DAIFUKU

Consolidated Financial Results for the Fiscal Year Ended March 31, 2010

May 14, 2010

Daifuku Co., Ltd. (Stock code: 6383, First Section of Tokyo Stock Exchange and Osaka Securities Exchange)
(URL: www.daifuku.co.jp)
Representative: Masaki Hojo, President and Co-CEO
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Scheduled date of general meeting of shareholders: June 25, 2010
Scheduled date of commencing dividend payment: June 28, 2010
Scheduled date for filing financial statements: June 28, 2010

(Figures are rounded down to the nearest one million yen)

1. Consolidated Financial Results for the Fiscal 2009 (April 1, 2009 - March 31, 2010)

(1) Operating Results (Figures in percentages denote the year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2009	154,208	-36.3	80	-99.5	-135	–	1,018	-87.0
Fiscal 2008	242,182	4.6	15,015	-27.4	14,882	-27.9	7,851	-34.0

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal 2009	9.20	9.08	1.3	-0.1	0.1
Fiscal 2008	70.29	69.09	9.6	7.1	6.2

Reference: Equity in earnings of affiliates: Fiscal 2009: 21 million yen
Fiscal 2008: 45 million yen

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal 2009	165,430	81,295	47.9	716.07
Fiscal 2008	194,727	82,810	40.9	718.68

Reference: Shareholders' equity: Fiscal 2009: 79,252 million yen Fiscal 2008: 79,548 million yen

(3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of year
	Million yen	Million yen	Million yen	Million yen
Fiscal 2009	20,921	-7,303	-11,321	31,101
Fiscal 2008	-8,425	-6,900	16,189	27,902

2. Dividends

	Dividend per share					Total cash dividends (annual)	Dividends payout (consolidated)	Net assets dividend ratio (consolidated)
	End of Q1	End of Q2	End of Q3	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal 2008	–	10.00	–	16.00	26.00	2,877	37.0	3.5
Fiscal 2009	–	10.00	–	10.00	20.00	2,213	217.4	2.8
Fiscal 2010 (forecast)		5.00		10.00	15.00		–	

3. Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2011

(April 1, 2010 - March 31, 2011)

(Percentage figures denote increases or decreases compared with the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim	80,000	9.2	-1,200	–	-1,500	–	-1,300	–	-11.75
Full-year	170,000	10.2	500	518.9	100	–	-400	–	-3.61

4. Other Information

(1) Changes in significant subsidiaries that affected the scope of consolidation during the fiscal year: None

(2) Changes in accounting policies applied, procedures, and methods of presentation for preparing consolidated financial statements
1) Changes associated with the revision of accounting standards: Yes
2) Other changes: None

(3) Number of shares issued (Common stock)
1) Number of shares issued including treasury stock at the end of the period
FY2009: 113,671,494 shares
FY2008: 113,671,494 shares
2) Number of treasury stock at the end of the period
FY2009: 2,994,194 shares
FY2008: 2,984,630 shares

[Reference] Summary of Non-Consolidated Results

Non-Consolidated Financial Results for the Fiscal 2009 (April 1, 2009 - March 31, 2010)

(1) Operating Results (Figures in percentages denote the year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2009	105,457	-37.1	-1,111	—	687	-92.9	852	-83.6
Fiscal 2008	167,590	-2.4	10,753	-22.4	9,752	-29.2	5,196	-27.7

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal 2009	7.70	7.60
Fiscal 2008	46.53	45.74

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal 2009	132,297	67,120	50.7	606.46
Fiscal 2008	154,034	68,744	44.6	621.07

Reference: Shareholders' equity: Fiscal 2009: 67,120 million yen Fiscal 2008: 68,744 million yen

*Disclaimer

The business forecasts contained in this document are based on information available to management at the present time and certain assumptions judged to be rational. As such, actual sales and income may differ from this forecast due to uncertain factors present in the forecast or future changes in business circumstances.

1. Operating and Financial Review

(1) Analysis of operating results

Operating results for the fiscal year ended March 31, 2010

During the consolidated fiscal year under review, global economic conditions experienced a moderate improvement in high-income 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, with 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 oils 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 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. The large drop in orders was partly attributable to the posting in the first quarter of the previous fiscal year of an order backlog (approximately 18.5 billion yen) of Jervis B. Webb Company ("Webb") in the United States—which the Company acquired at the end of 2007—as at the end of the fiscal year ended December 31, 2007.

With respect to profits, operating income came to 80 million yen, a fall of 99.5% year on year, reflecting the positing of an operating loss in the electronics segment, in addition to deteriorating factory operation levels, given lower net sales and orders, as well as weaker profitability on rising competition, despite Group initiatives such as extensive cost cutting, comprehensive project management, and load adjustment among factories taking advantage of the consolidation of production bases into Shiga Works in Japan. The ordinary loss amounted to 135 million yen, a fall of 15,018 million yen in ordinary income from 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 trend, orders were improving with their first quarter trough, and orders in the fourth quarter (January to March 2010) increased a substantial 67.6% year on year, to 46,390 million yen. Net sales showed a similar trend and reached 48,022 million yen, down 18.0% year on year, in the fourth quarter, thanks to the contribution of applying the Accounting Standard for Construction Contracts (the percentage of completion method) to sales.

Results by business segment are as follows:

Logistics Systems

Orders remained solid in storage, transport, sorting and picking systems for the manufacturers and distribution centers. Principally large-scale orders in food manufacturing and 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, both market prices and the market size fell significantly. However, orders for systems for flat-panel display factories were robust in China in the third quarter and picked up in North America and South Korea in the fourth quarter.

Although inquiries for automobile production line systems were solid in emerging countries, including China and India, difficult conditions continued as aggressive capital spending had yet to resume in Japan, the United States and Europe.

