DAIFUKU

Material Handling **and Beyond**

ANNUAL REPORT 2010

Year ended March 31, 2010

Material Handling and Beyond

Anticipating changes in the business environment to continually evolve the material handling industry into the future

Daifuku formulated a new three-year business plan, *Material Handling and Beyond*, that has been in effect since April 2010 and targets consolidated net sales of 220 billion yen, operating income of 11 billion yen and an operating income margin of 5% for fiscal 2012, the year ending March 31, 2013. Looking five years ahead, to the end of fiscal 2014, Daifuku is aiming for net sales of 250 billion yen, operating income of 25 billion yen and an operating income margin of 10%.

By tackling as a priority five new "Beyond" areas, Daifuku plans to create new products, markets and businesses while strengthening material handling as its core business.

Beyond 1. Enter New Markets
Open up new material handling markets in expanding fields

Beyond 2. Create New Products and Systems
Develop products and systems for sale in emerging markets

Beyond 3. Develop New Production Methods
Work to expand production by means of global affiliates, promote optimized local production

Beyond 4. Build New Global Partnerships
Work to expand areas of business by building partnerships with global companies

Beyond 5. Launch New Businesses
Develop new businesses in which material handling technologies can be applied

Cautionary Statement with Respect to Forward-Looking Statements

The strategies, beliefs and plans related to future business performance as described in this annual report 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.

Factory Automation & Distribution Automation (FA&DA)

When the FA&DA business began, its customers were in secondary industries such as manufacturing. Today, its operations have expanded into tertiary industries that include distribution and retail, and the Company is focusing on three new markets in particular.

The first of these is the currently booming market for solar cells and lithium-ion batteries. As it works steadily to improve its delivery record, the FA&DA business is aiming to capture the top share of the Japanese market within the next few years.

The second is the agricultural market. Many automated warehouse systems are already in use in this industry, including automated equipment for growing mushrooms in factories (top photo). Expectations are that there will be an increasing number of vegetable processing plants established close to points of consumption. Furthermore, along with rising consumer demand for safe and worry-free agricultural products, backed up by advanced freshness and quality controls, there will be an increasing demand for distribution centers possessing such state-of-the-art functions as load grouping.

Third is the non-Japanese market. Some 80% of our FA&DA business is in the Japanese market, so there is plenty of room to expand overseas. Daifuku plans are in place to clarify the roles played by local affiliates and Daifuku operations in Japan as well as to strengthen cooperative efforts.

Automotive Factory Automation (AFA)

It has been announced that a Japanese automaker's factory in Brazil and another in Mississippi in the United States, where plans had been put on hold, are to restart operations in 2011. In Japan, automakers have announced the partial resumption of factory construction, and are planning new factories in the United States, China and Brazil. Much is also expected of India as a market.

As deliveries will thus increasingly become overseas oriented, Japanese automakers will be more clearly defining the roles of their Japanese and local production subsidiaries in the search for optimal production methods.

The watchwords of the automobile industry are S (Simple), S (Slim), C (Compact), to which LC (Low Cost) is now an added necessity. Rather than developing completely new, groundbreaking products, the auto industry is promoting development focusing on how existing products can be given a makeover and costs kept down.

In addition, the shift to hybrid automobiles, which switch between a gasoline engine and stored electric motive power, as well as cars powered solely by electric power has brought major changes in car design and is encouraging new product development. Daifuku's main product, the slim and simple FDS® (Flexible Drive System) chainless conveyor system, was designed giving due consideration to weight and cost reductions. As demands for such environmental protection measures as those calling for low energy consumption and reduced CO_2 emissions become ever stronger, Daifuku is enterprisingly working on the development of high-efficiency inductive power distribution (HID) systems and an Eco Power Reuse storage system.

e-Factory Automation (eFA)

How it responds to the developing Chinese market will determine the success of the eFA business.

It is anticipated that by 2012 China will be the world's largest market for LCD TVs. The emergence of flat-panel display (FPD) makers in China as well as planned market entries by South Korean and Taiwanese FPD manufacturers are advancing. Furthermore, a pickup in flat-screen TV production will create demand for embedded semiconductors. This will not only give rise to new local makers, but it will also prompt Taiwanese and South Korean semiconductor manufacturers to accelerate their penetration of the Chinese market. In addition, the Chinese market for FPDs increased from last year, and Daifuku is working to secure a top share even as it strives to gain a solid share of the semiconductor market.

For the foreseeable future, Daifuku's production in China will mainly be geared toward the FPD market and centered on Daifuku (China) Co., Ltd., which commenced operations in April 2010. As the company is located on the outskirts of Shanghai, it will be developing partnerships in various regions to ensure full-country coverage.

Furthermore, the semiconductor market is continuing to rapidly recover, thanks to the burgeoning sales of such electronic devices as mini-laptops, smartphones and the iPad™. Outside Japan, semiconductor production lagged behind that of LCDs, but Daifuku's global competitiveness is set to rise by means of affiliates in South Korea and Taiwan.

Airport Baggage Handling (ABH)

Up until now, Daifuku's U.S.-based affiliate, Jervis B. Webb Company ("Webb"), has been developing this business primarily in the North American market. Business expansion will necessitate entering those global markets that are gaining in prominence, mainly China, India and elsewhere in Asia through to the Middle East.

In North America, the systems that are utilized for airport baggage handling are primarily conveyors. With lengths proportional to the size of the airport and the number of terminals, these conveyor systems can extend for more than five kilometers. Webb-View®, which is equipped with a sophisticated control system that tracks every bag, and scanning systems compliant with the stringent standards mandated by both the U.S. Transportation Security Administration and the Canadian Air Transport Security Authority, are just two examples of how Webb has set itself apart from other companies in terms of control and security products, and it has received high acclaim for its project performance.

In the meantime, focusing on demand in the Asian region, Daifuku will harness Webb's technical capabilities to ensure synergies from both the development and sales standpoints.

In addition, Daifuku will expand the scope of this business beyond baggage handling to, for example, automated warehouses for airline components, where the Company already has a proven installation record.

Lifestyle Products (LSP)

The Japanese market for our mainstay car wash machine business is shrinking due to a reduction in the number of gas stations. Daifuku is entering a period of full-scale penetration and expansion into the Chinese and South Korean markets. Global cost-competitiveness will be raised by utilizing its production base in China. In addition, environmentally conscious versions that offer great reductions in the amount of water used will cause Daifuku's dominant car wash machine lineup to stand out from its competitors.

On the other hand, Daifuku is planning for a surge in demand for car wash machines in Japan. Some people have been avoiding the use of car wash machines up until now, citing such reasons as unfamiliarity with how to operate them or because the machines make them feel uneasy. In response, Daifuku has launched its Smile Fill System (top photo), a novel car wash remote control panel for configuring the machine.

From the sales aspect, a car wash machine affiliate and another that sells bowling equipment were merged with the material handling equipment rental division in April 2009. Bringing together businesses that handle products with which consumers come into close contact, this move will also raise customer satisfaction and sales capabilities.

Besides performance achievements in South Korea that date back to the previous fiscal year, the rotary-type Cycle House 21 multilevel bicycle parking system (bottom photo), which is used near train stations to counteract the illegal parking of bicycles, is generating an increasing number of inquiries in Japan. These facilities will meet the steady needs of predominantly urban areas.

Electronics

In the Electronics segment, Daifuku undertakes fundamental structural reform, from sales to technologies, production and the aftermarket service.

Besides launching onto the market such new products as compact, power-saving box computers (photo) and computers for inspection and measurement systems, Daifuku is gaining new customers through proposal-based marketing and issue-resolution services that are beginning to yield steady results.

In addition, Daifuku will maintain an unwavering focus on two main fields. In the field of photovoltaics, where significant growth is expected, that focus will be on systems equipped with an easy-to-understand measurement and display function that uses a graphic format to present such data as real-time power output and results by day, month and year. In the digital signage field, the focus will be on expanding sales of industrial computers that feed video to displays.

China: Major Consumer Nation, Daifuku's Major Market outside Japan

Anticipated to become an economic powerhouse ranked second in the world in terms of GDP in 2010, China is expected to invest in certain industry sectors. In addition, the country represents a huge market with hidden potential business opportunities for material handling equipment.

Recognizing China as its principal market outside Japan, Daifuku has revamped its Chinese affiliates to expand the Group's business there and has been working to strengthen local production and procurement.

Objectives of Revamping Chinese Affiliates

- Sales, aftermarket service: Improve awareness of the Daifuku brand
- Production: Enhance competitiveness by increasing production ratio, strengthening cross-sectional procurement functions, etc.
- Management: More flexible financial management, improve business efficiency

Daifuku's presence in China dates back to 1983, when it received its first project order for an automated warehouse and automatic guided vehicles, which were delivered to the outskirts of Shanghai the following year. In 2002, Daifuku (Shanghai) Ltd. was established, specialist local sales and production subsidiaries subsequently being set up in other Chinese regions.

In April 2010, Daifuku launched a new system centered on its new subsidiary, Daifuku (China) Co., Ltd. ("Daifuku China"), which is developing comprehensive sales, manufacturing and service systems that will operate in 15 regions, including those where an office will be opened soon.

The efficient promotion of marketing activities will lead to improved awareness of the Daifuku brand. Daifuku has integrated its production subsidiary under Daifuku China's banner, strengthening essential price competitiveness, particularly in China. In fiscal 2009, orders primarily related to food and pharmaceutical products as well as flat-panel displays (FPDs) showed great improvement over initial forecasts.

Marketing activities aimed at competing directly against a top-ranked Chinese company served to raise awareness of the Daifuku brand. Furthermore, the construction of FPD factories is being rapidly promoted and, for automobiles as well, last year China became the world's largest market in terms of number of vehicles sold. It is anticipated that demand for car wash machines will expand due to the rise in personal automobile ownership.

Under the three-year business plan, *Material Handling and Beyond*, which started in April 2010, Daifuku set a target for consolidated net sales in China of 15 billion yen by the end of March 2013. However, the Company expects to achieve this figure in the current fiscal year, well ahead of schedule.

Daifuku's production plant in Shanghai

Daifuku (China) Co., Ltd.

Headquarters	Changning, Shanghai
Chairman	Katsutoshi Fujiki Managing Director of Daifuku Co., Ltd., in charge of China's Affiliate Management
Capital	1.5 billion yen
Employees	220 (approximately 600 after reorganization)
Main bases	Shanghai, Beijing, Tianjin, Guangzhou, Chongqing, Fuzhou, Wuhan, Suzhou, and Shenzhen

Contents

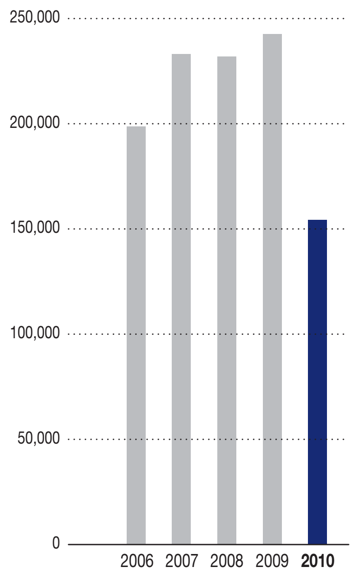
Financial Highlights

Daifuku Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2010 and 2009

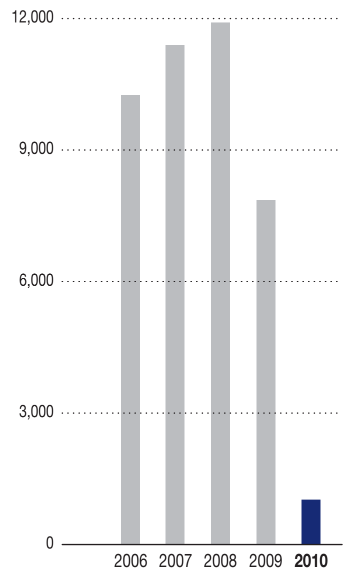
	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
For the Year			
Orders received	**¥ 133,211**	¥ 212,017	**$ 1,431,770**
Net sales	**154,208**	242,182	**1,657,442**
Operating income	**80**	15,015	**868**
Net income	**1,018**	7,851	**10,944**
Net income per share (Yen and U.S. dollars)	**9.20**	70.29	**0.09**
Cash dividends per share (Yen and U.S. dollars)	**20.00**	26.00	**0.21**
Capital investment	**2,280**	4,613	**24,516**
R&D expenditures	**6,075**	8,018	**65,297**
At Year-End			
Total assets	**¥ 165,430**	¥ 194,727	**$ 1,778,054**
Working capital	**66,265**	75,087	**712,222**
Net assets	**81,295**	82,810	**873,764**
Number of employees	**5,395**	5,660	
Ratios			
Operating income/net sales	**0.1%**	6.2%	
Net income/net sales	**0.7**	3.2	
Return on shareholders' equity (ROE)	**1.3**	9.6	
Shareholders' equity/total assets	**47.9**	40.9	

Note: The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at ¥93.04 = U.S.$1.00, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2010.

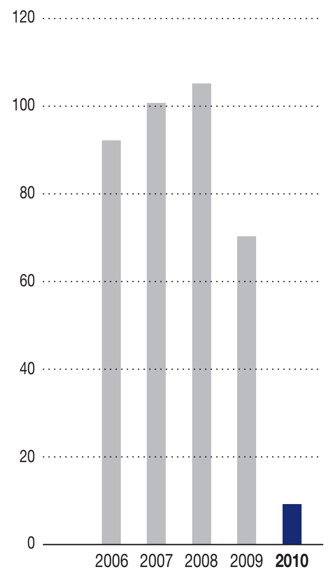
Net sales
(Millions of yen)



Net income
(Millions of yen)



Net income per share
(Yen)



The Daifuku Group consists of its mainstay Logistics Systems business, which focuses on material handling systems and equipment; its Electronics business, engaged in the manufacture of such products as interface boards for measurement controls and industrial computers; and its Other business, which covers car wash machines, bowling alley equipment, wheelchair lifts for care-provider vehicles, and other lifestyle products. In global terms, Daifuku is currently placed in the top echelons of the specialty material handling industry.

In 2009, developing countries such as China helped pull the world out of recession, and developed nations in Europe, along with Japan and the United States, were on track for a gradual recovery. However, in the developed nations, the overall economic prospects remained as uncertain as ever for a variety of reasons: unresolved high unemployment and industrial overcapacity; the high cost of raw materials, especially crude oil and steel; and sovereign debt problems that emerged in southern Europe.

In addition to capital expenditure constraints in the industrial arena, the material handling and logistics industry was forced to confront a harsh business environment with deteriorating order profitability brought about by intensifying competition, such as represented by the rise of rival Asian manufacturers.

With economic recovery forecast to advance at a leaden pace, the Daifuku Group started its new three-year business plan, *Material Handling and Beyond*, in April 2010. Under the new plan, Daifuku will focus on "cultivating new customers, new markets and new businesses" with its sights set on further business expansion. Spotlighting emerging markets notable for their economic development, among them China, we will concentrate on developing the production methods and creating new products and systems that match those emerging markets. We will likewise bolster our aftermarket service business, which embodies the Group's unique strengths.

Daifuku will work to continually enhance corporate governance, respond to environmental issues and bolster safety aspects to create a company that sustains growth far into the future, while endeavoring to enhance corporate value that will in turn benefit the common interests of shareholders.

We respectfully ask for the support of our stakeholders, including shareholders and investors.

Katsumi Takeuchi
Chairman and Co-CEO

K. Takeuchi

Daifuku has formulated "Material Handling and Beyond," its new three-year business plan, and is making concerted efforts to cultivate new markets in domestic growth fields and emerging economies.

Q1

The business environment in fiscal 2009 is understood to have been generally harsh. Firstly, what kind of influences were you operating under and what areas did they affect? Secondly, confronted by such influences, what measures were implemented? Thirdly, what are your views on Daifuku's resulting performance?

A Fiscal 2009, the year ended March 31, 2010, was marked by a substantial decline in sales in Daifuku's mainstay Logistics Systems business segment. We were affected by generally subdued capital expenditures in customer industries, and a major factor behind the decline in sales in the fiscal year under review was the fall in orders for transport systems from the electronics and automotive industries, both of which went into sharp decline from the second half of 2008. As a result, orders plummeted 37.2% to 133,211 million yen and net sales fell 36.3% to 154,208 million yen. However, orders that had bottomed out in the first quarter of the fiscal year under review subsequently showed an upward trend, particularly second-half orders from the electronics industry, with the result that orders in the fourth quarter increased a substantial 67.6% year on year, to 46,390 million yen.

With respect to profits, despite extensive cost cutting, including the load adjustment among factories taking advantage of the consolidation of production bases into the Shiga Works in Japan and other Group initiatives, operating income came to 80 million yen, a year-on-year fall of 99.5%. This result was attributable to deteriorating factory operation levels due to lower net sales and orders and weaker profitability brought about by escalating competition, such as that represented by the rise of rival Asian manufacturers.

Ordinary loss amounted to 135 million yen, a fall of 15,018 million yen in ordinary income from the previous fiscal year, largely due to the posting of interest expenses and foreign exchange losses. The Group recorded net income of 1,018 million yen, a decline of 87.0%, primarily reflecting the reversal of the negative goodwill of Osaka Machinery Works Co., Ltd., which became a wholly owned subsidiary of the Company, and a fall in deferred income taxes.

Q2 Daifuku's new three-year business plan, *Material Handling and Beyond*, has been in effect since April 2010. Please tell us about the plan's strategies and targets.

A Under its previous three-year business plan, *Jump up for 2010*, Daifuku worked toward a consolidated net sales target of 250 billion yen and an operating income margin of 10%. However, the plan drew to a close with those targets yet to be achieved due to the rapid changes in the business environment in the second half of 2008.

