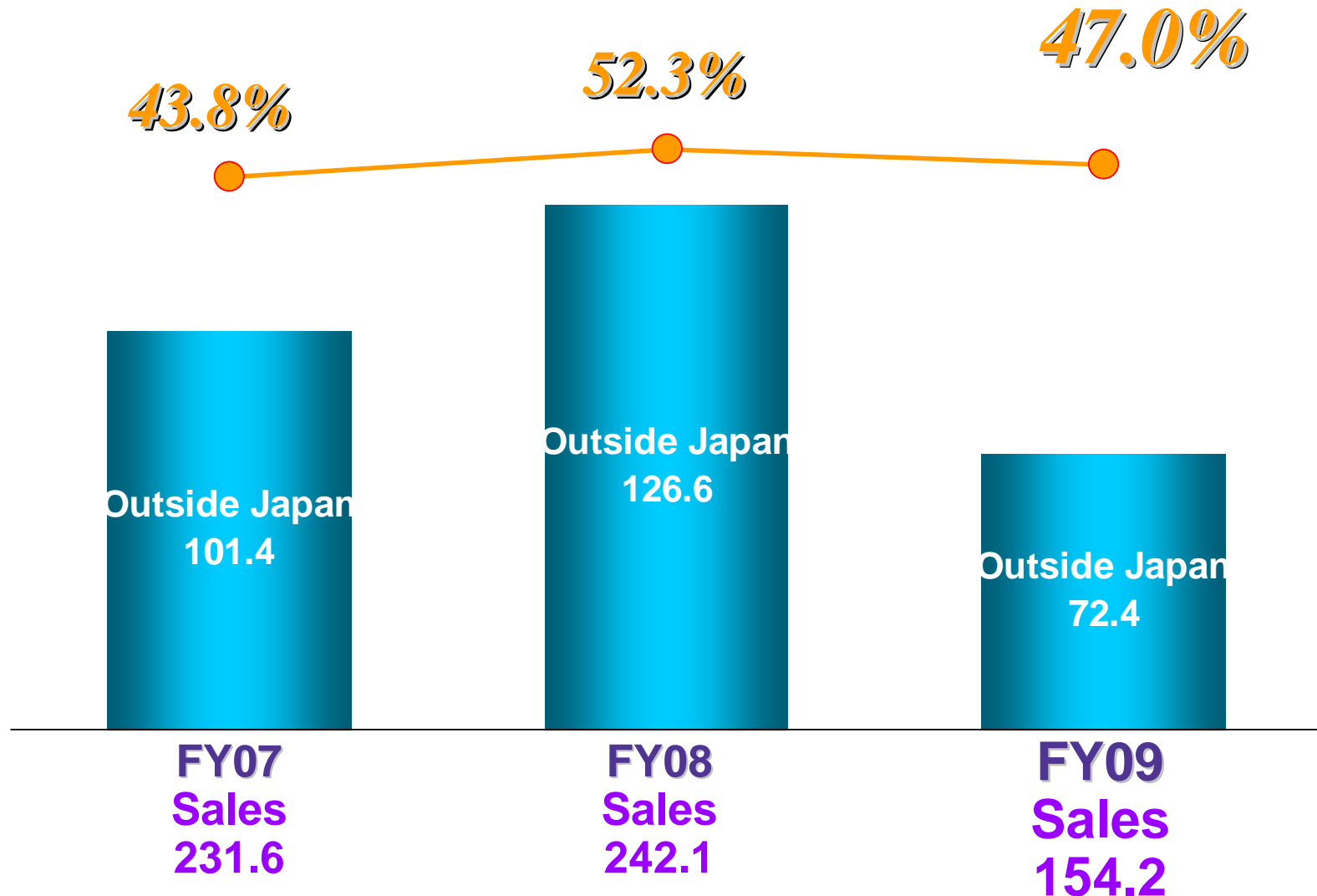
(Billion yen)



2. References

Non-Japan Sales Ratio (Consolidated)

(Billion yen)



3. Results by Area

■ Japan

- **Storage, transport, sorting and picking systems for manufacturing sectors** such as electronics, food, beverage, and pharmaceuticals and the distribution industry underpinned the business performance of the Company, as they were sold to a broad array of customers in Japan.
- **Cleanroom transport and storage systems for electronics manufacturers and automobile production line systems** continued to be influenced heavily by the reluctance to make capital investments.