Airport baggage handling systems grew at a sluggish pace in North America, given the postponement of large-scale orders to the next fiscal year, although investment plans in baggage inspection lines were robust.

Sales of storage, transport, sorting and picking systems for manufacturers and distribution centers remained solid, as large-scale projects were almost in line with the plan, particularly in electronics and food manufacturing, as well as distribution centers including pharmaceutical wholesalers, and the service business contributed with installation work during the long holiday seasons. This offset weaker sales of systems for small- and medium-sized projects, influenced by the struggling economy. Sales of cleanroom transport and storage systems for electronics manufacturers and automobile production line systems declined, primarily because of a sharp fall in orders for new projects since the second half of 2008. With respect to automobile production line systems, a decline in remodeling work during the holiday seasons in May, August and the New Year also had an impact.

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 to non-manufacturing sectors, such as digital signage with high growth potential, public transportation systems, medical equipment and store facilities Sales of photovoltaic data measurement and display systems to public facilities, such as educational institutions and public offices were strong, reflecting the promotion of a clean energy policy by the government. In total, however, both orders and sales fell short of breakeven points. 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%. 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 almost achieved its sales target at the beginning of the fiscal year under review, thanks to special demand attributable to lease subsidies for the replacement of car wash machines for the service stations in the first half of the year. Earnings of wax and chemical products 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 “esthecoat,” a new coating system, in February 2010.

Sales of wheelchair lifts for care-provider vehicles remained strong, with shipments rising approximately 40% from the same period of the previous fiscal year. Automated multilevel bicycle parking systems employed for station-front developments in two locations in Tokyo also contributed to earnings. With respect to bowling equipment, although sales of auto scorers, which were delivered to the world’s largest bowling alley in Aichi Prefecture with 116 lanes per floor, grew steadily, a fall in capital spending caused by weak demand had an impact on overall sales.

As a result, the 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%.

Results by geographical segment were as follows:

Japan

Storage, transport, sorting and picking systems for manufacturing sectors such as electronics, food, beverage, and pharmaceuticals and the distribution industry underpinned the business performance of the Company, as they were sold to a broad array of customers in Japan. Sales of these systems also remained firm in the consolidated fiscal year under review, with demand particularly strong in the service business. Meanwhile, cleanroom transport and storage systems for electronics manufacturers and automobile production line systems continued to be influenced heavily by the reluctance to make capital investments. Profits inevitably declined given deteriorating factory operation levels and lower profitability in orders.

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

Orders for storage, transport, sorting and picking systems for manufacturers and distribution centers exceeded the projection by a significant margin, thanks to marketing activities focusing on leading local food and pharmaceutical companies in China.

Sales of cleanroom transport and storage systems for electronics manufacturers declined sharply in Taiwan, but exceeded the initial projection in South Korea with the contribution of the service business. In China, Daifuku received significant orders for systems for flat-panel display factories in the second half, which is expected not only to contribute to sales and profits in the next fiscal year, but also to become an engine for achieving the targets in the new three-year business plan. Sales and profits of automobile production line systems fell substantially in China and Thailand, as new investment plans of Japanese companies were postponed.

North America

In storage, transport, sorting and picking systems for manufacturers and distribution centers, some positive results, such as delivering systems that combined the strengths of Daifuku America Corporation and Webb to solar battery factories, were produced as these two companies jointly sought to improve business efficiency. Cleanroom transport and storage systems for electronics manufacturers steadily followed remodeling projects. Although sales and profits of automobile production line systems for U.S. automakers were down significantly, remodeling projects for Japanese and European automakers contributed to the results of the Company. With investment plans put on hold in the weak economy, systems for airports suffered sluggish growth in orders and sales but achieved strong earnings.

Other

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

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

Outlook for the fiscal year ending March 31, 2011

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 improving compared with the fiscal year ended March 31, 2010, profits are likely to increase, thanks to higher factory operation levels. Although there are many difficult factors, such as tighter capital spending budget in a number of industries, intensified competition for orders associated with the industry reorganization and the rise of Asian competitors, falling prices to meet specifications in emerging countries, and rising raw material prices, Daifuku will strive to improve profitability through the concerted efforts of the management and employees.

The outlook for each business segment is described below. For specific initiatives, please see 3-(3), "Challenges to address."

Logistics Systems

Sales of large systems for 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 midsize systems and equipment, which relies heavily on automobile and machinery-related demand. In the Logistics Systems segment, where sales in Japan have accounted for more than 80% of total sales, developing markets outside Japan has been a challenge. Daifuku will seek to increase the non-Japanese sales ratio by further expanding sales in China and fundamentally revising its sales and service systems in Europe.

With regard to cleanroom transport and storage systems for flat-panel display factories and semiconductor sectors, the resumption of capital spending is becoming evident. The major market for systems for flat-panel display factories is in China, where demand for products for new factories is expected. Moreover, the aggressive investment stance of major semiconductor manufacturers is becoming apparent in North America, South Korea and Taiwan. Meanwhile, for automobile production line systems, Daifuku expects that reluctance to make capital investments will continue for some time yet.

With respect to systems for airports, 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 subsequent fiscal year.

Electronics

While it is likely to take time yet for the market for factory automation systems to recover, the market for non-factory automation systems, such as data measurement and display systems for the output of solar power and carbon dioxide emission cut remains solid. The segment will endeavor to return to profitability by overcoming two challenges it faces: sales expansion and cost reduction.

Other

The market environment for the mainstay car wash machines remains difficult, with the number of service stations decreasing in step with the consolidation of leading oil wholesalers and the willingness to invest waning, reflecting uncertainty over the development of energy sources. However, the segment will strive to bolster the service business by differentiating its services through proposals and support for generating larger car-washing revenues. With respect to bowling equipment, the segment will focus on the sales of auto scorers and merchandise (such as balls and shoes).