Also, compared with other manufacturers of industrial goods, the impact of economic fluctuations tends to hit Daifuku in a particularly delayed manner. Specifically, as could be assumed from order and sales volumes, the number of inquiries fell drastically from the second half of fiscal 2008 through to fiscal 2009. Furthermore, from the profitability standpoint as well, Daifuku was severely impacted by the weaker profitability and deteriorating factory operation levels.

We formulated the *Material Handling and Beyond* plan in the expectation that this business environment would continue for the time being. Specifically, we are targeting consolidated net sales of 220 billion yen and operating income of 11 billion yen for fiscal 2012, and net sales of 250 billion yen and an operating income margin of 10% in fiscal 2014.

Consequently, recognizing the importance of factors that will expand the breadth of our businesses beyond their existing limits, Daifuku will be taking up the challenge of the following five "new" initiatives.

The first is to "enter new markets." At present, the pressures of the global marketplace are pushing manufacturers worldwide, including Japanese companies, to shift their procurement as well as production bases to BRIC countries, which are at present driving the entire world's economy. Reflecting this trend, Daifuku is becoming further involved in China, which it already treats as a priority market.

The second initiative is to "create new products and systems." Besides China, Daifuku will provide products and systems that meet local needs, for example, in India, at prices and with features that will gain customer satisfaction.

Closely related to this initiative is the third initiative, namely, to "develop new production methods." As a Group, we constantly review production to ensure that all is as it should be and work to improve local procurement and production ratios. In line with this policy, we will be hiring and training staff in the field who are capable of operating effectively in the global market.

Our fourth initiative is to "build a new global partnership." Daifuku products and systems are completed and delivered on-site, a service that includes assembly, installation and adjustment work. In such new markets as India and China, we will train people and develop partnerships with entities capable of providing high-quality production, installation and service.

The fifth and final initiative is to "launch new businesses." We aim to further expand our business through such methods as business partnerships and friendly M&As.

As it implements the above five initiatives, Daifuku will, in the coming three years, establish a business foundation that is more robust, so that the Daifuku Group will continue to see sustainable growth far into the future.

Q3 The new plan mentions targeting the creation of new products, markets and businesses. What, specifically, are the fields you have in mind?

A In the case of new products, *eco-friendly* is the key word. In the field of alternative energy, such as solar cells and lithium-ion batteries, on which many companies are focusing, Daifuku is also intent on gaining the top share for material handling systems. The Electronics Business has seen burgeoning demand for solar cell data measuring equipment and display systems, so this, too, is an important growth field.

Agriculture is another one of these new fields. The response to consumer demand for food safety, to deliver products quickly and safely, has fueled demand for new distribution systems.

In the existing field of semiconductors and flat-panel displays, Daifuku is gaining new markets by developing peripheral products and expanding sales.

(Please refer to the Special Feature on page 3 for more details.)

Q4 Are you working to strengthen Daifuku's financial position or improve shareholder return?

A Interest-bearing liabilities stood at 45,295 million yen, a fall of 10,100 million yen from the previous fiscal year. Interest-bearing liabilities expressed as a percentage of net assets (the debt-equity ratio) were thus 0.56. Targeting a debt-equity ratio of less than 0.5, Daifuku will work to further strengthen its financial position.

Daifuku regards the return of profits to shareholders as its most important management task. Regrettably, due to the harsh business environment in fiscal 2009, the decision was taken to reduce the dividend by 6 yen (for an annual dividend of 20 yen), the plan being to pay an annual dividend of 15 yen for the fiscal year ending March 31, 2011. With regard to the payment of dividends from retained surplus, Daifuku has adopted a dividend policy based on performance, with determinations made by taking into account performance as well as the amount of previous dividends. It is also Daifuku policy to appropriate the remaining surplus to internal reserves for future growth.

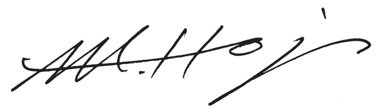
Q5 In closing, do you have a message that you would like to relay to Daifuku stakeholders?

A The paramount factor affecting the growth of a company is its personnel. Meng Chang Jun's utilization of human resources in ancient China is regarded as ideal. He amassed a large staff—people renowned for their outstanding talents—for example, the ability to sing like a rooster. There is a famous story about one staff member. On one occasion, this particular person, who found himself in a situation where he had to flee, arrived at a checkpoint at night. The gate would not be opened until the morning, but the skilled vocalist began to crow like a rooster, so that real roosters sympathetically joined in, thereby prompting the premature opening of the checkpoint by confused guards and enabling him to shake off his pursuers.

The point I'm making here is that we do not want to hire people with superior academic skill alone. We want to appoint without prejudice people with a variety of skills and techniques, people who others look up to and those who display character. We require brilliant staff with whom we can share business opportunities, and we need Daifuku to remain a vibrant company, thanks to personnel skilled in a variety of fields.

At present, Daifuku is confronting a harsh business environment. However, among the unconventional approaches that this situation demands, I believe there lies the chance for us to globally hire and train personnel. The vibrant corporate group that is Daifuku intends to both improve its profitability by steadily progressing with the initiatives set out in its new three-year business plan and ensure its future development. I would like to take this opportunity to ask all stakeholders for their ongoing understanding and support.

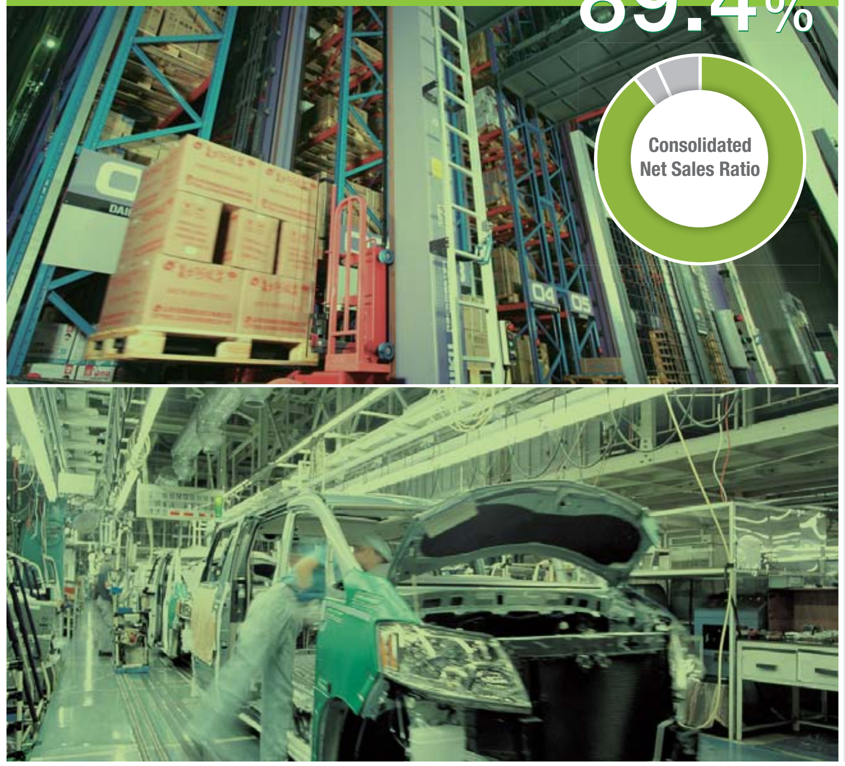
Masaki Hojo
President and Co-CEO



	Results	Overview	Main Products

Logistics Systems

89.4%



Results

(Millions of yen)

Net Sales	137,835
Orders Received	116,392
Operating Income	5,878
Capital Investment	1,614

Overview

The Factory Automation and Distribution Automation (FA&DA) business—which supplies storage, transport, sorting and picking systems for manufacturers and distribution centers—for the most part achieved its goals for large-scale project orders and sales, primarily in the logistics industry in support of food product makers and pharmaceutical wholesalers. Sales for electronics manufacturers also remained solid. Due to contributions from large-scale installations during the long holiday seasons, the aftermarket service business was also favorable. While sales of systems for small- and medium-sized projects were influenced by the struggling economy, inquiries were emerging in projects related to agriculture, solar batteries and lithium-ion batteries.

In both e-Factory Automation (eFA) cleanroom transport and storage systems business for electronics manufacturers and Automotive Factory Automation (AFA) automobile production line systems business, there had been a sharp fall in orders for new projects since the second half of 2008, leading to a decline in sales. Also having an impact was the decline in remodeling work during the May, August and New Year holiday seasons, key periods for the automobile production line aftermarket service business.

However, in the case of orders for the electronics industry, those for systems for flat-panel display (FPD) factories, which were robust in China in the third quarter, picked up in North America and South Korea in the fourth quarter.

In contrast, the Airport Baggage Handling (ABH) business 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.

As a result, the Logistics Systems segment recorded orders of 116,392 million yen, down 40.3% from the previous fiscal year, net sales of 137,835 million yen, falling 38.3% and operating income of 5,878 million yen, down 73.3%. Capital investment decreased 24.6% to 1,614 million yen.

Main Products

FA&DA
- Storage systems including AS/RSs
- Conveyor systems and AGVs
- Sorting and picking systems
- Material handling equipment
- Software for distribution center management systems and AS/RS inventory management computers

eFA
- Transport and storage systems for semiconductor production cleanrooms
- Transport and storage systems for flat-panel display production cleanrooms
- Transport and storage systems for other cleanroom factories

AFA
- RAMRUN® electrified monorail systems
- FDS® (Flexible Drive System) chainless conveyor systems
- Other conveyor systems
- Engine testing systems

Electronics

3.9%

Results

(Millions of yen)

Net Sales	6,051
Orders Received	6,392
Operating Loss	(378)
Capital Investment	67

Overview

The Electronics segment 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 such public facilities 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.

As a result, orders in the Electronics segment were 6,392 million yen, falling 0.1% from the previous fiscal year, and net sales were 6,051 million yen, down 21.5%. Capital investment decreased 81.2% to 67 million yen, with the segment posting an operating loss of 378 million yen.

Main Products

- Industrial computers and interface boards
- LAN-related equipment
- Logistics system controllers
- Distribution monitoring and control systems

Other

6.7%

Results

(Millions of yen)

Net Sales	10,321
Orders Received	10,427
Operating Income	624
Capital Investment	55

Overview

The mainstay car wash machine business almost achieved the sales target set at the beginning of the fiscal year under review, thanks to special demand attributable to lease subsidies for the replacement of car wash machines at service stations. Including those of wax and chemical products, earnings in the service business have increased. The car wash machine business will be focusing on differentiation in this field, as demonstrated by the arrival of the new “esthecoat” coating system.

In addition, sales of wheelchair lifts for care-provider vehicles remained strong, with shipments rising approximately 40% from the same period of the previous fiscal year.

As a result, the Other segment recorded orders of 10,427 million yen, down 2.2% from the previous fiscal year, net sales of 10,321 million yen, decreasing 8.0%, and operating income of 624 million yen, a rise of 14.5%. Capital investment fell 79.7% to 55 million yen.

Main Products

- Car wash machines (gate-type, tunnel-type and one-way drive-through machines)
- Peripheral products for car washes
- Transport and storage systems for medical equipment
- Bowling alley equipment and automatic scoring systems
- Multilevel bicycle parking systems
- Wheelchair lifts for care-provider vehicles

Business Overview by Geographical Area

Japan

The FA&DA business underpinned the Company's business performance, and demand remained particularly strong in the aftermarket service business. Meanwhile, the eFA and AFA businesses continued to be influenced heavily by customer capital investment constraints.

As a result, net sales declined 35.2% from the previous fiscal year, to 109,724 million yen in Japan, and operating income fell 70.5%, to 6,008 million yen.

Outside Japan

Asia In the FA&DA business, orders exceeded projections by a significant margin, thanks to marketing activities focused on leading local food and pharmaceutical manufacturers in China.

Sales in the eFA business declined sharply in Taiwan but exceeded initial projections in South Korea with the contribution of the service business. In China, Daifuku received significant second-half orders for systems for FPD factories, which are naturally expected to contribute to sales and profits in the next fiscal year. These orders are also expected to become a growth engine en route to achieving the targets under the new three-year business plan.

Sales and profits in the AFA business fell substantially in China and Thailand, as Japanese companies postponed their new investment plans.

North America In the FA&DA business, Daifuku America Corporation and Jervis B. Webb Company jointly sought to improve business efficiency, with the two companies achieving such positive results as delivering systems that combine their strengths in solar battery factories. The eFA business steadily carried out remodeling project work. In the AFA business, despite sales of and profits from automobile production line systems for U.S. automakers being significantly down, remodeling projects for Japanese and European automakers contributed to Company performance. With airports placing their investment plans on hold in the weak economy, the ABH business suffered sluggish growth in orders and sales but achieved strong earnings.

Other In Europe, every business faced difficult operating conditions, influenced by the struggling economies. In April 2010, Daifuku reorganized its business bases in Europe, aiming to expand its service business to establish a strong revenue base and to promote installation work with consistent project management.

As a result of the above, net sales outside Japan decreased 38.9% from the previous fiscal year, to 44,483 million yen, while operating income fell 93.5%, to 116 million yen.

■ By Geographical Area

(Millions of yen)

		Outside Japan		
	Japan	North America	Asia	Other
Net sales	109,724	24,914	15,842	3,726
Operating income (loss)	6,008	1,251	(418)	(717)

■ Non-Japan Sales

(Net sales in millions of yen)

	North America	Asia	Other	Total
Non-Japan sales	24,922	41,001	6,555	72,479
Consolidated sales	—	—	—	154,208
Ratio of non-Japan sales to consolidated sales (%)	16.2	26.6	4.3	47.0

Main countries or regions included in each of the above geographical areas:
North America: U.S.A., Canada
Asia: Singapore, Thailand, Taiwan, South Korea and China
Other: United Kingdom, Spain, Sweden, Denmark

1. Changes Starting from Fiscal 2010 (Fiscal Year Ending March 31, 2011)

Daifuku will change its reporting segments from fiscal 2010. These segments, for which financial information separated into the Daifuku Group's constituent units is available, are regularly subjected to review to enable the Board of Directors to decide upon the allocation of management resources and assess performance.

2. Overview of Reporting Segments

In the current fiscal year, the four companies—Daifuku Co., Ltd., Contec Co., Ltd., Jervis B. Webb Company and Daifuku America Corporation—are positioned as the core companies and thus the reporting segments of the Daifuku corporate group. In this annual report, these are reported under the former segment groupings.

(Former segments) Logistics Systems business, Electronics business, Other business

▼

(After change) Daifuku, Contec, Jervis B. Webb, Daifuku America

Fiscal 2009 Performance by Principal Company

(Billions of yen)

	Net sales	Operating income (loss)	Ordinary income (loss)	Net income (loss)
Daifuku	91.8	(1.1)	0.6	0.8
Contec	5.9	(0.3)	(0.3)	(0.1)
Jervis B. Webb	15.7	0.4	0.3	0.2
Daifuku America	8.3	0.6	0.6	0.5
Other	28.8	0.3	0.3	0.2
Total	154.2	0.08	(0.1)	1.0

Basic Stance / Principal Initiatives

- Focus on improving corporate governance with a view to building a robust business structure in keeping with two key aspects of our management philosophy: "contribute to the development of industry" and "healthy, growth-driven management"
- For rapid management decision-making, facilitate vitality at Board of Directors' meetings where each board member is encouraged to use judgment and express opinions
- Secure management oversight functions with a corporate governance system based on a framework of management oversight enhanced and strengthened through the Board of Directors and through corporate auditors collaborating closely with the Board of Directors
- So that fair and impartial consideration is given to the protection of general shareholders in management decision-making, the Tokyo Stock Exchange and Osaka Securities Exchange have been notified, as specified in their regulations, that two of the outside corporate auditors are independent officers
- Further upgrade internal control and risk management systems by appointing management supervision (CRO) and financial supervision (CFO)

Board of Directors' Composition, Decision-Making and Execution System

Daifuku's Board of Directors currently consists of 17 directors and is presided over by the president, who also serves as co-CEO jointly with the chairman of the board. Daylong Board of Directors' regular meetings are held on a monthly basis to make decisions on fundamental management matters, with extraordinary meetings convened when deemed necessary (on four occasions during the fiscal year under review). Daifuku endeavors to facilitate vitality at Board of Directors' meetings by having all directors use their own judgment to express opinions. Furthermore, for important management matters, a body made up of all representative directors, the Management Advisory Committee, is in place to confer and make recommendations to the Board of Directors. With corporate auditors in attendance, the committee also seeks the opinions of relevant directors and external specialists on an as needed basis. Besides being convened by the president as he sees fit, the Management Advisory Committee meets regularly, fitting in with scheduled Board of Directors' meetings, to discuss information about the status of all Daifuku Group businesses. In the year ended March 31, 2010, the Management Advisory Committee held three extraordinary meetings and 12 regularly scheduled meetings.

As the directors' term of office is one year, directors are required to account for their actions each year at the General Meeting of Shareholders. Currently, Daifuku has no outside directors on its Board. However, it is considered that the management oversight system functions sufficiently by means of an enhanced and strengthened corporate governance system based on the management oversight framework of corporate auditors collaborating closely with the Board of Directors, which is itself made up of internal directors well versed in Daifuku's business content, manufacturing and markets.

Corporate Auditors and Audit System

Daifuku maintains a Board of Corporate Auditors made up of five corporate auditors, three of whom are elected from outside the Company. The Board of Corporate Auditors met on eight occasions during the fiscal year under review. Based on an audit plan formulated at the start of the fiscal year, corporate auditors, who attend and have a voice in key meetings, including Board of Directors' meetings, conduct their audits by receiving reports on directors' execution of duties, reviewing financial reporting documents, and monitoring and visiting various operating divisions, including factories and sales offices, as well as Group companies in and outside Japan. Corporate auditors also monitor the status of the Company's internal control systems. While carrying out business execution audits in collaboration with an internal audit entity (Internal Audit Department), mutually exchanging information at monthly auditors' meetings—made up of corporate auditors, the Internal Audit Department and the BCP (Business Continuity Plan) Promotion Division—raises audit efficacy. In addition, accounting auditors raise mutual cooperation by accompanying corporate auditors on inventory inspections and on-site audits, describing audit plans, exchanging information and opinions on audit result reports. Corporate auditors also participated 39 times in the fiscal year under review in the tests and conducted by the accounting auditor to assess the status of internal control system upgrades and operational status, and assessed the effectiveness of the tests.