3. Results by Area

■ Outside Japan

- In Asia, orders for **storage, transport, sorting and picking systems for manufacturers and distribution centers** exceeded the projection by a significant margin, thanks to marketing activities focusing on leading local food and pharmaceutical companies in China.
- In **storage, transport, sorting and picking systems for manufacturers and distribution centers** in North America, some positive results, such as delivering systems that combined the strengths of Daifuku America Corporation and Jervis B. Webb Company to solar battery factories, were produced as these two companies jointly sought to improve business efficiency.

3. Results by Area

■ Outside Japan

- In North America, **cleanroom transport and storage systems for electronics manufacturers** steadily followed remodeling projects.
- Although sales and profits of **automobile production line systems** for U.S. automakers were down significantly, remodeling projects for Japanese and European automakers contributed to the results of the Company.

3. Results by Area

■ Outside Japan

- In North America, with investment plans put on hold in the weak economy, **systems for airports** suffered sluggish growth in orders and sales however achieved strong earnings.
- In Europe, every business faced difficult operating conditions, influenced by the struggling economy.

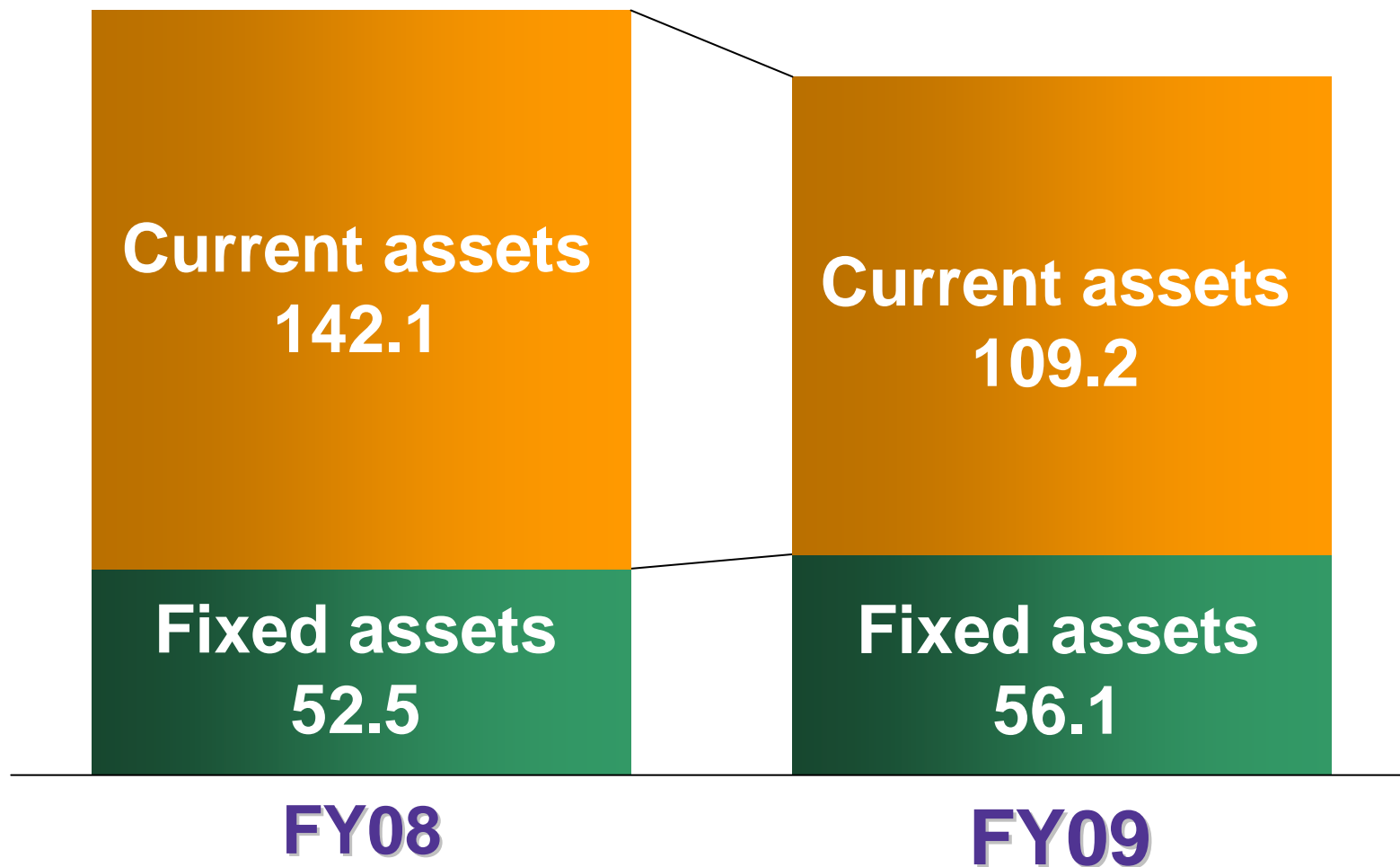


Airport baggage handling system

4-1. Financial Situation—Assets (Consolidated)

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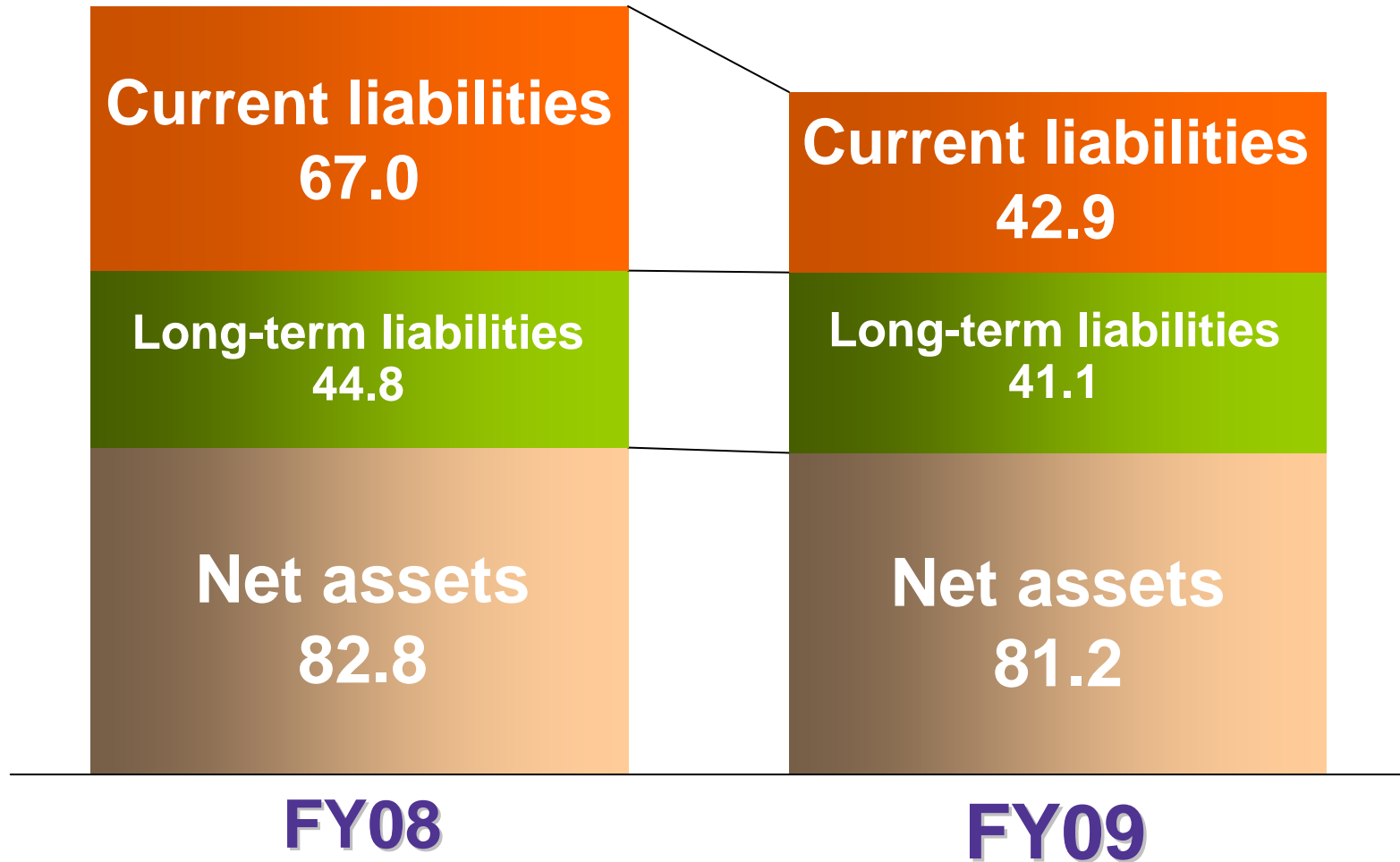
(Billion yen)