Given the initiatives above, the Group has determined the results forecast for the next fiscal year (ending March 31, 2011) as follows:

Consolidated financial forecast for the fiscal year ending March 31, 2011

Orders received	175 billion yen	(Up 31.3% YoY)
Net sales	170 billion yen	(Up 10.2% YoY)
Operating income	500 million yen	(Up 518.9% YoY)
Ordinary income	100 million yen	(− % YoY)
Net income	−400 million yen	(− % YoY)

The financial forecast above represents the judgment of the Company based on information presently available. Actual results may differ from the forecast due to various uncertainties, including the economic and competitive conditions worldwide as well as various risk factors.

(2) Analysis of financial position

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 year on year. This result is attributable mainly to a decline of 14,632 million yen in notes receivable and accounts receivable from completed contracts from the end of the previous fiscal year and a fall of 19,085 million yen in inventories, including costs on uncompleted contracts.

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 included a decrease of 5,728 million yen in notes payable and accounts payable for contracts from the end of the previous fiscal year, as well as a fall of 10,121 million yen in interest-bearing liabilities including short-term borrowings.

Net assets were 81,295 million yen, given a decline of 1,868 million yen in retained earnings because of the payment of dividends. As a result, the equity ratio came to 47.9%.

Cash flows

Cash and cash equivalents at the end of the consolidated fiscal year under review increased 3,198 million yen from the end of the previous fiscal year, to 31,101 million yen (compared with 27,902 million yen in the same period of the previous fiscal year).

Individual cash flows in the fiscal year under review and contributing factors are as follows:

Cash flows from operating activities

Cash provided by operating activities totaled 20,921 million yen (compared with cash used of 8,425 million yen in the same period of the previous fiscal year). The major factors were a decline of 14,816 million yen in notes and accounts receivable-trade and a fall of 19,280 million yen in inventories.

Cash flows from investing activities

Cash used in investing activities was 7,303 million yen (compared with cash used of 6,900 million yen in the same period of the previous fiscal year). Major activities included the outlay of 4,477 million yen for the acquisition of investment securities, 2,238 million yen for the acquisition of fixed assets and 1,072 million yen for the acquisition of shares in affiliates.

Cash flows from financing activities

Cash used in financing activities was 11,321 million yen (compared with cash provided of 16,189 million yen in the same period of the previous fiscal year), attributable principally to net expenditure of 8,248 million yen for the repayment of interest-bearing liabilities and dividend payments of 2,874 million yen.

<Reference> Changes in cash flow indicators

	FY ended March 2006	FY ended March 2007	FY ended March 2008	FY ended March 2009	FY ended March 2010
Equity ratio (%)	37.8	39.6	38.0	40.9	47.9
Equity ratio based on market capitalization (%)	120.2	99.2	64.9	30.0	49.2
Ratio of interest-bearing liabilities to cash flows	7.1	39.0	1.6	—	2.2
Interest coverage ratio (times)	8.1	1.6	48.1	—	21.1

Equity ratio: (Net assets − Minority interests − Equity warrants)/Total assets

Equity ratio based on market capitalization: Market capitalization of shares/Total assets

Ratio of interest-bearing liabilities to cash flows: Interest-bearing liabilities/Operating cash flows

Interest coverage ratio: Operating cash flows/Interest paid

* The above indicators are calculated based on the figures in the consolidated financial statements.

* Market capitalization is calculated based on the following formula:
Closing price of shares at the end of the period × Number of shares issued at the end of the period (excluding treasury stock)

* Operating cash flows are used for cash flows. Interest-bearing liabilities include all liabilities in the consolidated balance sheets that pay interest. Convertible bonds with equity warrants that do not pay interest are also included in interest-bearing liabilities. Additionally, interest paid is the amount of interest paid in the consolidated statements of cash flows.

(3) Basic policy for dividends for the fiscal year under review and the next fiscal year

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 the aim of making an additional profit distribution to shareholders. The Company appropriates the remaining surplus to internal reserves for future growth.

For the fiscal year under review, Daifuku paid an interim dividend of 10 yen per share, and the Board of Directors decided to pay a year-end dividend of 10 yen per share at a meeting held on May 14, 2010, making an annual dividend 20 yen per share. With respect to dividends for the next fiscal year (ending March 31, 2011), the Company regrets to report that it plans to pay an annual dividend of 15 yen per share (an interim dividend of 5 yen and a year-end dividend of 10 yen), taking the results for the fiscal year ended March 31, 2010 and the current business environment into comprehensive consideration.

We sincerely ask for the continued understanding and support of our shareholders.

(4) Other matters to report

i) In April 2009, for the purpose of improving business efficiency, Daifuku merged three subsidiaries—Daifuku Unix Corporation, a company that sold car wash machines, Daifuku QubicaAMF Co., Ltd., a company that sold bowling equipment, and Kyushu Daifuku Corporation, a company that handled manufacturing, installation and services for material handlings systems in the Kyushu region—with the material handling equipment rental division of Daifuku Business Service Corporation.