Boasting a wealth of experience in fields that include the law, press reporting as well as science and technology, the three outside corporate auditors offer a wide range of insight, fulfilling their audit role from various perspectives by, for example, exchanging opinions with full-time corporate auditors at Board of Corporate Auditors' meetings, attending the monthly Board of Directors' meetings and gathering information. Based on their partially revised regulations, the Tokyo Stock Exchange and Osaka Securities Exchange have been notified that two of the outside corporate auditors are independent officers.

As Daifuku's independent accounting auditor, PricewaterhouseCoopers Aarata, a PwC member firm, currently performs accounting and internal control audits.

Internal Control System Upgrades

Daifuku has set up and maintains a robust internal control system to maximize the effectiveness of its corporate governance. Recognizing that the system heightens its corporate trustworthiness and the efficiency of its operations, the Company focuses on ensuring the reliability of its compliance, risk management, asset conservation and financial reporting. In addition to having established a Compliance Committee chaired by the president and formulated its Corporate Code of Conduct, Daifuku conducts activities to ensure legal compliance, fairness and high ethical standards in its corporate activities.

The Company upgraded its general internal control system by a Board of Directors' resolution when the Corporation Law came into effect in 2006. Following subsequent reviews, the current system is as shown in the chart at the end of this section.

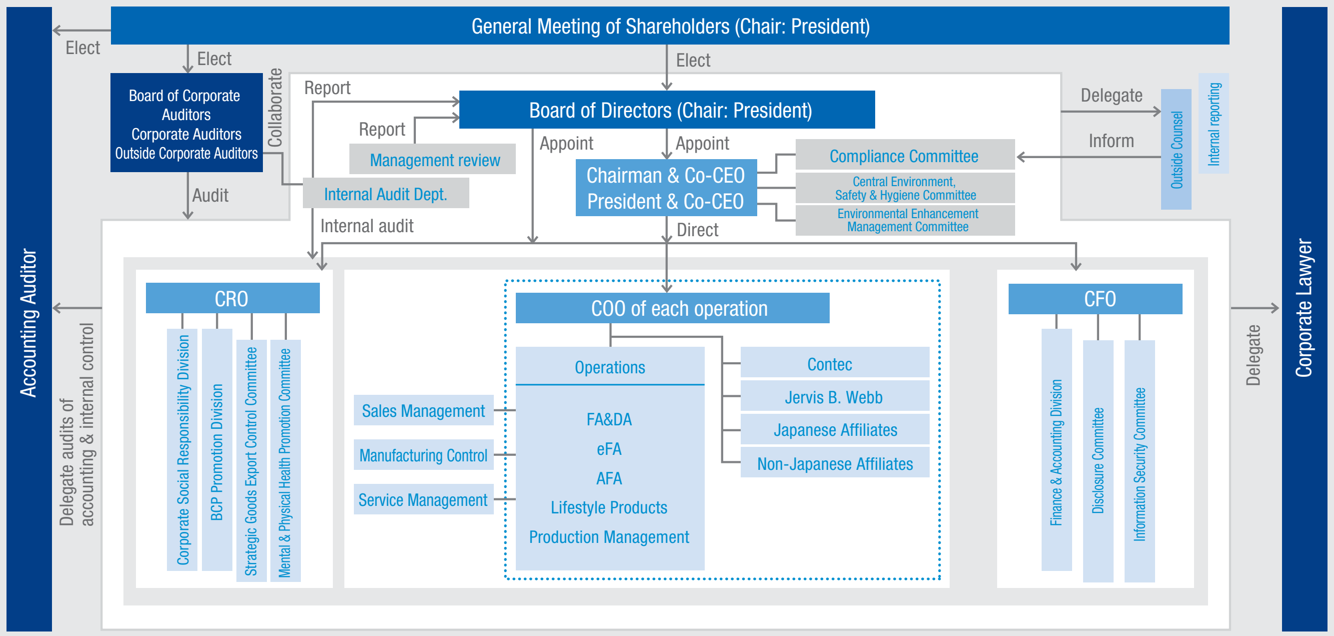
In the April 2010 review, the BCP Promotion Division, which has a Companywide risk management function, was placed under the CRO (Chief Risk Officer), and on the basis of strengthened collaboration with the CSR (Corporate Social Responsibility) Division, it took steps toward securing an effective business continuity plan. At the same time, to further enhance the establishment of an internal control system that covers financial reporting, including unified compliance with International Financial Reporting Standards, the post of CFO (Chief Financial Officer) was newly created, while under this authority were integrated the Finance and Accounting Division, as well as the Disclosure and Information Security committees. The International Management function, which administrated such information as financial information from global affiliates and branches, was succeeded by the CFO.

By means of this internal control system applied to Daifuku, Daifuku endeavors to raise and the effectiveness of its corporate governance.

Daifuku's Preventative Measures against Hostile Large-Scale Acquisitions of Company Shares

In June 2009, Daifuku conducted a review of its preventative measures against large-scale acquisitions of Company shares. Having been introduced in 2006, the measures' three-year period of effectiveness was about to expire. The review was undertaken from a variety of aspects, including the business environment and trends. The existing plan with a few revisions received approval at the General Meeting of Shareholders held in June 2009, the measures' limit being once again set at three years. The content of the measures remained essentially the same. In the event of an acquisition of 20% or more of the Company's shares, which could erode Daifuku's corporate value, Daifuku shall request that the acquirer(s) submit the purpose, contents and other related information concerning the acquisition proposal. Upon submission of this information, a Special Committee made up of outside corporate auditors and outside experts shall judge whether such an acquisition would be detrimental to Daifuku's corporate value and the common interests of Daifuku's shareholders and offer its advice to the Board of Directors.

■ **Coporate Governance System Chart** (As of April 2010)



Main Initiatives

- **Established Environmental Enhancement Management Committee that formulates and promotes environmental management strategy**
- **Environmental Initiatives through Product Development**
  - **(1) Launched tunnel-type car wash machines with water-saving features fitted as standard**
  - **(2) Developed automatic guided vehicle (AGV) designed to reduce environmental impact**
- **Established Anzen-Taikan Dojo (first-hand experience safety training facilities), aimed at eradicating industrial accidents**
- **Development of the Working Environment**
  - **(1) Promoted mental health care**
  - **(2) Chinese subsidiary became first global subsidiary to obtain OHSAS 18001 occupational health and safety management certification**
- **Prepared precautionary stockpiles for infectious disease outbreaks and natural disasters**
- **Nurturing Personnel: World Skills Competition held**

Through Corporate Activities

Trusted by stakeholders in all aspects of its corporate activities, Daifuku undertakes a variety of CSR activities, having formulated its Corporate Code of Conduct to contribute widely to society.

Environmental Initiatives: Conservation Activities

In the course of its production activities, Daifuku uses a wide variety of chemicals, which the Company independently and painstakingly controls in compliance with the relevant regulations and by working to prevent adverse environmental impact.

With regard to CO_2 emissions, the main cause of global warming, Daifuku keeps a close watch on the real environmental burden such emissions pose, taking daily action to achieve its own reduction targets and those set for Japan in the Kyoto Protocol. In fiscal 2009, the Company was able to reduce total CO_2 emissions 41.5% against a fiscal 2006 target of 10% and achieved a 12.9% reduction compared with net sales per unit.

In June 2010, Daifuku completed installation of a photovoltaic system on top of the Hini Arata Kan full-scale exhibition center located within the Shiga Works. It is envisaged that this move will reduce CO_2 emissions by approximately 110 tons per year.

Water contamination is a serious problem that can affect soil, agricultural products, living environments and various other areas.

Photovoltaic system

Accordingly, efforts are made to control and reduce drainage from works, taking meticulous care, while, of course, observing relevant laws and regulations. In fiscal 2009, the Company was able to reduce total Companywide water usage by 47.5% compared with fiscal 2006, resulting in a 21.8% reduction compared with net sales per unit.

Environmental Initiatives through Product Development

In June 2009, Daifuku launched water-saving, gate-type car wash machines and has been working to develop its car wash machine lineup. In the fall of 2009, sales commenced of tunnel-type machines that use 40% less water than used by conventional models. Operating one of these machines, which are capable of handling a maximum of 60 car washes an hour (4,000 a month) reduces water consumption by 1,500 m^3 a year.

In addition, Daifuku launched its FAC Series in response to demand for overhauls of automatic guided vehicles delivered in the past. Besides enabling waste reduction by making effective use of existing equipment, such as magnet guides and rechargers, the new FAC Series reduces electric power consumption by 10% compared with existing models by being lighter in weight and featuring a power-saving mode when stationary.

Environmental Safety Initiatives: Safety Promotion Activities

In April 2010, the Company established the Environmental Enhancement Management Committee, which reports directly to the CEO. Formulating and promoting environmental management strategy, the committee determines Groupwide guidelines related to energy reduction, saving natural resources, the elimination of harmful substances and the supply of environmentally friendly products in compliance with environmental regulations and the relevant laws.

Meanwhile, as safety is a paramount issue, Daifuku changed its Central Environment, Safety and Hygiene Committee, under the direct control of the CEO, to address the issue of eliminating accidents. In June 2010, Daifuku's Anzen-Taikan Dojo facilities were opened at an old works site on the premises of its Osaka headquarters. At the dojo, the hazards associated with, for example, automated warehouse installation work can be experienced. The aim is to impress on trainees the importance of safety by simulating such occupational hazards as a fall, an electric shock and being caught in operating equipment. Daifuku will expand the safety training of those directly involved in installation work and new employees to help them ensure installation safety.

Anzen-Taikan Dojo

Business Continuity Plan

Daifuku is very much aware that its core material handling business represents one aspect of infrastructure that provides support for society. The Company also realizes that its contribution to its customers includes the need to maintain a business system capable of remaining in operation even when a natural disaster, such as a major earthquake, has occurred.

Thus far, Business Continuity Plan (BCP) measures have been completed based on the assumption that an earthquake has struck with an intensity of a lower 6 on the Japanese scale. The BCP sets standards for establishing a disaster response headquarters and recovery time objectives, making preparations so that recovery can be achieved quickly in the event of being involved in a disaster. For the first stage, at all its works as well as sales and service offices in Japan, the Company has completed the precautionary stockpiling of food and drinking water, along with masks to protect against infectious disease outbreaks, in preparation for natural disasters.

Development of the Working Environment

As stated as part of Daifuku's management philosophy—to create a corporate culture that respects the personality and individuality of each employee—employees are duly recognized as forming the basis of management. Going to great lengths to develop working environments that motivate and in which employees can work with vitality, Daifuku believes that if individuals can raise their abilities and work effectively as an organized group, they will earn the trust of society, customers and all stakeholders.

In recent years, there have been increasing numbers of workers in society experiencing depression and other mental disorders. Besides setting up the Mental & Physical Health Promotion Committee and promoting mental health measures at the workplace, the Daifuku Group has implemented care-giving by employees themselves as well as by managers and supervisors at training sessions. These sessions are given according to position within the company, from new hires and junior personnel to managers and supervisors.

In April 2010, from the perspective of lending extra support to harmonizing both elements of the work-life balance, Daifuku revised its personnel system to incorporate, for example, an extension to the duration of childcare leave.

Daifuku already holds OHSAS 18001 certification for occupational health and safety management systems at its four main sites in Japan. In addition, Chinese subsidiary Jiangsu Daifuku Rixin Automation Co., Ltd. underwent the extensive review process and in February 2010 became the first Daifuku Group subsidiary outside Japan to obtain certification.

Nurturing Personnel

Targeting a ratio of non-Japan sales to net sales of 50% (47% in fiscal 2009), the Daifuku Group maintains a focus on training system enhancements to offer customers products, systems and services that are of the same high quality anywhere in the world. To nurture at an early stage candidates for overseas duties who possess international business skills, the Company implements the Global Business Trainee Program under which they receive one year of special training.

In such front-line skills as welding and assembly alone, a total of more than 4,000 people has attended courses to improve. At the World Skills Competition, which has been positioned as an opportunity to verify global uniform quality, a total of 93 Daifuku manufacturing personnel, including 30 people from 12 bases in six countries, pitted their skills against each other.

The World Skills Competition

For more details on Daifuku's corporate social responsibility (CSR) activities, please refer to the English-language version of Daifuku's *Corporate Social Responsibility Report*, which is available on our website at:

www.daifuku.com/csr/

REPRESENTATIVE DIRECTORS

Front row, from left

Katsumi Takeuchi
Chairman and Co-CEO

Masaki Hojo
President and Co-CEO
COO of AFA Operations

Back row, from left

Yutaka Hirai
Executive Vice President
COO of eFA Operations

Fumio Kobayashi
Executive Vice President
COO of FA&DA Operations
COO of Sales and Marketing

Seiki Kakinuma
Senior Managing Director
COO and General Manager of LSP Operations

Takahiro Taniguchi
Senior Managing Director
COO of Production Control
COO of Service Control
General Manager of Production Management Division
Chief Officer of Shiga Works

MANAGING DIRECTORS/DIRECTORS

Front row, from left

Hidenori Iwamoto
Director
General Manager of Sales Division, AFA Operations

Yoshiyuki Nakashima
Director
General Manager of Corporate Social Responsibility Division

Naoki Tahara
Director
General Manager of Sales Division, FA&DA Operations

Seiji Sato
Director
General Manager of Semiconductor Division, eFA Operations

Back row, from left

Susumu Moriya
Managing Director
General Manager of eFA Operations

Akio Tanaka
Managing Director
General Manager of FA&DA Operations

Masayoshi Inoue
Managing Director
CRO
Chief Officer of Komaki Works

Mikio Inohara
Managing Director
CFO

Takashi Hiramoto
Managing Director
COO of ABH Operations
General Manager of Production, FA&DA Operations

Hiroyoshi Takeda
Managing Director
General Manager of AFA Operations

Katsutoshi Fujiki
Managing Director
COO of China's Affiliate Management

CORPORATE AUDITORS

Front row, from left

Harumichi Uchida
Outside Corporate Auditor

Isao Kitamoto
Outside Corporate Auditor
Independent Officer

Hiroyuki Torii
Outside Corporate Auditor
Independent Officer

Back row, from left

Setsuo Idehara
Corporate Auditor

Hiroshi Fujishima
Corporate Auditor

Five-Year Summary

Daifuku Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2010, 2009, 2008, 2007 and 2006

	(Millions of yen and thousands of U.S. dollars)					
	2010	**2010**	2009	2008	2007	2006
For the Year						
Net sales	**¥154,208**	**$1,657,442**	¥242,182	¥231,619	¥232,703	¥198,811
Cost of sales	**128,195**	**1,377,855**	195,430	182,260	186,991	159,312
Selling, general and administrative expenses	**25,932**	**278,719**	31,736	28,680	26,876	22,982
Operating income	**80**	**868**	15,015	20,677	18,837	16,517
Income before income taxes and minority interests	**862**	**9,274**	13,956	20,592	18,356	16,741
Net income	**1,018**	**10,944**	7,851	11,893	11,382	10,253
Net income per share (Yen and U.S. dollars)	**¥ 9.20**	**$ 0.09**	¥ 70.29	¥ 105.05	¥ 100.50	¥ 92.20
Cash dividends per share (Yen and U.S. dollars)	**20.00**	**0.21**	26.00	26.00	25.00	18.00
Capital investment	**¥ 2,280**	**$ 24,516**	¥ 4,613	¥ 4,071	¥ 8,281	¥ 5,236
Depreciation	**3,679**	**39,549**	3,930	3,401	2,886	2,271
R&D expenditures	**6,075**	**65,297**	8,018	6,964	7,564	7,629
At Year-End						
Total assets	**¥165,430**	**$1,778,054**	¥194,727	¥222,386	¥195,016	¥181,990
Working capital	**66,265**	**712,222**	75,087	64,840	60,351	52,249
Interest-bearing liabilities	**45,295**	**486,843**	55,417	33,559	33,764	33,856
Net assets	**81,295**	**873,764**	82,810	88,709	80,718	68,882
Net assets per share (Yen and U.S. dollars)	**¥ 716.07**	**$ 7.69**	¥ 718.68	¥ 746.59	¥ 682.01	¥ 608.12
No. of employees	**5,395**		5,660	5,663	4,702	4,109
Ratios						
Operating income/net sales	**0.1%**		6.2%	8.9%	8.1%	8.3%
Income before income taxes and minority interests/net sales	**0.6**		5.8	8.9	7.9	8.4
Net income/net sales	**0.7**		3.2	5.1	4.9	5.2
Return on shareholders' equity (ROE)	**1.3**		9.6	14.7	15.6	16.8
Shareholders' equity/total assets	**47.9**		40.9	38.0	39.6	37.8

Notes: 1. The U.S. dollar amounts in this annual report are translated from Japanese yen for convenience only, at the rate of ¥93.04 = U.S.$1.00, on the Tokyo Foreign Exchange Market on March 31, 2010.
2. Effective the year ended March 31, 2007, the Daifuku Group adopted the Accounting Standards Board of Japan (ASBJ) accounting standard and related guidelines for the presentation of net assets in the balance sheet. For prior years, conventional shareholders' equity amounts, rather than net assets, are presented in this line item.
3. In the calculation of net assets per share, the amount of minority interests is subtracted from the amount of net assets in accordance with the above guidelines.
4. In the calculation of shareholders' equity/total assets ratio and ROE, shareholders' equity represents the amount of net assets less minority interests.