Total: 194.7**Total: 165.4**

4-2. Financial Situation — Liabilities & Net Assets (Consolidated)

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(Billion yen)

Total: 194.7**Total: 165.4**

4-3. Financial Situation (Consolidated)

Cash and cash equivalents at end of FY2009

31.1 billion yen (up 3.1 billion yen year on year)

■ Cash Flows from Operating Activities

Cash inflow of 20.9 billion yen

(Outflow of 8.4 billion yen in the same period of the previous year)

■ Cash Flows from Investing Activities

Cash outflow of 7.3 billion yen

(Outflow of 6.9 billion yen in the same period of the previous year)

■ Cash Flows from Financing Activities

Cash outflow of 11.3 billion yen

(Inflow of 16.1 billion yen in the same period of the previous year)

5. FY2010 Interim Estimates (Consolidated)

(Billion yen)

(Year-on-year)

Orders	85	(63.9%)
Net sales	80	(9.2%)
Operating income	-1.2	(-0.4)
Ordinary income	-1.5	(-0.5)
Net income	-1.3	(-1.3)
Net income per share	-11.75 yen	

6. Topics

■ Daifuku Consolidates Businesses that Handle Consumer Products (April 2009)

Divisions of car wash machines, bowling equipment and material handling rental merged.

■ Service Business Increase (May 2009)

Daifuku took over competitor's service business for 1,100 automated warehouses.

■ A New Plant Completes in Thailand (August 2009)

Daifuku Thailand will help bolster the global production system of the Group, as the core production facilities in the Asian region, together with the existing plant.



6. Topics

■ Photovoltaic Facilities Installed at Daifuku's Demo Center (March 2010)

Daifuku installed photovoltaic facilities on the roof of its full-scale showroom, Hini Arata Kan, in Shiga Prefecture. The facilities will reduce carbon dioxide by approximately 110 tons a year.