The merged companies made a fresh start as Daifuku Plusmore Co., Ltd. The Group will increase customer satisfaction and its sales capabilities by consolidating businesses of car wash machines and bowling equipment that are most close to consumers.

ii) In May 2009, Daifuku acquired the after-sales service business for material handling systems and assets related to this business from Komatsu Utility Co., Ltd. and Komatsu Forklift ILD Co., Ltd., a member of the Komatsu Utility Group. With this acquisition, the maintenance work of the after-the-sale business with approximately 1,100 automated storage stacker cranes was added to Daifuku and has widened the service business of the Company.

iii) In August 2009, the new Pinthong Plant of Daifuku (Thailand) Ltd., a Thai subsidiary, was completed. Daifuku Thailand will help bolster the global production system of the Group, as the core production facilities in the Asian region excluding China, South Korea and Taiwan, together with the existing Chonburi Plant.

iv) In April 2010, Daifuku reorganized subsidiaries in China to make a fresh start as Daifuku (China) Co., Ltd. The subsidiary will further expand business opportunities by strengthening its sales, manufacturing and service systems that operate in 15 regions (including those where an office will be opened soon).

v) Daifuku has set out as “Emphasize environment and safety in corporate activities to fulfill our social responsibility.” in its basic management policies. As a specific measure, the Company installed photovoltaic facilities at Hini Arata Kan, a full-scale exhibition center for the material handling and logistics systems in Shiga Works, in March 2010. The facilities will generate electric power of 270,000 kWh, which accounts for approximately 30% of the annual electricity used in the center, and reduce carbon dioxide by approximately 110 tons a year.

vi) Daifuku was among the first to introduce a computerized information system in 1968 and has been using the system as an important management tool for more than 40 years. In April 2010, we updated the system across the board, creating an enterprise resource planning (ERP) system. The system is now in full operation as a mission-critical information system that flexibly keeps pace with changes and growth, meeting various social needs such as internal control, rapid decisions on management strategies, international accounting standards and multilingualization.

2. The Daifuku Group

The major businesses operated by the Daifuku Group and the positioning of companies that engage in these operations are as follows:

Logistics Systems

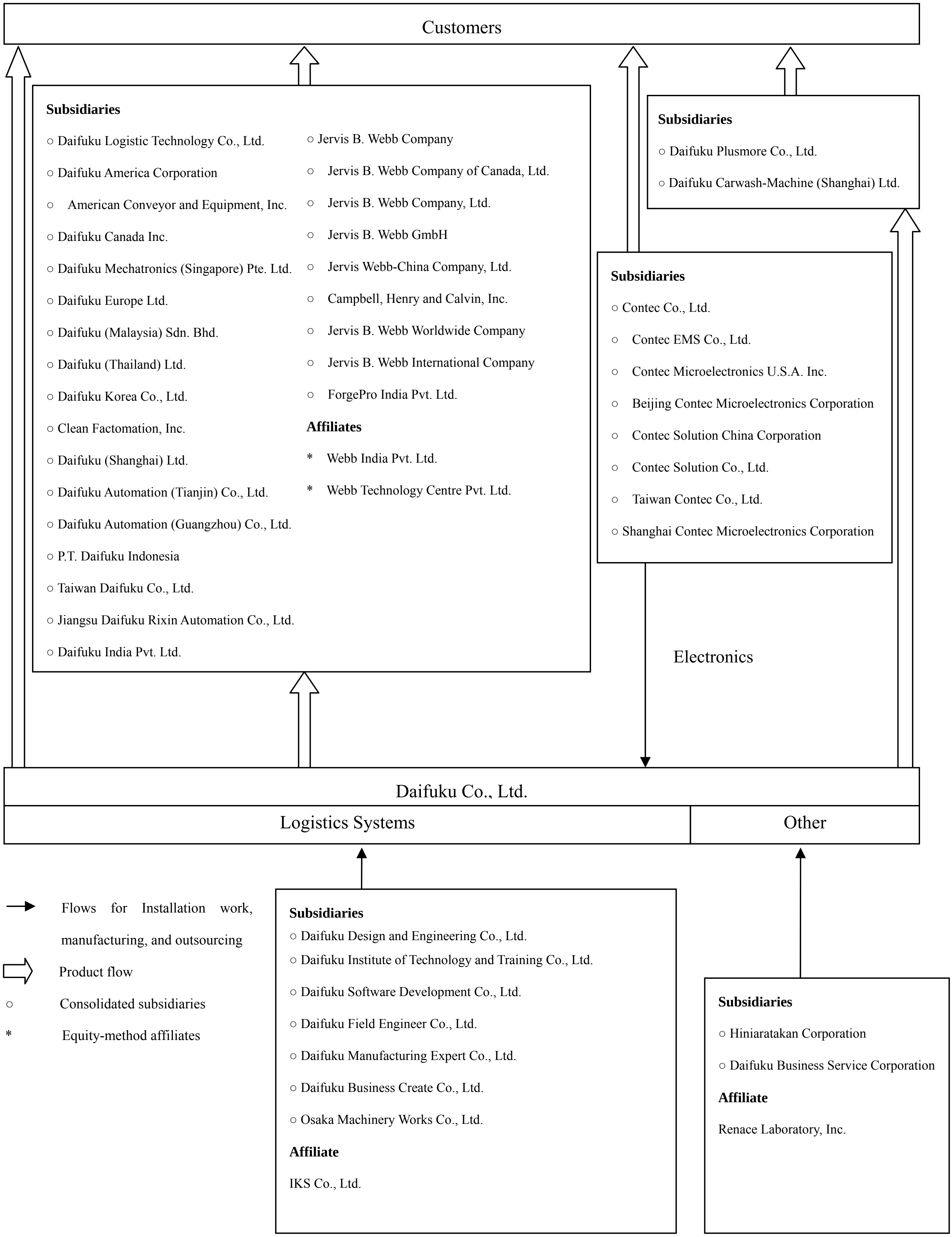
Daifuku not only manufactures and sells logistics systems, but also sells them through trading companies and sales agents and conducts installation work on customer premises. The Company also purchases electronic devices that are embedded into its products from Contec Co., Ltd., a consolidated subsidiary of the Company. Additionally, Daifuku outsources the manufacture and design of logistics systems to its seven consolidated subsidiaries, including Daifuku Design and Engineering Co., Ltd. and one affiliated company. Outside Japan, Daifuku outsources the manufacture of logistics systems to its ten consolidated subsidiaries, including Daifuku America Corporation, and sells them through 26 consolidated subsidiaries including those mentioned above and two affiliates.