Contents

Overview

In the fiscal year ended March 31, 2010, global economic conditions experienced a moderate improvement in advanced economies including Japan, the United States and Europe, while emerging countries, including China, served as the engine for the recovery from the global economic downturn. Nonetheless, international economic conditions remained uncertain, due to negative factors such as surplus employment and excess production that had yet to be eliminated in developed countries, rising prices of raw materials such as crude oil and steel products, and fiscal deficits in Southern European countries. The material handling and logistics industry also 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.

In this operating environment, the Daifuku Group received orders of 133,211 million yen, a decrease of 37.2% from the previous fiscal year, and posted consolidated net sales of 154,208 million yen, down 36.3%, the result of a substantial decline in orders and sales in the mainstay Logistics Systems segment. Of the consolidated net sales, domestic net sales (sales to customers in Japan) fell 29.3% to 81,729 million yen, and sales outside Japan declined 42.8% to 72,479 million yen. Consequently, the overseas net sales ratio decreased from 52.3% in the previous fiscal year to 47.0%.

With respect to profits, Daifuku implemented an array of countermeasures, including Companywide cost reductions, thorough project management and burden adjustment among factories taking advantage of the consolidation of manufacturing bases at the Shiga Works. Despite these efforts, however, sluggish factory utilization on account of declines to sales and orders, deteriorating profitability due to escalating competition, as well as an operating loss posted by the Electronics business resulted in operating income that came to 80 million yen, a fall of 99.5% year on year. Ordinary loss amounted to 135 million yen, a fall of 15,018 million yen in ordinary income in the previous fiscal year, mainly reflecting the posting of interest expenses and foreign exchange losses. The Group recorded net income of 1,018 million yen, a decline of 87.0%, primarily because of the reversal of negative goodwill of Osaka Machinery Works Co., Ltd., which became a wholly owned subsidiary of the Company, and a fall in deferred income taxes.

Looking over the quarterly trends, orders that had bottomed out in the first quarter subsequently showed an upward trend, with the result that orders in the fourth quarter increased a substantial 67.6% year on year, to 46,390 million yen. Net sales were down 18.0% year on year, to 48,022 million yen.

Operating Results by Business Segment

Logistics Systems

Orders remained solid in storage, transport, sorting and picking systems for the manufacturers and distribution centers (FA&DA). Large-scale orders for food manufacturers as well as distribution centers, including pharmaceutical wholesalers, remained strong. However, demand for small- and medium-sized projects failed to recover. Nonetheless, inquiries were emerging in projects related to agriculture, solar batteries and lithium-ion batteries. With respect to cleanroom transport and storage systems for electronics manufacturers (eFA), the size of the market fell significantly. However, from the second half of the fiscal year under review, orders for systems for flat-panel display (FPD) factories were robust in China and those for the semiconductor industries in North America and South Korea also picked up. Although inquiries for automobile production line systems (AFA) 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. In contrast, airport baggage handling systems grew at a sluggish pace in North America, given the postponement of large-scale orders to the next fiscal year.

Due to the significant declines in orders, eFA and AFA business sales were drastically down compared with the previous fiscal year. This contrasted with solid FA&DA sales and service business, particularly in electronics and food manufacturing, in addition to distribution centers for pharmaceutical wholesalers. This offset weaker sales of systems for small- and medium-sized projects.

As a result, the Logistics Systems segment recorded orders of 116,392 million yen, down 40.3% from the previous fiscal year, net sales of 137,835 million yen, falling 38.3% and operating income of 5,878 million yen, down 73.3%.

Electronics

The Electronics segment focused on the development of new customers and the bolstering of marketing activities in non-manufacturing sectors with high growth potential, such as digital signage, 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. In total, however, both orders and sales fell short of breakeven points.

As a result, orders in the Electronics segment were 6,392 million yen, edging down 0.1% from the previous fiscal year, and net sales were 6,051 million yen, down 21.5%. The segment posted an operating loss of 378 million yen, improving 89 million yen from the previous fiscal year.

Other

Although sales remained sluggish, the mainstay car wash machine business enjoyed special demand attributable to lease subsidies for the replacement of car wash machines at service stations. Earnings from sales of wax and chemical products in the service business also increased. Although weak demand also had an impact on overall sales of bowling equipment, deliveries increased of wheelchair lifts for care-provider vehicles and automated multilevel bicycle parking systems.

As a result, the Other segment recorded orders of 10,427 million yen, down 2.2% from the previous fiscal year, net sales of 10,321 million yen, decreasing 8.0%, and operating income of 624 million yen, a rise of 14.5%.

Earnings

As previously mentioned, faced with a significant decline in consolidated net sales, Daifuku endeavored to cut costs, tighten project management and streamline its production system in Japan. Nevertheless, rising cost to sales and SG&A to sales ratios resulting from deteriorating factory operation levels and diminished profitability of orders led to a drop in operating income of 99.5% to 80 million yen. As a result, the operating income margin fell from 6.2% in the previous fiscal year to 0.1%.

Also previously mentioned, Daifuku was forced to record an ordinary loss of 135 million yen, due mainly to increased interest expenses and foreign exchange loss posted under other expenses. Furthermore, although there was a decrease in special loss, which included a loss on impairment of fixed assets recorded in the previous fiscal year and loss on valuation of investments in securities, income before income taxes and minority interests fell 93.8% compared with the previous fiscal year to 862 million yen, offset by the reversal of negative goodwill of Osaka Machinery Works Co., Ltd.

Resulting in such factors as a reduction in corporate income taxes, net income fell 87.0% to 1,018 million yen compared with the previous fiscal year. Consequently, the ratio of net income to net sales slipped from 3.2% to 0.7%.

As a result, net income per share of common stock was down from 70.29 yen to 9.20 yen (representing a decrease from 69.09 yen to 9.08 yen on a diluted basis).

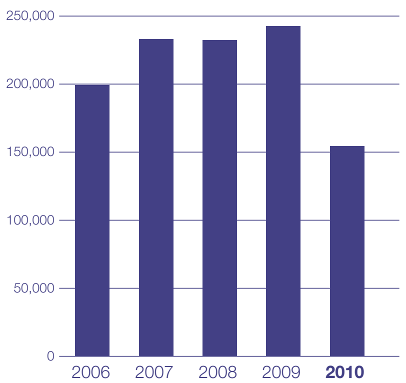
Financial Standing

Assets, Liabilities and Net Assets

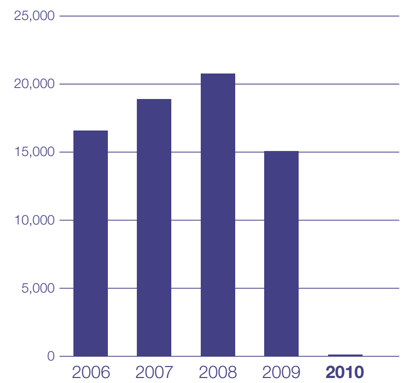
Total assets at the end of the consolidated fiscal year under review were 165,430 million yen, a decline of 29,296 million yen from the 194,727 million yen recorded in the previous fiscal year. This result was mainly attributable to declines, under current assets, in notes and accounts receivable and unbilled receivables from the end of the previous fiscal year and a fall in inventories, including costs incurred on uncompleted contracts.

Due to these factors, current assets for the fiscal year-end fell 32,924 million yen from a year ago to 109,251 million yen. Due to such factors as increased investments in securities, fixed assets increased 3,627 million yen to 56,178 million yen. Capital investment

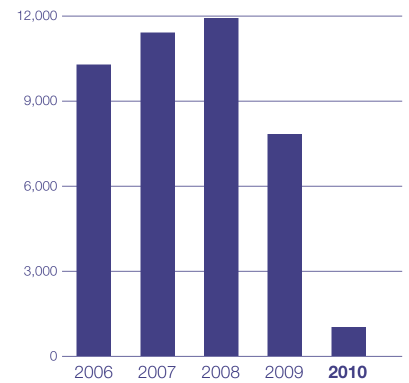
Net Sales
(Millions of yen)



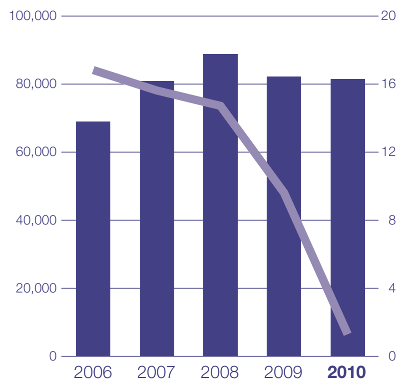
Operating Income
(Millions of yen)



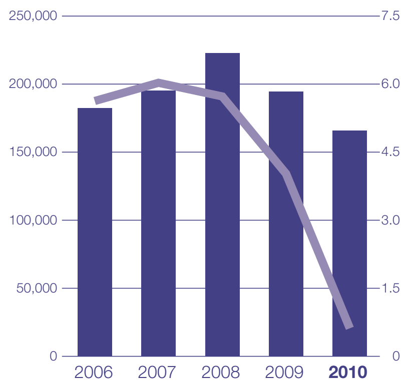
Net Income
(Millions of yen)



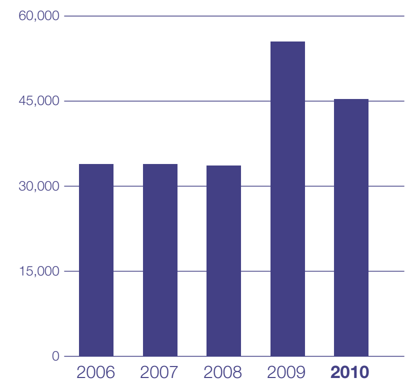
Net Assets and ROE
(Millions of yen) (%)



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



Interest-Bearing Liabilities
(Millions of yen)



for the year under review, which primarily consisted of new plant construction in Thailand and updates to an enterprise resource planning system, was 2,332 million yen lower than the previous year, totaling 2,280 million yen.

Total liabilities at the end of the consolidated fiscal year under review were 84,135 million yen, a fall of 27,781 million yen year on year. Primary factors under current liabilities included decreases in notes and accounts payable and construction contracts payable as well as in short-term borrowings. Current liabilities at the end of the fiscal year under review decreased 24,102 million yen to 42,986 million yen, with long-term liabilities falling 3,679 million yen to 41,148 million yen. Total interest-bearing liabilities, such as short- and long-term borrowings and corporate bonds, totaled 45,295 million yen, a decrease of 10,122 million yen compared with the previous fiscal year-end.

Net assets at the end of the fiscal year under review amounted to 81,295 million yen, a decrease of 1,515 million yen compared with the end of the previous fiscal year. The primary contributory factor was a decline in retained earnings because of the payment of dividends. As a result, net assets per share decreased from 718.68 yen at the previous fiscal year-end to 716.07 yen, while the equity ratio rose from 40.9% to 47.9%.

Return on equity (ROE) fell from 9.6% at the end of the previous fiscal year to 1.3%.

Cash Flows

Cash provided by operating activities totaled 20,921 million yen, compared with cash used of 8,425 million yen in the previous fiscal year. The major factors were decreases in notes and accounts receivable as well as in inventories.

Cash used in investing activities was 7,303 million yen, compared with cash used of 6,900 million yen in the previous fiscal year. Major activities prompting this increase primarily involved payments for purchase of investments in securities, fixed assets and stocks of affiliates.

Cash used in financing activities was 11,321 million yen, compared with cash provided of 16,189 million yen in the previous fiscal year. This was mainly attributable to the repayment of interest-bearing liabilities.

After factoring in the effects of exchange rate changes to the above, cash and cash equivalents at end of year increased by 3,198 million yen to 31,101 million yen.

Basic Policy Regarding Dividends for Fiscal Years 2009 and 2010

Daifuku regards the return of profits to shareholders as its most important management task and adopts a performance-based policy for dividends from surpluses based on consolidated net income. With regard to the remaining surplus, the Company's basic policy is to raise funds to invest in future growth.

For the fiscal year under review, Daifuku paid an interim dividend of 10 yen per share and a year-end dividend of 10 yen per share, making an annual dividend 20 yen per share. Compared with the previous fiscal year, although the interim dividend was the same, in view of Company performance, the year-end dividend was 6 yen less.

With respect to dividends for the current fiscal year (ending March 31, 2011), following comprehensive consideration of the current business environment and performance outlook, the Company is forecasting an annual dividend payment of 15 yen per share (an interim dividend of 5 yen and a year-end dividend of 10 yen).

Outlook for Fiscal 2010

Medium-Term Business Objectives and Indicators, Business Environment and Policies in the Current Fiscal Year

Daifuku launched a new three-year business plan called *Material Handling and Beyond* in April 2010, with the aim of achieving net sales of 220 billion yen and operating income of 11 billion yen in three years (by the fiscal year ending March 31, 2013).

Looking ahead to the next fiscal year, the first year of the three-year business plan, it is likely to take time to restore orders and sales to a high level of over 200 billion yen, as excess production capacity is still in strong evidence in the manufacturing industry. However, given that orders and sales are likely to show improvements compared with the fiscal year ended March 31, 2010, profits are likely to increase, thanks to higher factory operation levels can be expected. Although many manufacturing industries in Japan and elsewhere will confront many difficulties—such as tighter capital spending budgets, intensified competition for orders associated with the industry reorganization and the rise of Asian competitors, the lowering of prices to meet specifications in emerging countries, and rising raw material prices—the Daifuku Group will strive to improve profitability through the concerted efforts of the management and employees.

Outlook by Business Segment and Daifuku's Response

In Daifuku's mainstay Logistics Systems business, sales of large systems for general manufacturers and distribution centers have not fallen markedly in Japan, and systems for new areas such as solar batteries, lithium-ion batteries, and agriculture are also likely to contribute to earnings. However, a rebound has yet to be anticipated for small- and medium-sized systems and equipment, which rely heavily on automobile and machinery-related demand. Daifuku will seek to increase the non-Japanese sales ratio by further expanding sales in China and enhancing its sales and service systems in Europe.

With regard to cleanroom transport and storage systems for FPD factories and semiconductor sectors, the resumption of capital spending is becoming evident. Major moves by customer companies to recommence capital investment point to the gaining of new projects in China and a business recovery in North America, South Korea and Taiwan. Meanwhile, for automobile production line systems, Daifuku anticipates that reluctance to make capital investments will continue for some time yet. With respect to ABH systems, demand is expected to remain strong in the mainstay North American market, including orders for projects that were postponed from the fiscal year ended March 31, 2010 to the current fiscal year.

In the Electronics segment, while it is likely to take time yet for the market for factory automation systems to recover, there remains a solid market for non-factory automation systems, such as data measurement and display systems for the output of solar power and carbon dioxide emission reductions. Daifuku will endeavor to return this segment to profitability by expanding sales and reducing costs.

In the Other segment, the market environment for the mainstay car wash machines remains difficult due to such factors as waning willingness to invest. However, Daifuku will strive to bolster its service business for service stations. With respect to bowling equipment, the segment will focus on the sales of auto scorers and other items as it aims to maintain performance.

Sales and Profit Outlook for Fiscal 2010

As stated above, the Daifuku Group is moving forward with positive efforts in each company and business segment. In reality, however, the recovering trends in customer company results and capital spending remain unclear, and intensified competition continues to apply downward pressure on Daifuku's profitability. Accordingly, although Daifuku currently (as of June 2010) anticipates both orders and sales to show year-on-year increases in the next fiscal year, the Company does not expect to reach a full-fledged recovery in terms of profit.

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 2010, 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.

Risks Covered by the CRO

(1) Risk related to global 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 disasters and intentional threats, 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), changes in management environment, etc.)
(7) Risk related to intellectual property (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.)
(8) Securing of personnel (recruitment and retention of competent personnel; difficulties in training human resources and securing successors, etc.)
(9) Customer credit risk (customer bankruptcy; doubtful accounts/bad debts, etc.)

Risk Covered by the CFO

(1) Information management (leak of important and/or personal information to outside the Company; use for purposes other than that intended, etc.)

Risks Covered by the COO of Business Operations

(1) Changes in conditions of the markets related to semiconductors and 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 competitors; absence of IP right protection; breach of another company's IP rights; emergence of new alternative technology products from other companies, etc.)

Risk Covered by the COO of Sales and Marketing

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

Risks Covered by the COO of Production Control

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

Risk Covered by the Compliance Committee

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

Consolidated Balance Sheets

Daifuku Co., Ltd. and consolidated subsidiaries
March 31, 2010 and 2009

	(Millions of yen) March 31		(Thousands of U.S.dollars) (Note 5) March 31
ASSETS	**2010**	2009	**2010**
Current assets:			
Cash on hand and in banks (Notes 8 and 25)	**¥ 31,152**	¥ 28,294	**$ 334,828**
Notes and accounts receivable and unbilled receivables (Note 8)	**48,083**	62,715	**516,802**
Merchandise and finished goods	**2,196**	3,220	**23,610**
Costs incurred on uncompleted construction contracts and others	**7,599**	24,698	**81,677**
Raw materials and supplies (Note 11)	**6,323**	7,285	**67,960**
Deferred income taxes (Note 24)	**2,093**	3,651	**22,500**
Other current assets (Note 11)	**11,910**	12,617	**128,016**
Less: allowance for doubtful accounts	**(107)**	(307)	**(1,150)**
Total current assets	**109,251**	142,175	**1,174,245**
Fixed assets:			
Property, plant and equipment (Notes 6 and 11):			
Buildings and structures	**16,428**	17,055	**176,577**
Machinery and vehicles	**3,573**	3,950	**38,411**
Tools and fixtures	**996**	1,056	**10,709**
Land	**11,593**	11,523	**124,606**
Lease assets	**—**	292	**—**
Construction in progress	**—**	396	**—**
Others	**498**	116	**5,357**
Total property, plant and equipment	**33,090**	34,391	**355,662**
Intangible assets:			
Software	**1,949**	1,968	**20,954**
Goodwill	**—**	1,092	**—**
Other (Note 11)	**2,284**	1,023	**24,551**
Total intangible assets	**4,233**	4,084	**45,505**
Investments and other assets:			
Investments in securities (Notes 8, 9 and 10)	**8,451**	5,192	**90,835**
Long-term loans	**463**	415	**4,985**
Deferred income taxes (Note 24)	**4,665**	2,901	**50,142**
Other (Notes 10 and 11)	**5,558**	5,914	**59,743**
Less: allowance for doubtful accounts	**(285)**	(347)	**(3,065)**
Total investments and other assets	**18,853**	14,075	**202,640**
Total assets	**¥165,430**	¥194,727	**$1,778,054**

The accompanying notes are an integral part of these statements.