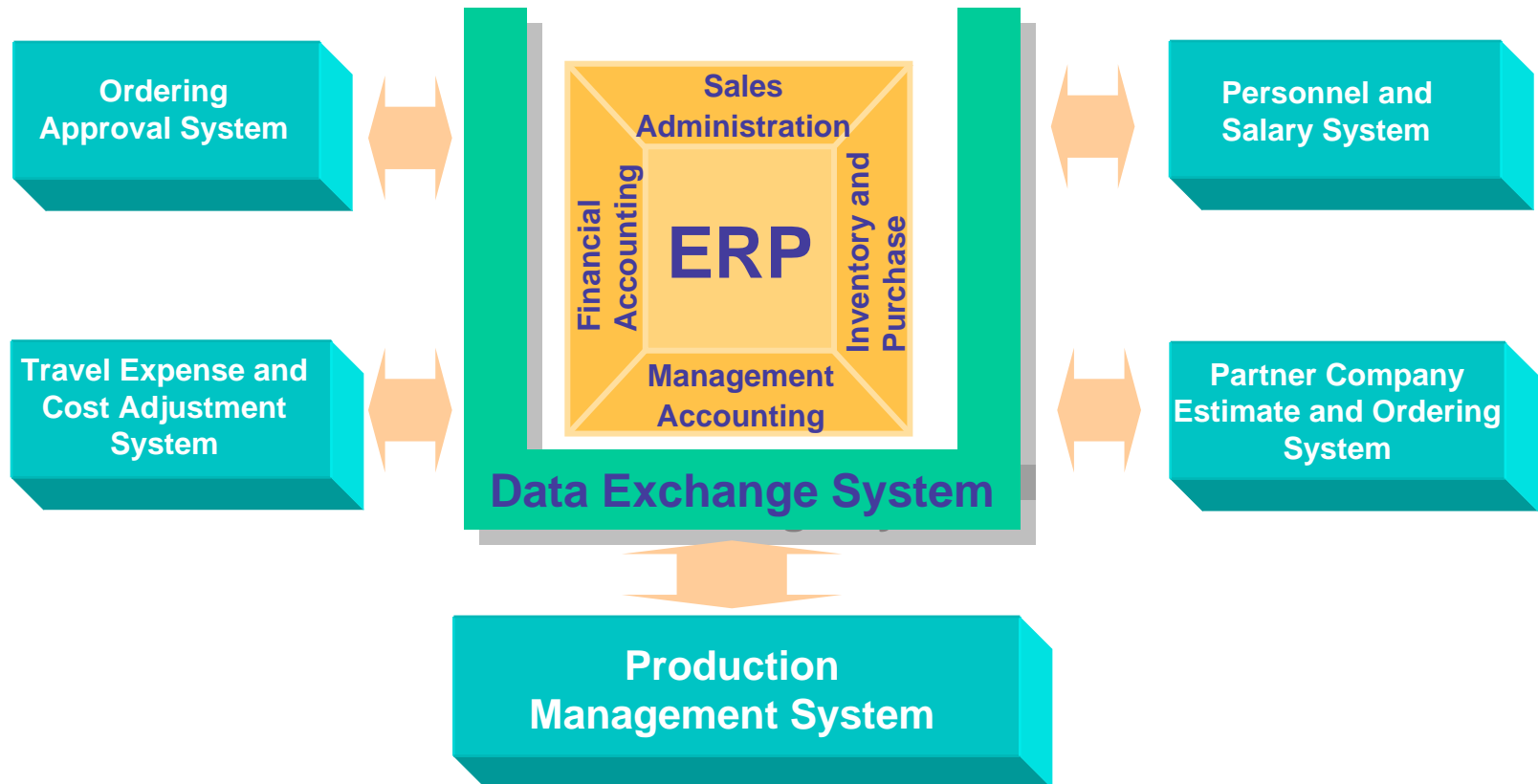
Top: Introducing our environmental activities using a newly-installed screen at the lobby.

Left: Photovoltaic system in operation

6. Topics

■ Daifuku Updates the ERP System (April 2010)