Electronics

The group companies of Contec Co., Ltd., a consolidated subsidiary of Daifuku, manufacture electronics devices, and Contec and its six consolidate subsidiaries as well as one consolidated subsidiary of Daifuku sell them.

Other

Daifuku and Daifuku Carwash-Machine (Shanghai) Ltd. manufacture and sell car wash machines, and Daifuku Plusmore Co., Ltd. sells car wash machines and bowling equipment. In addition, Daifuku outsources the building maintenance and administration business to its two consolidated subsidiaries, including Daifuku Business Service Corporation, and one affiliate.


Customers
Subsidiaries
○ Daifuku Logistic Technology Co., Ltd.
○ Daifuku America Corporation
○ American Conveyor and Equipment, Inc.
○ Daifuku Canada Inc.
○ Daifuku Mechatronics (Singapore) Pte. Ltd.
○ Daifuku Europe Ltd.
○ Daifuku (Malaysia) Sdn. Bhd.
○ Daifuku (Thailand) Ltd.
○ Daifuku Korea Co., Ltd.
○ Clean Factomation, Inc.
○ Daifuku (Shanghai) Ltd.
○ Daifuku Automation (Tianjin) Co., Ltd.
○ Daifuku Automation (Guangzhou) Co., Ltd.
○ P.T. Daifuku Indonesia
○ Taiwan Daifuku Co., Ltd.
○ Jiangsu Daifuku Rixin Automation Co., Ltd.
○ Daifuku India Pvt. Ltd.
○ Jervis B. Webb Company
○ Jervis B. Webb Company of Canada, Ltd.
○ Jervis B. Webb Company, Ltd.
○ Jervis B. Webb GmbH
○ Jervis Webb-China Company, Ltd.
○ Campbell, Henry and Calvin, Inc.
○ Jervis B. Webb Worldwide Company
○ Jervis B. Webb International Company
○ ForgePro India Pvt. Ltd.
Affiliates
* Webb India Pvt. Ltd.
* Webb Technology Centre Pvt. Ltd.
Subsidiaries
○ Daifuku Plusmore Co., Ltd.
○ Daifuku Carwash-Machine (Shanghai) Ltd.
Subsidiaries
○ Contec Co., Ltd.
○ Contec EMS Co., Ltd.
○ Contec Microelectronics U.S.A. Inc.
○ Beijing Contec Microelectronics Corporation
○ Contec Solution China Corporation
○ Contec Solution Co., Ltd.
○ Taiwan Contec Co., Ltd.
○ Shanghai Contec Microelectronics Corporation
Electronics
Daifuku Co., Ltd.
Logistics Systems
Other
Flows for Installation work, manufacturing, and outsourcing
Product flow
○ Consolidated subsidiaries
* Equity-method affiliates
Subsidiaries
○ Daifuku Design and Engineering Co., Ltd.
○ Daifuku Institute of Technology and Training Co., Ltd.
○ Daifuku Software Development Co., Ltd.
○ Daifuku Field Engineer Co., Ltd.
○ Daifuku Manufacturing Expert Co., Ltd.
○ Daifuku Business Create Co., Ltd.
○ Osaka Machinery Works Co., Ltd.
Affiliate
IKS Co., Ltd.
Subsidiaries
○ Hiniaratakan Corporation
○ Daifuku Business Service Corporation
Affiliate
Renace Laboratory, Inc.

3. Management Policy

(1) Basic management policy

In the new three-year business plan, titled “Material Handling and Beyond,” which was announced in November 2009 and runs for a three-year period from April 2010 to March 2013, Daifuku adopted the following management philosophy and basic management policy:

Management philosophy

1. Contribute to the development of industry by supplying quality material handling systems, equipment and electronic devices to the global market.
2. Focus on healthy, growth-driven management that values profitability.
3. Create a corporate culture that respects the personality and individuality of each employee.

Basic management policy

1. Contribute to the development of the material handling industry as a leader with consistent technological innovation.
2. Comply with the laws and social standards of each country and enhance internal controls and risk management systems across the Company.
3. Emphasize environment and safety in corporate activities to fulfill our social responsibility.
4. Further strengthen our financial integrity and ensure the credibility of financial reporting, as we prepare to build our International Financial Reporting Standards oriented systems.
5. Create a corporate entity which responds to changes efficiently and that is overseen by fair and objective policies worthy of a global corporation.

(2) Target management indicators and medium- and long-term management strategies

Under “Jump up for 2010,” its three-year business plan for the three-year period from April 2007 to March 2010, which was announced in November 2006 and which sought to achieve sustainable growth and establish Daifuku as the world’s leading material handling company, the Daifuku Group was united in its efforts to adopt the necessary measures and achieve management targets that included “consolidated net sales of 250 billion yen and an operating income margin equal to 10% of net sales.” Although the consolidated fiscal year under review was the final year of the plan, we were unfortunately unable to achieve the targets, chiefly because of the sharp downturn in the operating environment following the collapse of the Lehman Brothers in the United States in late 2008.