	(Millions of yen) March 31		(Thousands of U.S.dollars) (Note 5) March 31
LIABILITIES	**2010**	2009	**2010**
Current liabilities:			
Notes and accounts payable and construction contracts payable (Note 8)	**¥ 21,709**	¥ 27,437	**$ 233,322**
Short-term borrowings and current portion of long-term borrowings (Notes 8 and 11)	**6,342**	15,909	**68,173**
Current portion of bonds with subscription rights to shares (Note 8)	**3,008**	—	**32,330**
Lease obligations (Note 11)	**—**	60	**—**
Income taxes payable	**570**	1,773	**6,137**
Deferred income taxes (Note 24)	**17**	57	**183**
Advances on sales contracts	**—**	8,730	**—**
Provision for directors' bonuses	**—**	22	**—**
Provision for losses on construction contracts (Note 18)	**531**	78	**5,707**
Other current liabilities	**10,807**	13,018	**116,159**
Total current liabilities	**42,986**	67,088	**462,023**
Long-term liabilities:			
Bonds (Notes 8 and 11)	**10,000**	10,000	**107,480**
Bonds with subscription rights to shares (Note 11)	**—**	4,998	**—**
Long-term borrowings (Notes 8 and 11)	**25,944**	24,509	**278,858**
Lease obligations (Note 11)	**—**	207	**—**
Long-term payables	**—**	561	**—**
Deferred income taxes (Note 24)	**1,345**	1,087	**14,463**
Provision for retirement benefits (Note 12)	**1,713**	1,419	**18,414**
Provision for directors' retirement benefits	**—**	83	**—**
Negative goodwill	**479**	904	**5,152**
Other long-term liabilities	**1,665**	1,057	**17,896**
Total long-term liabilities	**41,148**	44,827	**442,266**
Total liabilities	**84,135**	111,916	**904,289**
Contingent liabilities (Note 12)			
NET ASSETS			
Shareholders' equity (Note 16):			
Common stock:			
Authorized—250,000,000 shares			
Issued— 113,671,494 shares	**8,024**	8,024	**86,242**
Capital surplus	**9,028**	9,029	**97,043**
Retained earnings	**69,210**	71,078	**743,877**
Less: treasury stock, at cost— March 31, 2010 — 2,994,194 shares	**(2,410)**	(2,404)	**(25,905)**
Total shareholders' equity	**83,852**	85,727	**901,257**
Valuation and translation adjustments:			
Net unrealized loss on securities	**(6)**	(387)	**(72)**
Deferred loss on hedges	**(6)**	(32)	**(68)**
Foreign currency translation adjustments	**(4,586)**	(5,758)	**(49,300)**
Total valuation and translation adjustments	**(4,600)**	(6,178)	**(49,441)**
Minority interests			
Minority interests	**2,042**	3,261	**21,949**
Total net assets	**81,295**	82,810	**873,764**
Total liabilities and net assets	**¥165,430**	¥194,727	**$1,778,054**

Consolidated Statements of Income

Daifuku Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2010 and 2009

	(Millions of yen)		(Thousands of U.S.dollars) (Note 5)
	2010	2009	**2010**
Net sales	**¥154,208**	¥242,182	**$1,657,442**
Cost of sales (Notes 18 and 19)	**128,195**	195,430	**1,377,854**
Gross profit	**26,012**	46,752	**279,587**
Selling expenses (Note 17)	**12,606**	16,468	**135,498**
General and administrative expenses (Notes 17 and 19)	**13,325**	15,267	**143,220**
Operating income	**80**	15,015	**868**
Other income:			
Interest income	**204**	249	**2,200**
Dividend income	**82**	92	**888**
Refunded foreign taxes	**—**	5	**—**
Amortization of negative goodwill	**106**	100	**1,144**
Land and house rental revenue	**188**	152	**2,024**
Miscellaneous income	**544**	380	**5,847**
Other expenses:			
Interest expenses	**925**	795	**9,947**
Foreign exchange loss	**278**	139	**2,995**
Miscellaneous expenses	**138**	177	**1,491**
Ordinary (loss) income	**(135)**	14,882	**(1,461)**
Special income:			
Gain on sales of property, plant and equipment (Note 22)	**77**	69	**837**
Gain on sales of investments in securities	**—**	1	**—**
Reversal of allowance for doubtful accounts	**218**	28	**2,347**
Reversal of negative goodwill	**683**	—	**7,348**
Others	**167**	9	**1,797**
Special loss:			
Loss on sales of property, plant and equipment (Note 23)	**46**	8	**499**
Loss on disposal of property, plant and equipment (Note 20)	**28**	424	**308**
Loss on valuation of investments in securities (Note 21)	**—**	431	**—**
Loss on impairment of fixed assets (Note 21)	**—**	119	**—**
Special retirement benefit	**35**	—	**382**
Loss on repayment of subsidy	**21**	—	**228**
Others	**16**	52	**174**
Income before income taxes and minority interests	**862**	13,956	**9,274**
Income taxes (Note 24):			
Current	**539**	4,324	**5,799**
Deferred	**(734)**	2,000	**(7,893)**
	(194)	6,324	**(2,093)**
Minority interests in net income	**39**	(219)	**(424)**
Net income	**¥ 1,018**	¥ 7,851	**$ 10,944**

	(Yen)		(U.S.dollars)
Net income per share (Note 30)	**¥ 9.20**	¥70.29	**$0.09**
Cash dividends per share	**20.00**	26.00	**0.21**

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, 2010 and 2009

	(Thousands)	(Millions of yen)				
		Shareholders' Equity				
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total 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)
Cash dividends	—	—	—	(2,918)	—	(2,918)
Net income	—	—	—	7,851	—	7,851
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
Cash dividends	**—**	**—**	**—**	**(2,877)**	**—**	**(2,877)**
Net income	**—**	**—**	**—**	**1,018**	**—**	**1,018**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**(7)**	**(7)**
Disposal of treasury stock	**—**	**—**	**(0)**	**—**	**1**	**1**
Changes in scope of consolidation	**—**	**—**	**—**	**(8)**	**—**	**(8)**
Net changes of items other than shareholders' equity	**—**	**—**	**—**	**—**	**—**	**—**
Balance at March 31, 2010	**113,671**	**¥8,024**	**¥9,028**	**¥69,210**	**¥(2,410)**	**¥83,852**

	(Millions of yen)					
	Valuation and Translation Adjustments					
	Net unrealized gain (loss) on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
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)
Cash dividends	—	—	—	—	—	(2,918)
Net income	—	—	—	—	—	7,851
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
Cash dividends	**—**	**—**	**—**	**—**	**—**	**(2,877)**
Net income	**—**	**—**	**—**	**—**	**—**	**1,018**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**(7)**
Disposal of treasury stock	**—**	**—**	**—**	**—**	**—**	**1**
Changes in scope of consolidation	**—**	**—**	**—**	**—**	**—**	**(8)**
Net changes of items other than shareholders' equity	**380**	**26**	**1,171**	**1,578**	**(1,219)**	**358**
Balance at March 31, 2010	**¥ (6)**	**¥ (6)**	**¥(4,586)**	**¥(4,600)**	**¥2,042**	**¥81,295**

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, 2010 and 2009

	(Thousands)	(Thousands of U.S. dollars) (Note 5)				
		Shareholders' Equity				
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2009	113,671	$86,242	$97,047	$763,955	$(25,846)	$921,399
Cash dividends	—	—	—	(30,930)	—	(30,930)
Net income	—	—	—	10,944	—	10,944
Purchase of treasury stock	—	—	—	—	(75)	(75)
Disposal of treasury stock	—	—	(4)	—	15	11
Changes in scope of consolidation	—	—	—	(92)	—	(92)
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2010	**113,671**	**$86,242**	**$97,043**	**$743,877**	**$(25,905)**	**$901,257**

	(Thousands of U.S. dollars) (Note 5)					
	Valuation and Translation Adjustments					
	Net unrealized gain (loss) on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2009	$(4,165)	$(352)	$(61,887)	$(66,405)	$35,059	$890,053
Cash dividends	—	—	—	—	—	(30,930)
Net income	—	—	—	—	—	10,944
Purchase of treasury stock	—	—	—	—	—	(75)
Disposal of treasury stock	—	—	—	—	—	11
Changes in scope of consolidation	—	—	—	—	—	(92)
Net changes of items other than shareholders' equity	4,092	283	12,587	16,963	(13,110)	3,853
Balance at March 31, 2010	**$ (72)**	**$ (68)**	**$(49,300)**	**$(49,441)**	**$21,949**	**$873,764**

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, 2010 and 2009

	(Millions of yen)		(Thousands of U.S.dollars) (Note 5)
	2010	2009	**2010**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 862**	¥13,956	**$ 9,274**
Adjustments for:			
Depreciation	**3,679**	3,930	**39,549**
Amortization of goodwill	**184**	230	**1,987**
Amortization of negative goodwill	**(106)**	(100)	**(1,144)**
Reversal of negative goodwill	**(683)**	—	**(7,348)**
Interest and dividend income	**(287)**	(341)	**(3,089)**
Interest expenses	**925**	795	**9,947**
Loss on disposal or sales of property, plant and equipment	**75**	433	**808**
Gain on sales of investments in securities	**—**	(1)	**—**
Decrease (increase) in notes and accounts receivable	**14,816**	(4,510)	**159,248**
Decrease in inventories	**19,280**	16,926	**207,228**
Decrease in notes and accounts payable	**(6,202)**	(10,117)	**(66,665)**
Decrease in advances received on uncompleted construction	**(5,106)**	(15,162)	**(54,879)**
Other, net	**(2,534)**	(7,935)	**(27,244)**
Subtotal	**24,904**	(1,896)	**267,675**
Interest and dividend income received	**248**	333	**2,671**
Interest expenses paid	**(990)**	(752)	**(10,642)**
Income taxes paid	**(3,465)**	(6,370)	**(37,247)**
Other, net	**224**	259	**2,407**
Net cash provided by (used in) operating activities	**20,921**	(8,425)	**224,863**
Cash flows from investing activities:			
Investments in time deposits	**(0)**	(258)	**(1)**
Proceeds from refund of time deposits	**344**	311	**3,705**
Payments for purchase of property, plant and equipment	**(2,238)**	(4,938)	**(24,063)**
Proceeds from sales of property, plant and equipment	**132**	77	**1,422**
Payments for purchase of investments in securities	**(4,477)**	(2,107)	**(48,121)**
Proceeds from sales of investments in securities	**—**	13	**—**
Payments for purchase of stocks of affiliates	**(1,072)**	(19)	**(11,527)**
Collection of loans receivable	**4**	9	**45**
Payments for transfer of business (Note 25)	**(200)**	—	**(2,149)**
Other, net	**203**	12	**2,191**
Net cash used in investing activities	**(7,303)**	(6,900)	**(78,499)**
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	**(1,417)**	2,837	**(15,235)**
Proceeds from long-term borrowings	**4,419**	21,579	**47,501**
Repayment of long-term borrowings	**(11,250)**	(3,979)	**(120,925)**
Proceeds from issuance of bonds	**—**	5,894	**—**
Redemption of bonds	**—**	(4,000)	**—**
Proceeds from disposal of treasury stock	**1**	9	**11**
Payments for purchase of treasury stock	**(7)**	(2,129)	**(75)**
Payment of cash dividends	**(2,874)**	(2,910)	**(30,893)**
Other, net (Note 25)	**(192)**	(1,113)	**(2,071)**
Net cash (used in) provided by financing activities	**(11,321)**	16,189	**(121,687)**
Effect of exchange rate change on cash and cash equivalents	**914**	(4,194)	**9,824**
Net increase (decrease) in cash and cash equivalents	**3,209**	(3,331)	**34,500**
Cash and cash equivalents at beginning of year	**27,902**	31,215	**299,895**
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	**(11)**	18	**(118)**
Cash and cash equivalents at end of year (Note 25)	**¥31,101**	¥27,902	**$334,277**

The accompanying notes are an integral part of these statements.

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Daifuku Co., Ltd. ("the Company") and its consolidated subsidiaries.

The Company and its domestic subsidiaries have maintained their accounts and records in accordance with the provisions set forth in the Japanese 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.

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 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 45 subsidiaries as of March 31, 2010 (51 subsidiaries as of March 31, 2009).

MIMATS Co., Ltd. and Daifuku Carwash-Machine Korea Inc., which in the previous fiscal year were consolidated subsidiaries, were merged into Daifuku Korea Co., Ltd. (formerly ATS Co., Ltd.). In addition, Kyushu Daifuku Corporation was merged into Daifuku Plusmore Co., Ltd. (formerly Daifuku QubicaAMF Co., Ltd.)

Four companies—Webb Control, Ltd., Spider Installations, Ltd., Webec Conveyors, Ltd. and Daifuku Unix Corporation—were liquidated.

Having commenced the liquidation process, the Company no longer holds control of Daifuku-Wis Technologies Pte. Ltd. Consequently, eight companies have been excluded from the scope of consolidation.

On the other hand, Contec Solution Co., Ltd. and Contec Solution China Corporation, which were established during the year ended March 31, 2010, were newly included as consolidated subsidiaries. As a result, the total number of consolidated subsidiaries decreased by six.

The Company had two affiliates including Webb India Private Limited as of March 31, 2010 (three affiliates as of March 31, 2009), 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.

Upon the sale of equity interest, Chengde Webb Conveyor Machinery Co., Ltd. was removed from the equity-method affiliates.

The Company had two affiliates including Renace Laboratory, Inc. as of March 31, 2010 and 2009, respectively, 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, 2010 and 2009, respectively.

The consolidated subsidiaries adopt the same fiscal year as the Company except that 28 and 32 foreign consolidated subsidiaries as of March 31, 2010 and 2009, respectively adopt their fiscal years ended December 31. For the consolidation of these foreign subsidiaries, the Company makes appropriate adjustments for any material transactions subsequent to December 31.

All significant intercompany transactions, account balances and unrealized profit 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.

The balance sheet accounts of the consolidated foreign subsidiaries and affiliates are translated into Japanese yen at year-end exchange rates, except for shareholders' equity, which is translated at the historical exchange rates. Revenue and expense accounts of the consolidated foreign subsidiaries and affiliates are translated into Japanese yen at the annual average rate.

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

(i) 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.

The forward foreign exchange contracts which meet the exceptional criteria to apply hedge accounting are not revalued to market value, but assets and liabilities denominated in foreign currencies hedged by forward foreign exchange contracts are translated at the contracted rates of exchange.

(ii) 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 borrowings.

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.

(iii) The implementation and management of hedge transactions are carried out to hedge risk 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 measured at fair value when initially consolidated.

(7) Depreciation of fixed assets

a. 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.

The estimated useful life over which the asset is depreciated and the treatment of residual value 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.

b. 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.

c. Lease assets

Finance lease transactions which transfer 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 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 zero (in cases where there are any leases with guaranteed residual value, such value is regarded as accounting).

In addition, finance lease transactions that do not transfer ownership prior to April 1, 2008 are accounted for in a manner similar to accounting for an ordinary rental transaction.

(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 5 years to 15 years.

(Additional Information)

Regarding the negative goodwill resulting from the acquisition of 68.67% of the equity in Osaka Machinery Works Co., Ltd. in January 2008, the Company had proceeded with amortization thereof over 10 years in light of the original plan to acquire the rest of the equity in Osaka Machinery Works Co., Ltd. and wholly own it in 10 years.

However, the Company changed the original plan and acquired 100% of the equity in Osaka Machinery Works Co., Ltd. in March 2010 and, accordingly, Osaka Machinery Works Co., Ltd. is anticipated to earn stable profit from the effects of several measures such as expansion of the consigned manufacture of Daifuku products for the purpose of accelerating to realize business synergies. In this connection, the Company reviewed and modified the amortization schedule of the negative goodwill and decided to reverse the outstanding balance of the negative goodwill of ¥372 million ($4,000 thousand) as of March 31, 2010. As a result, income before income taxes and minority interests increased by ¥372 million ($4,000 thousand) in the fiscal year ended March 31, 2010. The negative goodwill of ¥311 million ($3,348 thousand) incurred by making Osaka Machinery Works Co., Ltd. a wholly owned subsidiary in March 2010 was also reversed and recorded as "Reversal of negative goodwill" under "Special income."

(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 accounts receivable, the Company and its domestic consolidated subsidiaries provide allowances for doubtful accounts based on historical default rates with respect to receivables, and specific allowances for doubtful trade receivables and advances at estimated amounts considered to be uncollectible after reviewing individual collectibility. Among overseas consolidated 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 cost is amortized on a straight-line basis over the period within 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 period within 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) Accounting policy for significant revenues and costs

The accounting policy for the recognition of revenues and costs of construction work is as follows:

a. Construction work for which the outcome of the percentage completed at the balance sheet date is deemed certain:
Percentage-of-completion method (in which the percentage of completion is estimated based on the percentage of cost incurred relative to the estimated total cost)

b. Other construction work:
Completed-contract method

(17) 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.