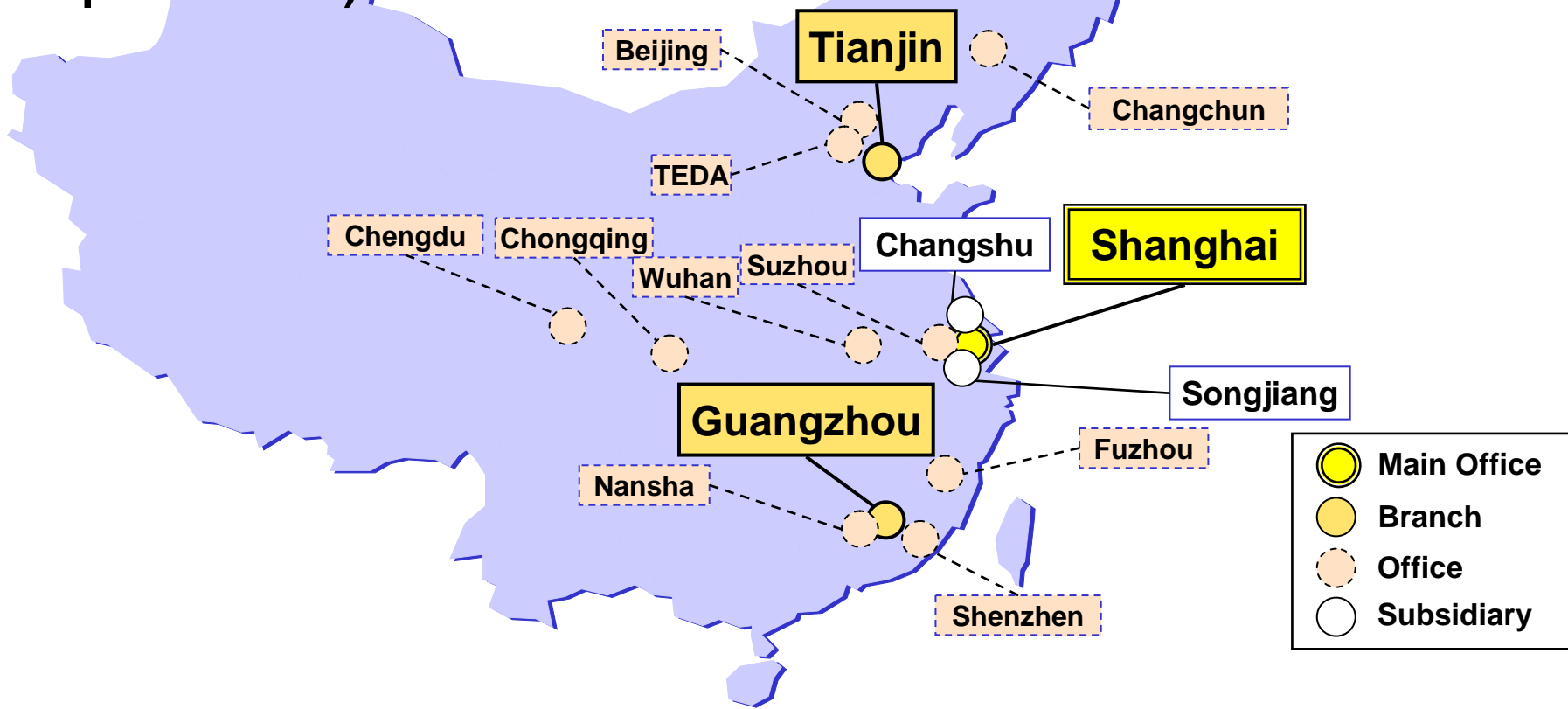
In April 2010, Daifuku updated the system across the board, creating an enterprise resource planning (ERP) system. It is flexibly used for internal control, IFRS-oriented management.



6. Topics

■ Daifuku (China) Co., Ltd. Launched (April 2010)

Daifuku reorganized subsidiaries in China to make a fresh start. The subsidiary will further expand business opportunities by strengthening its sales, manufacturing and service systems that operate in 15 regions (including those where an office will be opened soon).



Cautionary Statement with Respect to Forward-Looking Statements

The strategies, beliefs and plans related to future business performance as described in this document are not established facts. They are business prospects based on the assumptions and beliefs of the management team judging from the most current information, and therefore, these prospects are subject to potential risks and uncertainties. Due to various crucial factors, actual results may differ substantially from these forward-looking statements. These crucial factors that may adversely affect performance include 1) consumer trends and economic conditions in the Company's operating environment, 2) the effect of yen exchange rates on sales, assets and liabilities denominated in U.S. dollars and other currencies and 3) the tightening of laws and regulations regarding safety and other matters that may lead to higher costs or sales restrictions. Moreover, there are other factors that may adversely affect the Company's performance.