In the meantime, the Group recorded net sales of 242,182 million yen in the fiscal year ended March 31, 2009, thanks to a significant contribution of net sales of 20,898 million yen at Webb in the United States, which joined the Group at the end of 2007. The operating margin also rose to 8.9% (operating income was 20,677 million yen in the fiscal year ended March 31, 2008) as a result of initiatives such as comprehensive project management and the bolstering of the service business. With respect to the non-Japanese sale ratio of 50% or more, which the Company set as a major target indicator, the ratio improved from 43.8% in the fiscal year ended March 31, 2008 to 52.3% in the fiscal year ended March 31, 2009. Economic trends tend to take somewhat longer to influence Daifuku than they do other production-goods manufacturers, and so volumes (orders received and sales) as well as inquiries—which are a leading indicator of volumes—declined sharply during the second half of the previous fiscal year and the fiscal year under review. Given this trend, the reduced profitability of orders linked to tougher competition and deteriorating factory operating levels was unavoidable in terms of profit, despite action such as improving the efficiency of global subsidiaries through consolidation, extensive cost cutting and load adjustment among factories.

The future outlook, however, suggests that any economic recovery will be slow. Given the anticipated operating conditions, Daifuku positioned the next three years covered in the new three-year business plan "Material Handling and Beyond" as a period during which the Group will establish the operating foundations that will enable it to sustain growth into the future.

Specifically, Daifuku has set consolidated net sales of 220 billion yen and operating income of 11 billion yen as its management targets for the fiscal year ending March 31, 2013 and envisions that these figures will lead to consolidated net sales of 250 billion yen and an operating income margin equal to 10% of net sales for the fiscal year ending March 31, 2015, or five years hence.

(3) Challenges to address

"Material Handling and Beyond," the title of our new three-year business plan, communicates Daifuku's resolve in pursuing materials handling as its core operation. It also expresses Daifuku's intention to explore new fields that relate to materials handling operations and to "continue developing new products, markets and businesses for the future, correctly anticipating changes in operating conditions." Specifically, we believe that it is the most important challenge if we are to expand the scope of business, going beyond conventional boundaries by taking on the following five challenges:

1. Enter new markets

   We will aim to take our business to a new level across the globe.

2. Create new products and systems

   We will provide customers with products and systems that meet local needs with satisfactory prices and functions for customers to seek growth in new and high-growth markets such as India and China.

3. Develop new production methods

   We will continue to step up the ratios of local procurement and local production in products and systems that are delivered to global customers by revising Group production methods. To that end, we will promote staff living in each country and train them to operate effectively in the global market.

4. Build a new global partnership

The products and systems of the Company are not finished goods when they are shipped from factories but become completed products when they are combined with goods locally procured or manufactured, installed and adjusted. We will build ties with partners that are able to manufacture and install high quality products and provide services in new markets such as China and India. We will also seek to improve the level of our existing partners.

5. Launch new businesses

We will depict a further growth path not just by developing new business ourselves, but also by launching business through alliances and friendly M&A. As a manufacturing company, we will also seek fields other than material handling in a limited sense (transport, storage, sorting and picking), to which we will be able to apply the technologies, human resources and networks specific to Daifuku.

In the fiscal year ending March 31, 2011, Daifuku will further enhance its corporate governance and improve earnings by focusing on securing quantity and improving quality as well as on developing new customers, markets and business.

Enhancing corporate governance

On March 15, 2010, the Company registered Isao Kitamoto, an outside corporate auditor, as an independent officer with the Tokyo Stock Exchange and Osaka Securities Exchange, as set out in the regulations of the exchanges. In addition, the Company plans to propose the appointment of Hiroyuki Torii as a new outside corporate auditor at an ordinary general meeting of shareholders to be held on June 25, 2010, and register him as an independent officer if the proposal is approved. With these initiatives, Daifuku will ensure it has two independent auditors in accordance with exchange regulations requiring one or more independent directors/auditors, and will make its management decisions fair and equitable, paying closer attention to the protection of general shareholders.

In April 2010, with the aim of enhancing collaboration with the Corporate Social Responsibility (CSR) Division, the existing Corporate Affairs Operations group transferred its Company-wide risk management function to the chief risk officer (CRO), to consolidate it and facilitate the establishment of an effective business continuity plan (BCP). In addition, for the purpose of further strengthening internal control systems for reliable financial reporting in light of changes in the environment, including the unification with international accounting standards, Daifuku separated the Financial and Accounting Control Operations group from the CRO and placed it under the supervision of the newly created position of the chief financial officer (CFO).

Regarding compliance as an important pillar of management, the Company has distributed a brochure titled “Corporate Code of Conduct” to all its employees. In April 2010, Daifuku revised the Corporate Code of Conduct established in January 2004 in light of recent laws, regulations and court decisions. Every employee is required to execute their duties fairly and impartially without infringing on the imperatives of society.

Responding to environmental issues

Daifuku has created the Environmental Enhancement Management Committee as a body under the direct control of the chief executive officer (CEO) to design and promote environmental management strategies and respond to policy decisions related to the Group-wide energy and resource savings, hazardous substances and environment-responsive products, as well as laws related to the environmental regulations worldwide.

Enhancing safety

The Central Environment, Safety & Hygiene Committee has been placed under the direct control of the CEO, to put safety before everything else and strive to eradicate work accidents.

Securing quantity and improving quality

Amid intensifying competition for orders, Daifuku aims to increase its share of the Japanese market by bringing to bear its ability to provide high-quality products at low prices based on its considerable experience and strong track record in installations. As a strong performance is expected in China where investment by flat-panel display and other manufacturers is gaining momentum, we will steadily respond to stronger demand under the reorganized and bolstered structure of Chinese subsidiaries.

In terms of quality, we will focus on retrofit projects with the sales and service divisions operating in unison to bolster our service business, a revenue source of the Group. We will also be more thorough in enforcing project management.

Developing new customers, markets and businesses

Daifuku will aim to achieve a leading position in new areas for solar batteries, lithium-ion batteries, and agriculture. In semiconductors and flat-panel displays, we will strive to develop and expand the sales of peripheral products for material handling systems.