(18) 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) Accounting standard for recognition of revenues and costs of completed construction work

Previously, the Company and its domestic consolidated subsidiaries had recognized revenues from construction contracts on the completed-contract method. However, the Company adopted the "Accounting Standard for Construction Contracts" (Accounting Standard Board of Japan [ASBJ] Statement No. 15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007) from the year ended March 31, 2010. For contracts initiated in the year ended March 31, 2010, the percentage-of-completion method (in which the percentage of completion is estimated based on the percentage of cost incurred relative to the estimated total cost) is applied to construction work for which the outcome of the percentage completed as of the end of the reporting fiscal year is deemed certain, while the completed-contract method is applied to all other construction works.

As a result of the application of this accounting standard, net sales increased by ¥17,685 million ($190,084 thousand), gross profit, operating income and income before income taxes and minority interests, respectively, increased by ¥1,729 million ($18,593 thousand), and ordinary loss decreased by ¥1,729 million ($18,593 thousand).

The impact of this application on segment information is described in the relevant part of Note 29.

(2) Application of the partial amendments to "Accounting Standard for Retirement Benefits"

The partial amendments to "Accounting Standard for Retirement Benefits" (Part 3) (ASBJ Statement No. 19, July 31, 2008) were applied from the year ended March 31, 2010.

This change had no effect on operating income, ordinary loss and income before income taxes and minority interests for the year ended March 31, 2010.

The application did not cause an adjustment in projected benefit obligations.

(3) 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, ¥286 million and ¥323 million, respectively, for the year ended March 31, 2009. Also, retained earnings at April 1, 2008 decreased by ¥441 million and, accordingly, the year-end retained earnings at March 31, 2009 decreased by the same amount.

(4) 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 zero (in the cases where 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. "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007) were applied from the year ended March 31, 2010. Accordingly, the line items previously recorded as "Notes and accounts receivable" and "Work in process" under "Current assets" and as "Notes and accounts payable" under "Current liabilities," are now presented as "Notes and accounts receivable and unbilled receivables," "Costs incurred on uncompleted construction contracts and others" and "Notes and accounts payable and construction contracts payable," respectively, from the year ended March 31, 2010.

b. As their materiality decreased, the line items previously presented as "Lease assets" and "Construction in progress" under "Property, plant and equipment" and "Goodwill" under "Intangible assets" are now combined into "Others" under "Property, plant and equipment" and into "Other" under "Intangible assets," respectively, from the year ended March 31, 2010.

The amounts of "Lease assets" and "Construction in progress" as of March 31, 2010, included in "Others" under "Property, plant and equipment," were ¥246 million ($2,648 thousand) and ¥76 million ($824 thousand), respectively. "Goodwill" included in "Other" under "Intangible assets" as of March 31, 2010 amounted to ¥1,211 million ($13,072 thousand).

c. As their materiality decreased, the line items previously presented as "Lease obligations," "Advances on sales contracts" and "Provision for directors' bonuses" under "Current liabilities," are now combined into "Other current liabilities" from the year ended March 31, 2010.

The amounts of "Lease obligations," "Advances on sales contracts" and "Provision for directors' bonuses" as of March 31, 2010, included in "Other current liabilities" under "Current liabilities," were ¥55 million ($592 thousand), ¥3,472 million ($37,317 thousand) and ¥0.2 million ($2 thousand), respectively.

d. As their materiality decreased, the line items previously presented as "Lease obligations," "Long-term payables" and "Provision for directors' retirement benefits" under "Long-term liabilities," are now combined into "Other long-term liabilities" from the year ended March 31, 2010.

The amounts of "Lease obligations," "Long-term payables" and "Provision for directors' retirement benefits" as of March 31, 2010, included in "Other long-term liabilities" under "Long-term liabilities," amounted to ¥162 million ($1,749 thousand), ¥610 million ($6,566 thousand) and ¥3 million ($41 thousand), respectively.

(2) Consolidated statements of income

As their materiality decreased, "Refunded foreign taxes" previously presented as an independent line item under "Other income," and "Loss on valuation of investments in securities" previously presented as an independent line item under "Special loss," are now combined into "Miscellaneous income" under "Other income" and "Others" under "Special loss," respectively for the year ended March 31, 2010.

For the year ended March 31, 2010, the amount of "Refunded foreign taxes" included in "Miscellaneous income" under "Other income" was ¥32 million ($351 thousand), and that of "Loss on valuation of investments in securities" included in "Others" under "Special loss" was ¥0.2 million ($2 thousand).

(3) Consolidated statements of cash flows

As the Company adopted the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007) from the year ended March 31, 2010, the line item previously presented as "Increase (decrease) in advances on sales contracts" under "Cash flows from operating activities" is now presented as "Increase (decrease) in advance received on uncompleted construction" from the year ended March 31, 2010.

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 ¥93.04 to U.S. $1, being the effective rate of exchange at March 31, 2010.

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 ¥93.04 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 ¥43,413 million ($466,612 thousand) and ¥40,950 million for the years ended March 31, 2010 and 2009, respectively.

7. Inventories related to construction contracts with probable loss and provision for losses on construction contracts

Inventories related to construction contracts with probable loss and provision for losses on construction contracts are both presented without being offset.

The amount of inventories related to construction contracts with probable loss, for which provision for losses on construction contracts is provided, totaled ¥89 million ($961 thousand) (costs incurred on uncompleted construction contracts and others).

8. Financial instruments

Effective the year ended March 31, 2010, the Company adopted the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, March 10, 2008) and the Guidance on Accounting Standard for Financial Instruments (ASBJ Guidance No. 19, March 10, 2008).

(1) Status of financial instruments

a. Policy for financial instruments

In consideration of capital investment plans to conduct the business of manufacture and sales principally in material handling systems and equipment, the Company and its consolidated subsidiaries (collectively, "the Group") raise necessary funds mainly through bank borrowings or issuance of bonds, while short-term working funds are raised by bank borrowings. Temporary cash surpluses, if any, are invested in low-risk short-term financial instruments. The Group uses derivatives for the purpose of evading the risk of foreign currency exchange rate fluctuations related to foreign currency-denominated trade receivables and payables and the interest rate fluctuation risk associated with interest payments on borrowings, and does not engage in speculative transactions as its policy.

b. Types of financial instruments, related risks and management thereof

Trade receivables (notes and accounts receivable and unbilled receivables) are exposed to customer credit risk. The Group manages such risk through means provided in the Group's credit control regulations: In commencing a transaction with a new customer, as a rule it makes careful judgment as to the credit line to be provided to the new customer; while, with respect to ongoing customers, the sales administration department of each operating division conducts periodical monitoring of customers' conditions and checks/manages due dates and outstanding receivables balance on a customer-by-customer basis, thus securing the early grasp of the customers' financial aggravation status and alleviating the concerns for uncollectible accounts.

Trade receivables denominated in foreign currencies are exposed to the risk of foreign currency exchange rate fluctuations, but such risk is managed and mitigated principally by using forward foreign exchange contracts and currency options.

Investment securities (investments in securities), mainly consisting of equity securities of customers and suppliers with whom the Group has business relationships, are exposed to the risk of market price fluctuations. Against such risk, the Group periodically monitors the market prices of the securities and financial conditions of the issuers.

Trade payables (notes and accounts payable and construction contracts payable) are mostly with due dates within one year. Trade payables partly include those related to overseas construction work and denominated in foreign currencies and, as such, they are exposed to the currency exchange rate fluctuation risk. However, their balance stays consistently within the outstanding total amount of foreign currency-denominated trade accounts receivable.

Of the borrowings, short-term borrowings are used for raising funds mainly for working capital, while long-term borrowings and corporate bonds are used as funding primarily for capital investment (investment in property, plant and equipment). Borrowings with variable interest rates (floating-rate borrowings) are exposed to interest rate fluctuation risk. However, with regard to the long-term floating-rate borrowings, the Company uses interest rate swap transactions to fix the rate of future interest expenses as a hedge against interest rate fluctuation risk.

Trade payables, borrowings and corporate bonds are all exposed to the liquidity risk at the time of debt settlement. The Group manages such risk through cash flow projection on a timely basis and conducting flexible adjustment of cash on hand or liquidity through the use of lending commitment lines from several financial institutions.

The derivative transactions are conducted in accordance with the Company's internal derivative control regulations, which stipulates such matters as transaction authorization and administrative structure, whereby the finance department takes charge of transactions, bookkeeping and the inquiry into/confirmation of outstanding balance with the counterparties of the contracts and, in actual operation, the transactions are entered into only with high credit rating financial institutions. For information regarding the methods of hedging, hedge items, policy on hedging, evaluation methods for hedge effectiveness, etc., see "Hedge accounting" described under Note 2 "Summary of significant accounting policies."

c. Supplementary explanation concerning fair values of financial instruments

The fair values of financial instruments include, besides values based on the market price, rationally calculated values in cases where market prices are not available. In the calculation of such values, variable factors are also taken into consideration and, therefore, the values calculated may vary if the different factors or assumptions are employed. The contract amounts and other information provided in Note 15 "Derivatives and hedging activities" are not necessarily indicative of the amounts of the actual market risk involved in derivative transactions.

(2) Fair values of financial instruments

The balance sheet carrying amounts, fair values and unrealized gains/losses of the financial instruments as of March 31, 2010 are as presented below. However, the financial instruments whose fair values are not readily determinable are excluded from these tables (see [Note 2] below):

	(Millions of yen)		
	Carrying amount on the consolidated balance sheets	Fair value	Variance
(1) Cash on hand and in banks	¥31,152	¥31,152	¥—
(2) Notes and accounts receivable and unbilled receivables	48,083	48,083	—
(3) Investments in securities Other securities	7,471	7,471	—
Total assets	¥86,707	¥86,707	¥—
(1) Notes and accounts payable and construction contracts payable	¥21,709	¥21,709	¥—
(2) Short-term borrowings and current portion of long-term borrowings (*1)	6,342	6,342	—
(3) Current portion of bonds with subscription rights to shares	3,008	2,976	31
(4) Bonds	10,000	10,074	(74)
(5) Long-term borrowings	25,944	25,887	57
Total liabilities	¥67,005	¥66,990	¥15
Derivative transactions (*2)	¥ (19)	¥ (19)	¥—

	(Thousands of U.S. dollars)		
	Carrying amount on the consolidated balance sheets	Fair value	Variance
(1) Cash on hand and in banks	$334,828	$334,828	$ —
(2) Notes and accounts receivable and unbilled receivables	516,802	516,802	—
(3) Investments in securities Other securities	80,305	80,305	—
Total assets	$931,935	$931,935	$ —
(1) Notes and accounts payable and construction contracts payable	$233,322	$233,322	$ —
(2) Short-term borrowings and current portion of long-term borrowings (*1)	68,173	68,173	—
(3) Current portion of bonds with subscription rights to shares	32,330	31,990	339
(4) Bonds	107,480	108,280	(799)
(5) Long-term borrowings	278,858	278,236	621
Total liabilities	$720,175	$720,013	$161
Derivative transactions (*2)	$ (205)	$ (205)	$ —

(*1) Short-term borrowings include the current portion of long-term borrowings.

(*2) Net debt and credit resulting from derivative transactions are presented in net amount. Therefore, the amounts in parentheses indicate net debt.

[Note 1]

Calculation methods of fair values of financial instruments and related information concerning marketable securities and derivative transactions:

Assets

(1) Cash on hand and in banks (2) Notes and accounts receivable and unbilled receivables

These assets are recorded using book values because their fair values approximate book values reflective of their short-term maturity nature.

(3) Investments in securities

The fair values of these securities are determined using the quoted prices at the stock exchange. For information concerning marketable securities classified by holding purposes, see Note 9 "Investments in securities."

Liabilities

(1) Notes and accounts payable and construction contracts payable (2) Short-term borrowings and current portion of long-term borrowings

These liabilities are recorded using book values because their fair values approximate book values reflective of their short-term maturity nature.

(3) Current portion of bonds with subscription rights to shares

The fair values of current portion of bonds with subscription rights to shares issued by the Company are determined using the quoted prices at the stock exchange.

(4) Bonds (5) Long-term borrowings

The fair values of these items are determined by discounting the aggregate amounts of the principal and interests using estimated interest rates assuming that the same type of borrowings were newly made. Long-term borrowings bearing variable interest rates (floating-rate borrowings) are subject to the exceptional treatment applicable to interest rate swap transactions (see Note 15 "Derivatives and hedging activities") and, therefore, their fair values are determined by discounting the aggregate amounts of the principal and interest (that were treated en bloc with the relevant interest rate swap transactions) using the reasonably estimated interest rates assuming that the same type of borrowings were newly made.

Derivative transactions

Please refer to Note 15 "Derivatives and hedging activities"

[Note 2]

Financial instruments, fair values of which are not readily determinable as of March 31, 2010:

	(Millions of yen)
Category	Balance sheet carrying amount
Unlisted securities	979

	(Thousands of U.S. dollars)
Category	Balance sheet carrying amount
Unlisted securities	10,529

These securities have no market quoted prices and the future cash flows thereof are not estimable. As their fair values are not readily determinable, they are excluded from "Assets (3) Investments in securities." The unlisted securities include the investments in affiliated companies amounting to ¥268 million ($2,885 thousand).

[Note 3]

The expected settlement subsequent to the balance sheet date for monetary assets and held-to-maturity securities

	(Millions of yen)			
	Within one year	Due after one year and due within five years	Due after five years and due within 10 years	Due after 10 years
Cash on hand and in banks	¥31,152	¥—	¥—	¥—
Notes and accounts receivable and unbilled receivables	48,083	—	—	—
Total	¥79,235	¥—	¥—	¥—

	(Thousands of U.S. dollars)			
	Within one year	Due after one year and due within five years	Due after five years and due within 10 years	Due after 10 years
Cash on hand and in banks	$334,828	$—	$—	$—
Notes and accounts receivable and unbilled receivables	516,802	—	—	—
Total	$851,630	$—	$—	$—

[Note 4]

The amount of expected redemption or repayment subsequent to the balance sheet date for bonds, long-term borrowings, and other interest bearing debt

	(Millions of yen)					
	Within one year	Due after one year and due within two years	Due after two years and due within three years	Due after three years and due within four years	Due after four years and due within five years	Due after five years
Short-term borrowings and current portion of long-term borrowings	¥6,342	¥ —	¥ —	¥ —	¥—	¥—
Bonds with subscription rights to shares	3,008	—	—	—	—	—
Bonds	—	—	4,000	6,000	—	—
Long-term borrowings	—	842	1,867	23,074	74	85
Total	¥9,350	¥842	¥5,867	¥29,074	¥74	¥85

	(Thousands of U.S. dollars)					
	Within one year	Due after one year and due within two years	Due after two years and due within three years	Due after three years and due within four years	Due after four years and due within five years	Due after five years
Short-term borrowings and current portion of long-term borrowings	$ 68,173	$ —	$ —	$ —	$ —	$ —
Bonds with subscription rights to shares	32,330	—	—	—	—	—
Bonds		—	42,992	64,488	—	—
Long-term borrowings		9,053	20,076	248,009	804	913
Total	$100,503	$9,053	$63,069	$312,498	$804	$913

9. Investments in securities

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

	(Millions of yen)		
	March 31, 2010		
	Acquisition cost	Carrying amount on the consolidated balance sheets	Difference
Investments in securities:			
Equity securities	**¥3,765**	**¥4,400**	**¥635**

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

	(Thousands of U.S. dollars)		
	March 31, 2010		
	Acquisition cost	Carrying amount on the consolidated balance sheets	Difference
Investments in securities:			
Equity securities	**$40,473**	**$47,299**	**$6,825**

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

	(Millions of yen)		
	March 31, 2010		
	Acquisition cost	Carrying amount on the consolidated balance sheets	Difference
Investments in securities:			
Equity securities	**¥3,679**	**¥3,070**	**¥(608)**

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

	(Thousands of U.S. dollars)		
	March 31, 2010		
	Acquisition cost	Carrying amount on the consolidated balance sheets	Difference
Investments in securities:			
Equity securities	**$39,546**	**$33,005**	**$(6,540)**

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

Impairment is calculated on those securities whose degree of decline is more than 50% of the acquisition cost and in cases where the conditions remain 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, 2010 and 2009:

Not applicable

"Other securities" sold during the year ended March 31, 2009 was as follows:

(Millions of yen)		
Proceeds of Sales	Gain on Sales	Loss on Sales
¥13	¥1	¥—

No "other securities" sold during the year ended March 31, 2010.

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

	(Millions of yen)
Investments in securities:	
Investments in non-consolidated subsidiaries and affiliates	¥248
Other securities	
Unlisted securities	¥184

10. Investments in non-consolidated subsidiaries and affiliates

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

	(Millions of yen)		(Thousands of U.S. dollars)
March 31,	2010	2009	2010
Investments in securities	**¥268**	¥248	**$2,885**
Investments and other assets, Other (investments in capital)	**¥ —**	¥132	**$ —**

11. Short-term borrowings, long-term borrowings and lease obligations

Short-term borrowings are principally bank borrowings.

The weighted average interest rates applicable to the short-term borrowings outstanding as of March 31, 2010 were 1.9%.

Short-term borrowings outstanding as of March 31, 2010 and 2009 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	2010
Borrowings from banks			
Secured and unsecured	**¥3,322**	¥4,659	**$35,706**

Long-term borrowings are principally bank borrowings.

The weighted average interest rates applicable to the long-term borrowings outstanding as of March 31, 2010 were 2.0%.

Long-term borrowings outstanding as of March 31, 2010 and 2009, consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	2010
Borrowings, principally from banks			
Secured and unsecured	**¥28,965**	¥35,759	**$311,324**
Less: portion due within one year	**3,020**	11,249	**32,466**
Subtotal	**25,944**	24,509	**278,858**
Bonds			
Zero coupon yen unsecured convertible bonds, due 2011	**3,008**	4,998	**32,330**
1.35% yen unsecured bonds, due 2013	**3,200**	3,200	**34,393**
1.36% yen unsecured bonds, due 2013	**800**	800	**8,598**
1.70% yen unsecured bonds, due 2014	**2,000**	2,000	**21,496**
2.02% yen unsecured bonds, due 2014	**2,000**	2,000	**21,496**
1.80% yen unsecured bonds, due 2014	**2,000**	2,000	**21,496**
Bonds total	**13,008**	14,998	**139,810**
Subtotal	**13,008**	14,998	**139,810**
Total	**¥38,952**	¥39,507	**$418,669**

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 ¥3,008 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 aggregate annual maturity of bonds outstanding other than the portion due within one year as of March 31, 2010 was as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2011	¥ 3,008	$ 32,330
2012	—	—
2013	4,000	42,992
2014	6,000	64,488
	¥13,008	$139,810

Borrowings details

The aggregate annual maturity of long-term borrowings outstanding other than the portion due within one year as of March 31, 2010 was as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2012	¥ 842	$ 9,053
2013	1,867	20,076
2014	23,074	248,009
2015	74	804
	¥25,859	$277,944

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 ($27.79)	March 1, 2006– March 30, 2011

When requested by bondholders who intend to exercise the stock subscriptions 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.

Lease obligation details

Lease obligations outstanding as of March 31, 2010 and 2009 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	2010
Lease obligations	**¥217**	¥267	**$2,341**
Less: portion due within one year	**55**	60	**592**
	¥162	¥207	**$1,749**

The aggregate annual maturity of lease obligations other than the portion due within one year outstanding as of March 31, 2010 was as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2012	¥ 40	$ 434
2013	23	254
2014	20	219
2015	17	183
	¥101	$1,091

Assets pledged as collateral for short-term borrowings with banks as of March 31, 2010 and 2009 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	2010
Buildings, less accumulated depreciation	**¥129**	¥268	**$1,390**
Machinery and vehicles	**215**	168	**2,319**
Others	**163**	142	**1,761**
Total	**¥509**	¥579	**$5,471**

Secured liabilities

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	2010
Short-term borrowings	**¥ 72**	¥405	**$ 777**
Long-term borrowings	**344**	—	**3,707**
	¥417	¥405	**$4,485**

12. 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 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 provisions for retirement benefits as of March 31, 2010 and 2009 were as follows:

	(Millions of yen) 2010	2009	(Thousands of U.S. dollars) 2010
(1) Projected benefit obligations	**¥(40,374)**	¥(37,825)	**$(433,943)**
(2) Plan assets	**30,409**	27,128	**326,840**
(3) Funded status (1)+(2)	**(9,964)**	(10,697)	**(107,097)**
(4) Unrecognized actuarial differences	**9,404**	11,350	**101,077**
(5) Unrecognized prior service cost	**0**	(283)	**0**
(6) Prepaid pension cost	**1,152**	1,787	**12,388**
(7) Provision for retirement benefits recognized on balance sheet ((3)+(4)+(5)-(6))	**¥ (1,713)**	¥ (1,419)	**$ (18,414)**

Net pension expenses relating to the retirement benefits for the years ended March 31, 2010 and 2009 were as follows:

	(Millions of yen) 2010	2009	(Thousands of U.S. dollars) 2010
Service cost	**¥ 993**	¥1,109	**$10,679**
Interest cost	**1,590**	1,669	**17,096**
Expected return on plan assets	**(1,166)**	(2,126)	**(12,536)**
Amortization of actuarial differences	**1,706**	164	**18,346**
Amortization of prior service cost	**(283)**	(427)	**(3,048)**
Net pension expense	**¥2,841**	¥ 388	**$30,537**
Other	**471**	506	**5,070**
	¥3,312	¥ 895	**$35,608**

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

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

	2010	2009
Discount rate	**Mainly 2.0%**	2.0%
Expected rate of return on plan assets	**Mainly 0.0%**	5.0%
Method of attributing the projected benefits to periods of service	**Straight-line basis**	Straight-line basis
Amortization of unrecognized actuarial differences	**Mainly 5 years**	5 years
Amortization of unrecognized prior service cost	**Mainly 5 years**	5 years

13. 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, 2010 and 2009 were summarized as follows:

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

	(Millions of yen) 2010	2009	(Thousands of U.S. dollars) 2010
Machinery and vehicles	**¥1,589**	¥1,696	**$17,080**
Equipment	**228**	250	**2,455**
Other	**129**	165	**1,394**
Subtotal	**1,947**	2,113	**20,931**
Accumulated depreciation	**908**	720	**9,765**
Net book value equivalent	**¥1,038**	¥1,392	**$11,165**

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

b. The future minimum lease payments required under the terms of these finance leases as of March 31, 2010 and 2009 were as follows:

	(Millions of yen) 2010	2009	(Thousands of U.S. dollars) 2010
Due within one year	**¥ 617**	¥ 303	**$ 6,641**
Due after one year	**420**	1,088	**4,524**
	¥1,038	¥1,392	**$11,165**

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

	(Millions of yen) 2010	2009	(Thousands of U.S. dollars) 2010
Lease payments and depreciation equivalent:			
Lease payments	**¥293**	¥338	**$3,154**
Depreciation equivalent	**293**	338	**3,154**

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, 2010 and 2009 were as follows:

	(Millions of yen) 2010	2009	(Thousands of U.S. dollars) 2010
Due within one year	**¥ 362**	¥ 348	**$ 3,891**
Due after one year	**1,945**	2,191	**20,907**
	¥2,307	¥2,540	**$24,799**

Impairment of leased assets

For the years ended March 31, 2010 and 2009, there were no impairment losses on leased assets.

14. Contingent liabilities

The contingent liabilities as of March 31, 2010 and 2009 were as follows:

	(Millions of yen) 2010	2009	(Thousands of U.S. dollars) 2010
Bank borrowings of non-consolidated subsidiaries and affiliates	**¥83**	¥ 90	**$892**
Bank borrowings of the company employees	**8**	14	**90**
	¥91	¥104	**$982**

15. Derivatives and hedging activities

For the year ended March 31, 2010:

(1) Derivative transactions to which the Company did not apply hedge accounting

Not applicable

(2) Derivative transactions subject to hedge accounting

(i) Currency-related

(Millions of yen)

Method of hedge accounting	Category of derivative transaction	Principal hedge items	Amount of contracts	Of which due after one year	Fair value	Method used to calculate the fair value
Principal method	Forward exchange contracts					Determined at the quoted prices at forward exchange rates market
	Sell					
	U.S. dollar	Accounts receivable (forecasted transactions)	673	—	690	
	Euro		58	—	58	
	Canadian dollar		10	—	11	
	Buy					
	U.S. dollar	Accounts payable (forecasted transactions)	(69)	—	(73)	
	Won		(33)	—	(36)	
	Yen		(295)	—	(287)	
Exceptional treatment of forward exchange contracts	Forward exchange contracts					
	Sell					
	U.S. dollar	Accounts receivable	1,149	—	(*)	
	Euro		546	—		
Total			2,039	—	362	

(Thousands of U.S. dollars)

Method of hedge accounting	Category of derivative transaction	Principal hedge items	Amount of contracts	Of which due after one year	Fair value	Method used to calculate the fair value
Principal method	Forward exchange contracts					Determined at the quoted prices at forward exchange rates market
	Sell					
	U.S. dollar	Accounts receivable (forecasted transactions)	7,234	—	7,425	
	Euro		629	—	624	
	Canadian dollar		114	—	122	
	Buy					
	U.S. dollar	Accounts payable (forecasted transactions)	(747)	—	(793)	
	Won		(356)	—	(388)	
	Yen		(3,179)	—	(3,091)	
Exceptional treatment of forward exchange contracts	Forward exchange contracts					
	Sell					
	U.S. dollar	Accounts receivable	12,358	—	(*)	
	Euro		5,869	—		
Total			21,922	—	3,900	

(*) Forward exchange contracts with exceptional treatment are accounted for as principal hedge items of notes and accounts receivable and unbilled receivables; therefore, the fair values of notes and accounts receivable and unbilled receivables include those of the forward exchange contracts.

(ii) Interest-related

(Millions of yen)

Method of hedge accounting	Category of derivative transaction	Principal hedge items	Amount of contracts	Of which due after one year	Fair value	Method used to calculate the fair value
Special treatment of interest rate swaps	Interest rate swaps Fixed payment / Variable receipt	Long-term borrowings	26,820	24,370	(*)	
Total			26,820	24,370	—	

(Thousands of U.S. dollars)

Method of hedge accounting	Category of derivative transaction	Principal hedge items	Amount of contracts	Of which due after one year	Fair value	Method used to calculate the fair value
Special treatment of interest rate swaps	Interest rate swaps Fixed payment / Variable receipt	Long-term borrowings	288,263	261,930	(*)	
Total			288,263	261,930	—	

(*) Interest rate swaps with special treatment are accounted for as the principal hedge items of long-term borrowings; therefore, the fair values of long-term borrowings include those of the interest rate swaps.

For the year ended March 31, 2009:
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 and the 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 nonperformance by any of these counterparties, all of whom are financial institutions with high credit ratings.

Accordingly, information relating to fair values is not applicable.

16. Consolidated statements of changes in net assets

(1) Matters regarding issued shares

For the year ended March 31, 2010 (In thousands of shares)

Class of shares	As of March 31, 2009	Increase	Decrease	As of March 31, 2010
Common stock	**113,671**	**—**	**—**	**113,671**

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

(2) Matters regarding treasury stock

For the year ended March 31, 2010 (In shares)

Class of shares	As of March 31, 2009	Increase	Decrease	As of March 31, 2010
Common stock	**2,984,630**	**11,394**	**1,830**	**2,994,194**

Notes: 1. Treasury stock increased by 11,394 shares due to purchases of less-than-a-unit shares.
2. The decrease of 1,830 shares of common stock in treasury was due to sale of less-than-a-unit shares to shareholders owning less-than-a-unit shares.

For the year ended March 31, 2009 (In shares)

Class of shares	As of March 31, 2008	Increase	Decrease	As of March 31, 2009
Common stock	466,485	2,532,876	14,731	2,984,630

Notes: 1. Treasury stock increased by 2,500,000 shares due to 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.

(3) Matters regarding dividends

(i) Dividends paid during the year ended March 31, 2010:

Resolution adopted	Class of shares	Aggregate amount (Millions of yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 15, 2009	Common stock	¥1,770	¥16	March 31, 2009	June 29, 2009
Board of Directors' meeting on November 12, 2009	Common stock	1,106	10	September 30, 2009	December 10, 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 15, 2009	Common stock	$19,034	$0.17	March 31, 2009	June 29, 2009
Board of Directors' meeting on November 12, 2009	Common stock	11,896	0.10	September 30, 2009	December 10, 2009

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

(ii) Dividends with a record date during the year ended March 31, 2010, 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 14, 2010	Common stock	Retained earnings	¥1,106	¥10	March 31, 2010	June 28, 2010

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 14, 2010	Common stock	Retained earnings	$11,895	$0.17	March 31, 2010	June 28, 2010

17. Major items of selling, general and administrative expenses

Major items of selling, general and administrative expenses for the years ended March 31, 2010 and 2009 were as follows:

Selling expenses

	(Millions of yen) 2010	2009	(Thousands of U.S. dollars) 2010
Sales commissions	**¥ 164**	¥ 775	**$ 1,769**
Advertising expenses	**110**	450	**1,189**
Salaries and bonuses	**5,484**	6,953	**58,951**
Provision for retirement benefits	**528**	207	**5,682**
Welfare expenses	**1,060**	1,216	**11,393**
Traveling and transportation expenses	**1,126**	1,558	**12,110**
Rent expenses	**560**	616	**6,020**
Depreciation	**232**	205	**2,499**
Outsourcing expenses	**825**	1,102	**8,871**

General and administrative expenses

	(Millions of yen) 2010	2009	(Thousands of U.S. dollars) 2010
Directors' compensations	**¥ 876**	¥1,208	**$ 9,425**
Salaries and bonuses	**4,381**	5,015	**47,094**
Provision for retirement benefits	**1,099**	(121)	**11,819**
Welfare expenses	**248**	496	**2,667**
Research and development expenses	**1,971**	2,569	**21,187**
Depreciation	**1,171**	1,165	**12,595**
Outsourcing expenses	**2,404**	2,661	**25,843**

18. Provision for losses on construction contracts included in cost of sales

Provision for losses on construction contracts included in cost of sales for the year ended March 31, 2010 was as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	2010	2010
Provision for losses on construction contracts	¥316	$3,400
	¥316	$3,400

19. Research and development

Research and development expenditures charged to income were ¥6,075 million ($65,297 thousand) and ¥8,018 million for the years ended March 31, 2010 and 2009, respectively.

20. 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, 2010 and 2009 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	2010
Buildings and structures	¥ 4	¥102	$ 38
Machinery and vehicles	15	139	161
Equipment	5	15	59
Removal and other	3	167	38

21. Loss on impairment of fixed assets

For the year ended March 31, 2010:
Not applicable

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

Location	Purposes	Asset 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. Therefore, the excess of the carrying amounts over the recoverable amounts and the impairment loss were charged to income as "Special loss."

The breakdown of the loss is: ¥111 million for goodwill, ¥0.05 million for buildings and structures, ¥1 million for machinery and vehicles, ¥3 million for equipment and ¥2 million for software. The recoverable amounts were measured at the net realizable value on sales based on reasonable estimations.

22. 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, 2010 and 2009 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	2010
Buildings	¥73	¥62	$786
Machinery and vehicles	2	5	23
Equipment	2	1	26

23. 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, 2010 and 2009 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	2010
Buildings	¥26	—	$284
Machinery and vehicles	5	¥ 6	56
Land	4	1	51
Intangible assets	9	—	102

24. Income taxes

The significant components of deferred tax assets and liabilities as of March 31, 2010 and 2009 were summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	2010
Deferred tax assets:			
Current assets:			
Research and development expenses	¥ 1,511	¥1,466	$ 16,246
Accrued expenses	162	1,310	1,742
Accounts payable, others	—	307	—
Provision for losses on construction contracts	119	—	1,279
Unrealized profit on inventories	89	146	964
Accrued enterprise tax	—	100	—
Others	410	691	4,416
Subtotal	2,293	4,023	24,650
Less valuation allowance	(70)	(371)	(760)
Offset against deferred tax liabilities (current)	(129)	(0)	(1,389)
Total deferred tax assets (current)	¥ 2,093	¥3,651	$ 22,500
Non-current assets:			
Provision for retirement benefits	¥ 4,849	¥3,075	$ 52,125
Loss carried forward of consolidated subsidiaries	4,161	1,674	44,732
Unrealized gain on sales of fixed assets	582	582	6,265
Excess depreciation	278	332	2,997
Net unrealized loss on securities	—	260	—
Loss on valuation of investments in securities	226	223	2,432
Long-term payables	186	249	2,003
Allowance for doubtful accounts	109	136	1,172
Others	554	601	5,952
Subtotal	10,949	7,137	117,682
Less valuation allowance	(2,739)	(2,086)	(29,445)
Offset against deferred tax liabilities (non-current)	(3,544)	(2,149)	(38,095)
Total deferred tax assets (non-current)	¥ 4,665	¥2,901	$ 50,142
Deferred tax liabilities:			
Current liabilities:			
Others	¥ 146	¥ 57	$ 1,572
Offset against deferred tax assets (current)	(129)	(0)	(1,389)
Total deferred tax liabilities (current)	¥ 17	¥ 57	$ 183
Non-current liabilities: Net unrealized gain on assets of consolidated subsidiaries	¥ 2,418	¥ 675	$ 25,994
Gain on securities contributed to employee retirement benefit trust	1,228	1,228	13,203
Provision for retirement benefits	404	238	4,346
Provision of reserve for advanced depreciation of fixed assets	368	375	3,963
Retained earnings for overseas subsidiaries	306	317	3,289
Others	163	403	1,761
Offset against deferred tax assets (non-current)	(3,544)	(2,149)	(38,095)
Total deferred tax liabilities	¥ 1,345	¥1,087	$ 14,463

Reconciliations of the differences between the statutory rate and the effective income tax rate as of March 31, 2010 and 2009 were as follows:

	2010	2009
Statutory tax rate	41.0%	41.0%
Tax rate difference applied for overseas subsidiaries	(11.4)	1.0
Expenses not deductible for income tax purposes	16.5	1.7
Increase of valuation allowance	41.2	1.8
Taxation on per capita basis	10.7	—
Tax effect adjustment for the liquidated subsidiary	(63.0)	—
Amortization for goodwill or negative goodwill	(32.6)	—
Tax credit	—	(0.4)
Income taxes for retroactive year	(3.1)	—
Effect of FIN48 (*)	(17.4)	—
Others	(4.5)	0.2
Effective tax rate	(22.6)%	45.3%

(*) Reversal of provision for uncertain income taxes in accordance with the Financial Accounting Standards Board's Interpretation 48 of Financial Accounting Standard 109, "Accounting for Uncertainty in Income Taxes"

25. Consolidated statements of cash flows

(1) The components of cash and cash equivalents as of March 31, 2010 and 2009 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	2010
Cash on hands and in banks	¥31,152	¥28,294	$334,828
Time deposits with original maturities with more than three months	(51)	(391)	(550)
Total	¥31,101	¥27,902	$334,277

(2) "Other, net" of "Cash flows from financing activities" for the year ended March 31, 2009 includes ¥1,034 million of dividends which Jervis B. Webb Company paid to its prior shareholders.