We step up R&D in the contents and the device businesses in the electronics segment, while strengthening warehouse management systems and software in general in the logistics systems segment.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	FY2008 (Year ended March 31, 2009)	FY2009 (Year ended March 31, 2010)
ASSETS		
Current assets:		
Cash on hand and in banks	28,294	31,152
Notes and accounts receivable	62,715	48,083
Merchandise and finished goods	3,220	2,196
Costs on uncompleted contracts	24,698	7,599
Raw materials and supplies	7,285	6,323
Deferred income taxes	3,651	2,093
Other current assets	12,617	11,910
Allowance for doubtful accounts	(307)	(107)
Total current assets	142,175	109,251
Fixed assets:		
Tangible fixed assets		
Net buildings and structures	17,055	16,428
Net machinery and vehicles	3,950	3,573
Net tools and fixtures	1,056	996
Land	11,523	11,593
Net lease assets	292	—
Construction in progress	396	—
Other, net	116	498
Total tangible fixed assets	34,391	33,090
Intangible assets		
Software	1,968	1,949
Goodwill	1,092	—
Other	1,023	2,284
Total intangible assets	4,084	4,233
Investments and other assets		
Investments in securities	5,192	8,451
Long-term loans	415	463
Deferred income taxes	2,901	4,665
Other	5,914	5,558
Allowance for doubtful accounts	(347)	(285)
Total investments and other assets	14,075	18,853
Total fixed assets	52,551	56,178
Total assets	194,727	165,430
LIABILITIES		
Current liabilities:		
Notes and accounts payable	27,437	21,709
Short-term borrowings	15,909	6,342
Current portion of long-term convertible bonds	—	3,008
Lease obligations	60	—
Income taxes payable	1,773	570
Deferred income taxes	57	17
Advances on sales contracts	8,730	—
Provision for directors' bonuses	22	—
Provision for losses on contracts	78	531
Other current liabilities	13,018	10,807

(Million yen)

	FY2008 (Year ended March 31, 2009)	FY2009 (Year ended March 31, 2010)
Total current liabilities	67,088	42,986
Long-term liabilities:		
Bonds	10,000	10,000
Convertible bonds	4,998	—
Long-term loans	24,509	※4 25,944
Lease obligations	207	—
Long-term accounts payable	561	—
Deferred income taxes	1,087	1,345
Provision for retirement benefits	1,419	1,713
Provision for directors' retirement benefits	83	—
Negative goodwill	904	479
Other long-term liabilities	1,057	1,665
Total long-term liabilities	44,827	41,148
Total liabilities	111,916	84,135
NET ASSETS		
Shareholders' equity:		
Common stock	8,024	8,024
Capital surplus	9,029	9,028
Retained earnings	71,078	69,210
Treasury stock	(2,404)	(2,410)
Total shareholders' equity	85,727	83,852
Valuation and translation adjustments:		
Net unrealized gain (loss) on securities	(387)	(6)
Deferred gain (loss) on hedges	(32)	(6)
Foreign currency translation adjustments	(5,758)	(4,586)
Total valuation and translation adjustments	(6,178)	(4,600)
Minority interests:	3,261	2,042
Total net assets	82,810	81,295
Total liabilities and net assets	194,727	165,430

(2) Consolidated Statements of Income

(Million yen)

	FY2008 (April 1, 2008 - March 31, 2009)	FY2009 (April 1, 2009 - March 31, 2010)
Net sales	242,182	154,208
Cost of sales	195,430	128,195
Gross profit	46,752	26,012
Selling, general and administrative expenses:		
Selling expenses	16,468	12,606
General and administrative expenses	15,267	13,325
Total selling, general and administrative expenses	31,736	25,932
Operating income	15,015	80
Non-operating income:		
Interest income	249	204
Dividend income	92	82
Refunded foreign taxes	5	—
Amortization of negative goodwill	100	106
Land and house rental revenue	152	188
Other	380	544
Total non-operating income	980	1,126
Non-operating expenses:		
Interest expenses	795	925
Foreign exchange loss	139	278
Other	177	138
Total non-operating expenses	1,112	1,342
Ordinary income (loss)	14,882	(135)
Extraordinary income:		
Gain on sales of fixed assets	69	77
Gain on sales of investments in securities	1	—
Reversal of allowance for doubtful accounts	28	218
Reversal of negative goodwill	—	683
Other	9	167
Total extraordinary income	109	1,147
Extraordinary loss:		
Loss on sales of fixed assets	8	46
Loss on retirement of fixed assets	424	28
Loss on valuation of investments in securities	431	—
Loss on impairment of fixed assets	119	—
Special retirement benefit	—	35
Return of subsidy	—	21
Other	52	16
Total extraordinary loss	1,035	148
Income before income taxes and minority interests	13,956	862
Income taxes - current	4,324	539
Income taxes - deferred	2,000	(734)
Total income taxes	6,324	(194)
Minority interests in net income	(219)	39
Net income	7,851	1,018

(3) Consolidated Statements of Changes in Net Assets

(Million yen)