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

Main details of assets and liabilities acquired with the transfer of business:

Details on the assets and liabilities acquired with the transfer of business, as well those associated with the cost of the transfer, for the years ended March 31, 2010 and 2009 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	2010
Current assets	¥ 97	—	$1,045
Fixed assets	1	—	14
Goodwill	100	—	1,074
Other	1	—	14
The cost of the transfer	¥200	—	$2,149

26. Notes regarding stock options, etc.

For the years ended March 31, 2010 and 2009:
Not applicable

27. Related party transactions

For the years ended March 31, 2010 and 2009:
Not applicable

28. Notes regarding business combinations

For the years ended March 31, 2010 and 2009:
Not applicable

29. Segment information

Segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2010 and 2009 is presented below:

(1) Segment information by product
For the year ended March 31, 2010:

(Millions of yen)	Logistics systems	Electronics	Other	Elimination or corporate	Consolidated total
Sales:					
Sales to outside customers	¥137,835	¥ 6,051	¥10,321	¥ —	¥154,208
Inter-segment sales	58	5,156	2,181	(7,395)	—
Total	137,893	11,207	12,502	(7,395)	154,208
Operating expenses	132,014	11,586	11,877	(1,351)	154,127
Operating income (loss)	¥ 5,878	¥ (378)	¥ 624	¥ (6,044)	¥ 80
Identifiable assets	¥ 98,828	¥11,845	¥ 7,136	¥47,619	¥165,430
Depreciation	2,159	255	130	1,133	3,679
Capital expenditure	1,614	67	55	542	2,280

For the year ended March 31, 2009:

(Millions of yen)	Logistics systems	Electronics	Other	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 (loss)	¥ 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, 2010:

(Thousands of U.S. dollars)	Logistics systems	Electronics	Other	Elimination or corporate	Consolidated total
Sales:					
Sales to outside customers	$1,481,464	$ 65,043	$110,934	$ —	$1,657,442
Inter-segment sales	625	55,418	23,445	(79,489)	—
Total	1,482,089	120,462	134,379	(79,489)	1,657,442
Operating expenses	1,418,902	124,532	127,663	(14,524)	1,656,573
Operating income (loss)	$ 63,187	$ (4,070)	$ 6,716	$ (64,964)	$ 868
Identifiable assets	$1,062,210	$127,320	$ 76,707	$511,814	$1,778,054
Depreciation	23,214	2,750	1,398	12,185	39,549
Capital expenditure	17,351	729	599	5,835	24,516

These sections include the following main products:
Logistics systems: conveyor systems, monorail systems, automatic guided vehicles, automated storage and retrieval systems, racks, roll box pallets
Electronics: 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 ¥6,044 million ($64,964 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 ¥50,464 million ($542,399 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 Note 2 "Summary of significant accounting policies," the Accounting Standard for Construction Contracts (ASBJ Statement No. 15, December 27, 2007) and the Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, December 27, 2007) were applied from the year ended March 31, 2010.
As a result of this change, net sales and operating income increased by ¥17,487 million ($187,959 thousand) and ¥1,676 million ($18,024 thousand) in Logistics systems, and by ¥197 million ($2,124 thousand) and ¥53 million ($569 thousand) in Other, respectively, for the year ended March 31, 2010 as compared with the previous accounting method.

(2) Segment information by geographic area
For the year ended March 31, 2010:

(Millions of yen)	Japan	North America	Asia	Other	Elimination or corporate	Consolidated total
Sales:						
Sales to outside customers	¥109,724	¥24,914	¥15,842	¥3,726	¥ —	¥154,208
Inter-segment sales	7,562	95	2,138	12	(9,808)	—
Total	117,287	25,010	17,980	3,738	(9,808)	154,208
Operating expenses	111,278	23,758	18,399	4,455	(3,763)	154,127
Operating income (loss)	¥ 6,008	¥ 1,251	¥ (418)	¥ (717)	¥ (6,044)	¥ 80
Identifiable assets	¥ 92,378	¥14,924	¥24,757	¥3,560	¥29,809	¥165,430

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, 2010:

	Japan	North America	Asia	Other	Elimination or corporate	Consolidated total
	(Thousands of U.S. dollars)					
Sales:						
Sales to outside customers	**$1,179,329**	**$267,784**	**$170,273**	**$40,054**	**$ —**	**$1,657,442**
Inter-segment sales	**81,278**	**1,027**	**22,984**	**129**	**(105,420)**	**—**
Total	**1,260,608**	**268,812**	**193,257**	**40,183**	**(105,420)**	**1,657,442**
Operating expenses	**1,196,026**	**255,356**	**197,754**	**47,892**	**(40,455)**	**1,656,573**
Operating income (loss)	**$ 64,581**	**$ 13,456**	**$ (4,496)**	**$ (7,709)**	**$ (64,964)**	**$ 868**
Identifiable assets	**$ 992,885**	**$160,409**	**$266,094**	**$38,272**	**$ 320,392**	**$1,778,054**

Geographical distances are considered in the classification of countries or areas.
Main countries or regions 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 the "Summary of significant accounting policies," the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007) were applied from the year ended March 31, 2010.
As a result of this change, net sales and operating income increased in Japan by ¥17,685 million ($190,084 thousand) and ¥1,729 million ($18,593 thousand), respectively, for the year ended March 31, 2010 as compared with the previous accounting method.

(3) Overseas sales

For the year ended March 31, 2010:

	North America	Asia	Other	Total
	(Millions of yen)			
Overseas sales	**¥24,922**	**¥41,001**	**¥6,555**	**¥ 72,479**
Consolidated sales				**154,208**
Ratio of overseas sales to consolidated sales	**16.2%**	**26.6%**	**4.3%**	**47.0%**

For the year ended March 31, 2009:

	North America	Asia	Other	Total
	(Millions of yen)			
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, 2010:

	North America	Asia	Other	Total
	(Thousands of U.S.dollars)			
Overseas sales	**$267,872**	**$440,685**	**$70,457**	**$ 779,014**
Consolidated sales				**1,657,442**
Ratio of overseas sales to consolidated sales	**16.2%**	**26.6%**	**4.3%**	**47.0%**

Geographical distances are consolidated in the classification of countries or areas.
Overseas sales for the years ended March 31, 2010 and 2009 included exports by the Company and offshore sales by its consolidated subsidiaries, excluding sales to Japan.
Main countries or regions included in the above geographical areas:
North America: U.S.A., Canada
Asia: Singapore, Thailand, Taiwan, Korea and China
Other: U.K., Spain, Sweden and Denmark

Change in accounting treatment:
As stated in the "Summary of significant accounting policies," the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007) were applied from the year ended March 31, 2010.
As a result of this change, net sales increased by ¥2,320 million ($24,935 thousand) in North America, ¥7,207 million ($77,468 thousand) in Asia, and ¥349 million ($3,760 thousand) in Other for the year ended March 31, 2010 as compared with the previous accounting method.

30. Earnings per share

The amounts of basic and diluted net income per share for the years ended March 31, 2010 and 2009 were as follows:

	2010	2009	2010
	(Yen)		(U.S. dollars)
Net assets per share	**¥716.07**	¥718.68	**$7.69**
Net income per share			
—Basic	**9.20**	70.29	**0.09**
—Diluted	**9.08**	69.09	**0.09**

The amounts and numbers used for the basic and diluted net income per share computation for the years ended March 31, 2010 and 2009 were as follows:

Net income per share

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Net income	**¥1,018**	¥7,851	**$10,944**
Amount not attributed to holders of common stock	**—**	—	**—**
Adjusted net income	**1,018**	7,851	**10,944**

	2010	2009
	(Thousands of shares)	
Weighted average number of shares of common stock	**110,680**	111,695
Effect of dilutive securities	**1,462**	1,932
(of which: convertible bonds with subscription rights to shares)	**(1,462)**	(1,932)

Net assets per share

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Total net assets	**¥ 81,295**	¥ 82,810	**$873,264**
Amount deducted from total net assets	**2,042**	3,261	**21,949**
(of which: minority interests)	**(2,042)**	(3,261)	**(21,949)**
Total net assets for common stock	**¥ 79,252**	¥ 79,548	**$851,815**
Number of issued and outstanding shares of common stock at fiscal year-end (thousands of shares)	**110,677**	110,686	

31. Subsequent events

Not applicable

PRICEWATERHOUSECOOPERS

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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, 2010, 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, 2010 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, 2010 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 "Accounting Standard for Construction Contracts" (Accounting Standard Board of Japan [ASBJ] Statement No. 15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007) from the year ended March 31, 2010, and has made the necessary adjustments to consolidated financial statements.

PricewaterhouseCoopers Aarata

August 6, 2010

North America

Daifuku America Corporation	
Main Office	Reynoldsburg, OH, U.S.A.
Arizona Office	Chandler, AZ, U.S.A.
Austin Office	Pflugerville, TX, U.S.A.
Indiana Office	Fort Branch, IN, U.S.A.
Kentucky Office	Lexington, KY, U.S.A.
Michigan Office	Farmington Hills, MI, U.S.A.
Tennessee Office	Smyrna, TN, U.S.A.
Utah Office	Salt Lake City, UT, U.S.A.
American Conveyor and Equipment, Inc.	
	Reynoldsburg, OH, U.S.A.
Jervis B. Webb Company	
World Headquarters	Farmington Hills, MI, U.S.A.
Boyne City Manufacturing Plant	Boyne City, MI, U.S.A.
Carlisle Forging Plant	Carlisle, SC, U.S.A.
Harbor Springs Manufacturing Plant	Harbor Springs, MI, U.S.A.
Daifuku Canada Inc.	
	Mississauga, Ontario, Canada
Jervis B. Webb Company of Canada, Ltd.	
	Hamilton, Ontario, Canada

Europe

Daifuku Europe Ltd.	
Main Office	Northamptonshire, U.K.
Derby Office	Staffordshire, U.K.
German Branch	Moenchengladbach, Germany
Sweden Branch	Askim, Sweden
Jervis B. Webb Company, Ltd.	
	Northamptonshire, U.K.
Jervis B. Webb GmbH	
Main Office	Moenchengladbach, Germany
France Branch	Palaiseau, France
Spain Branch	Barcelona, Spain

Asia

Daifuku (China) Co., Ltd.	
Main Office	Shanghai, China
Tianjin Branch	Tianjin, China
Guangzhou Branch	Guangzhou, China
Beijing Office	Beijing, China
Suzhou Office	Jiangsu, China
Chongqing Office	Chongqing, China
Wuhan Office	Wuhan, China
Fuzhou Office	Fujian, China
TEDA Office	Tianjin, China
Shenzhen Office	Shenzhen, China
Nansha Office	Guangzhou, China
Changchun Office	Changchun, China
Daifuku (China) Manufacturing Co., Ltd.	
	Shanghai, China
Jiangsu Daifuku Rixin Automation Co., Ltd.	
	Jiangsu, China
Jervis Webb-China Company, Ltd.	
	Shanghai, China
Taiwan Daifuku Co., Ltd.	
Main Office & Plant	Tainan County, Taiwan
Taipei Main Office	Taipei, Taiwan
Taichung Plant	Taichung County, Taiwan
Daifuku Korea Co., Ltd.	
Main Office & No. 1 Plant	Incheon, Korea
No. 2 Plant	Incheon, Korea
Seoul Office	Seoul, Korea
Daejeon Office	Daejeon, Korea
Gwangju Office	Gwangju, Korea
Clean Factomation, Inc.	
Main Office	Gyeonggi-do, Korea
Asan Plant	Chungnam, Korea
Daifuku India Private Limited	
Main Office	New Delhi, India
Bangalore Office	Bangalore, India
Webb India Private Limited	
	Bangalore, India
Daifuku (Thailand) Ltd.	
Main Office & Plant	Chonburi, Thailand
Bangkok Office	Bangkok, Thailand
Pinthong Plant	Chonburi, Thailand
Daifuku Mechatronics (Singapore) Pte. Ltd.	
	Techplace I, Singapore
Daifuku (Malaysia) Sdn. Bhd.	
	Selangor D.E., Malaysia
P.T. Daifuku Indonesia	
	Jakarta, Indonesia
Contec Microelectronics U.S.A. Inc.	
	Sunnyvale, CA, U.S.A.
Beijing Contec Microelectronics Corporation	
Main Office	Beijing, China
Shanghai Office	Shanghai, China
Contec Solution China Corporation	
	Shanghai, China
Taiwan Contec Co., Ltd.	
	Taipei County, Taiwan
Contec Solution Co., Ltd.	
	Taipei County, Taiwan

Corporate Data
(As of March 31, 2010)

Date of Establishment	May 20, 1937
Paid-in Capital	8,024 million yen
Employees	5,395 (Consolidated)

Principal Office & Works

Headquarters	3-2-11 Mitejima, Nishiyodogawa-ku
	Osaka 555-0012 Japan
	Tel: 81-6-6472-1261 Fax: 81-6-6476-2561
Tokyo Head Office	2-14-5 Shiba, Minato-ku, Tokyo 105-0014 Japan
	Tel: 81-3-3456-2231 Fax: 81-3-3456-2258
Shiga Works	1225 Nakazaiji, Hino-cho, Gamo-gun
	Shiga 529-1692 Japan
	Tel: 81-748-53-0321 Fax: 81-748-52-2963
Komaki Works	4-103 Komakihara, Komaki-shi
	Aichi 485-8653 Japan
	Tel: 81-568-74-1500 Fax: 81-568-74-1600

Global Office

Philippines Branch	108 Aguirre Street, Legaspi Village
	Makati City, Philippines
Shanghai	Room 2401, New Town Center
Representative	83 Loushanguan Road, Changning District
Office	Shanghai 200336 China
	Tel: 86-21-6236-8600 Fax: 86-21-6236-8200
Czech Branch	Praha 1, Klimentská 46/1216, PSC 110 02 Czech
	Tel: 420-225-000-522 Fax: 420-225-000-555
Germany Branch	Luerriper Strasse 52, D-41065
	Moenchengladbach, Germany
	Tel: 49-2161-49-695-0 Fax: 49-2161-49-695-20
St. Petersburg	Business Center Troitskoe Pole 2, Office 538
Branch	120/B, Pr. Obukhovskoy Oboroni
	St. Petersburg 192012 Russia
	Tel: 7-812-380-8450 Fax: 7-812-380-8422
Sweden Branch	Stora Avagen 21, 436 34 Askim, Sweden
	Tel: 46-31-7238405 Fax: 46-31-7238499
UK Branch	Office at Swan Valley 1, Cob Drive
	Swan Valley, Northampton NN4 9BB U.K.
	Tel: 44-1604-595700 Fax: 44-1604-595701
Mexico Branch	Cincinati No.81-707 Col. Nochebuena
	Mexico, D.F. 03720 Mexico
	Tel: 52-55-5598-9359 Fax: 52-55-5598-2359

Subsidiary in Japan

Contec Co., Ltd.
Contec EMS Co., Ltd.
Daifuku Business Create Co., Ltd.*
Daifuku Business Service Corporation
Daifuku Design and Engineering Co., Ltd.
Daifuku Field Engineer Co., Ltd.*
Daifuku Institute of Technology and Training Co., Ltd.
Daifuku Logistic Technology Co., Ltd.
Daifuku Manufacturing Expert Co., Ltd.
Daifuku Plusmore Co., Ltd.
Daifuku Software Development Co., Ltd.
Hiniaratakan Corporation
Osaka Machinery Works Co., Ltd.

* As of April 1, 2010, these companies were merged into Daifuku Business Service Corporation.

Investor Information
(As of March 31, 2010)

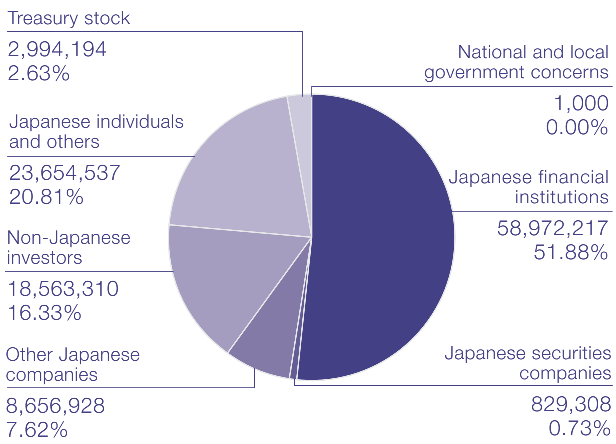
Number of issuable shares:	250,000,000 shares
Total number of shares issued:	113,671,494 shares
Number of shareholders:	11,174
Ordinary general meeting of shareholders:	Every June
Stock exchange listings:	First Section of Tokyo Stock Exchange
	First Section of Osaka Securities Exchange
Stock transfer agent:	The Sumitomo Trust and Banking Co., Ltd.
	Transfer Agent Department
	4-5-33 Kitahama, Chuo-ku, Osaka

Major Shareholders

Name	Number of shares held (Thousands)	Percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. (trust account)	**9,356**	**8.23**
Japan Trustee Services Bank, Ltd. (trust account)	**8,133**	**7.15**
Japan Trustee Services Bank, Ltd. (trust account 9)	**6,686**	**5.88**
Mizuho Corporate Bank, Ltd.	**5,490**	**4.83**
Sumitomo Mitsui Banking Corporation	**4,080**	**3.59**
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	**3,833**	**3.37**
Nippon Life Insurance Company	**3,431**	**3.02**
Daifuku Supplier Shareholder Association	**3,022**	**2.66**
Citibank Hong Kong S/A Fund 115	**2,092**	**1.84**
JUNIPER	**1,891**	**1.66**

* Daifuku holds 2,994,194 shares of treasury stock, although these are excluded from the above list of major shareholders.

Distribution of Shares by Number of Shares Held



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DAIFUKU

Material Handling **and Beyond**

PRINTED WITH SOY INK

DAIFUKU CO., LTD.

Printed in Japan 1008-30AR