	FY2008 (April 1, 2008 - March 31, 2009)	FY2009 (April 1, 2009 - March 31, 2010)
Shareholders' equity:		
Common stock		
Balance at the end of previous period	8,024	8,024
Balance at the end of current period	8,024	8,024
Capital surplus		
Balance at the end of previous period	9,030	9,029
Changes of items during the period		
Disposal of treasury stock	(1)	(0)
Total changes of items during the period	(1)	(0)
Balance at the end of current period	9,029	9,028
Retained earnings		
Balance at the end of previous period	66,587	71,078
Effect of changes in accounting policies applied to foreign subsidiaries	(441)	—
Changes of items during the period		
Dividends from surplus	(2,918)	(2,877)
Net income	7,851	1,018
Changes in scope of consolidation	—	(8)
Total changes of items during the period	4,932	(1,868)
Balance at the end of current period	71,078	69,210
Treasury stock		
Balance at the end of previous period	(286)	(2,404)
Changes of items during the period		
Purchase of treasury stock	(2,129)	(7)
Disposal of treasury stock	10	1
Total changes of items during the period	(2,118)	(5)
Balance at the end of current period	(2,404)	(2,410)
Total shareholders' equity		
Balance at the end of previous period	83,355	85,727
Effect of changes in accounting policies applied to foreign subsidiaries	(441)	—
Changes of items during the period		
Dividends from surplus	(2,918)	(2,877)
Net income	7,851	1,018
Purchase of treasury stock	(2,129)	(7)
Disposal of treasury stock	9	1
Changes in scope of consolidation	—	(8)
Total changes of items during the period	2,813	(1,874)
Balance at the end of current period	85,727	83,852
Valuation and translation adjustments:		
Net unrealized gain (loss) on securities		
Balance at the end of previous period	127	(387)
Changes of items during the period		
Net changes of items other than shareholders' equity	(514)	380
Total changes of items during the period	(514)	380
Balance at the end of current period	(387)	(6)

(Million yen)

	FY2008 (April 1, 2008 - March 31, 2009)	FY2009 (April 1, 2009 - March 31, 2010)
Deferred gain (loss) on hedges		
Balance at the end of previous period	18	(32)
Changes of items during the period		
Net changes of items other than shareholders' equity	(51)	26
Total changes of items during the period	(51)	26
Balance at the end of current period	(32)	(6)
Foreign currency translation adjustments		
Balance at the end of previous period	1,016	(5,758)
Changes of items during the period		
Net changes of items other than shareholders' equity	(6,774)	1,171
Total changes of items during the period	(6,774)	1,171
Balance at the end of current period	(5,758)	(4,586)
Total valuation and translation adjustments		
Balance at the end of previous period	1,162	(6,178)
Changes of items during the period		
Net changes of items other than shareholders' equity	(7,341)	1,578
Total changes of items during the period	(7,341)	1,578
Balance at the end of current period	(6,178)	(4,600)
Minority interests		
Balance at the end of previous period	4,191	3,261
Changes of items during the period		
Net changes of items other than shareholders' equity	(929)	(1,219)
Total changes of items during the period	(929)	(1,219)
Balance at the end of current period	3,261	2,042
Total net assets		
Balance at the end of previous period	88,709	82,810
Effect of changes in accounting policies applied to foreign subsidiaries	(441)	—
Changes of items during the period		
Dividends from surplus	(2,918)	(2,877)
Net income	7,851	1,018
Purchase of treasury stock	(2,129)	(7)
Disposal of treasury stock	9	1
Changes in scope of consolidation	—	(8)
Net changes of items other than shareholders' equity	(8,270)	358
Total changes of items during the period	(5,456)	(1,515)
Balance at the end of current period	82,810	81,295

(4) Consolidated Statement of Cash Flows

(Million yen)

	FY2008 (April 1, 2008 - March 31, 2009)	FY2009 (April 1, 2009 - March 31, 2010)
Cash flows from operating activities:		
Income before income taxes and minority interests	13,956	862
Depreciation	3,930	3,679
Amortization of goodwill	230	184
Amortization of negative goodwill	(100)	(106)
Reversal of negative goodwill	—	(683)
Interest and dividend income	(341)	(287)
Interest expenses	795	925
Loss (gain) on sales and retirement of fixed assets	433	75
Loss (gain) on sales of investments in securities	(1)	—
Decrease (increase) in notes and accounts receivable	(4,510)	14,816
Decrease (increase) in inventories	16,926	19,280
Increase (decrease) in notes and accounts payable	(10,117)	(6,202)
Increase (decrease) in advances received on uncompleted contracts	(15,162)	(5,106)
Other	(7,935)	(2,534)
Subtotal	(1,896)	24,904
Interest and dividend income received	333	248
Interest expenses paid	(752)	(990)
Income taxes paid	(6,370)	(3,465)
Other	259	224
Net cash provided by (used in) operating activities	(8,425)	20,921
Cash flows from investing activities:		
Investments in time deposits	(258)	(0)
Proceeds from refund of time deposits	311	344
Payments for purchase of fixed assets	(4,938)	(2,238)
Proceeds from sales of fixed assets	77	132
Payments for purchase of investments in securities	(2,107)	(4,477)
Proceeds from sales of investments in securities	13	—
Payments for purchase of stock of affiliates	(19)	(1,072)
Collection of loans receivable	9	4
Payments for transfer of business	—	(200)
Other	12	203
Net cash provided by (used in) investing activities	(6,900)	(7,303)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings, net	2,837	(1,417)
Proceeds from long-term loans	21,579	4,419
Repayment of long-term loans	(3,979)	(11,250)
Proceeds from issuance of bonds	5,894	—
Redemption of bonds	(4,000)	—
Proceeds from disposal of treasury stock	9	1
Payments for purchase of treasury stock	(2,129)	(7)
Payments of cash dividends	(2,910)	(2,874)
Other	(1,113)	(192)
Net cash provided by (used in) financing activities	16,189	(11,321)
Effect of exchange rate change on cash and cash equivalents	(4,194)	914
Net increase (decrease) in cash and cash equivalents	(3,331)	3,209

(Million yen)

	FY2008 (April 1, 2008 - March 31, 2009)	FY2009 (April 1, 2009 - March 31, 2010)
Cash and cash equivalents at beginning of year	31,215	27,902
Increase (decrease) in cash and cash equivalents resulting from changes in scope of consolidation	18	(11)
Cash and cash equivalents at end of year	27,902	31,101