Annual Report 2007

Year ended March 31, 2007

» Profile

Fujitec Co., Ltd. was established in 1948 as a specialized elevator manufacturer. Today, Fujitec builds upon its years of expertise and experience as an integrated manufacturer of a wide variety of people-moving systems, including elevators, escalators and autowalks (moving walks). These state-of-the-art products are a result of Fujitec's integrated operations covering every phase of the product's lifecycle from development to sales and installation to maintenance.

With the establishment of a base in Hong Kong in 1964, Fujitec became one of the first in the industry to expand overseas. With further operations established in Singapore, Venezuela, the United States, Argentina and elsewhere, we now have bases in 20 countries and areas, including 10 production sites in seven different nations. Our global network enables us to supply the world with safe, reliable and comfortable people-moving systems that others look up to.

To effectively cope with an ever-changing global marketplace and economy, Fujitec is divided into six economic blocks: the Americas, Japan, Europe, South Asia, East Asia and China. The management of these blocks is consolidated under the leadership of the Big Wing. This structure allows Fujitec to respond quickly to market needs and engage in its finely tuned business activity dedicated to each region.

Fujitec understands the value of both people and technology and remains committed to contributing in the development of advanced cities worldwide.

CONTENTS

Forward-looking Statements

This annual report contains forecasts and projections concerning the plans, strategies and performance of Fujitec Co., Ltd., and its consolidated subsidiaries. These forecasts and projections constitute forward-looking statements that are not historical facts, but are based on assumptions and beliefs in accordance with data currently available to management. These forward-looking statements are subject to various of risks and uncertainties that could cause actual results to differ materially from those projected or implied in the "forward-looking statements" and that include, but are not limited to, factors, fluctuation, uncertainty of economic conditions, competitions in the construction industry, demand, foreign exchange rates, tax systems, laws and regulations. This being so, Fujitec wish to caution readers that actual results may differ materially from those projected.

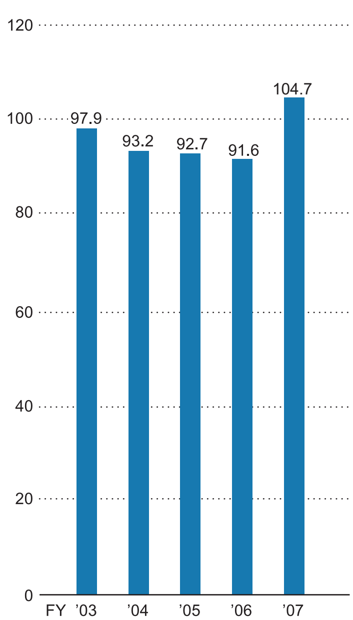
Consolidated Financial Highlights

Fujitec Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

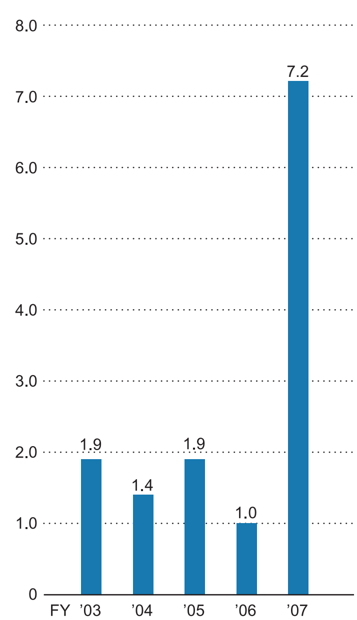
	Millions of yen		Thousands of U.S. dollars	Percent change
	2007	2006	**2007**	2007/2006
For the year				
Net sales	**¥ 104,716**	¥ 91,627	**$ 887,424**	+14.3%
Operating income	**4,037**	2,634	**34,212**	+53.3%
Net income	**7,245**	1,021	**61,398**	+609.0%
At year-end				
Total assets	**¥ 122,889**	¥ 115,970	**$ 1,041,432**	+6.0%
Net assets	**71,786**	60,553	**608,356**	+18.6%
	Yen		U.S. dollars	
Per share of common stock				
Net income	**¥ 77.32**	¥ 10.58	**$ 0.66**	+630.8%
Cash dividends	**12.00**	10.00	**0.10**	+20.0%

Notes: 1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥118 to U.S.$ 1.
2. Net income per share amounts are computed based on the weighted average number of shares outstanding during each year. Bonuses to directors and corporate auditors are to be deducted from net income for purposes of the calculation in FY 2006.
3. Net assets in FY 2006 exclude Minority Interests.

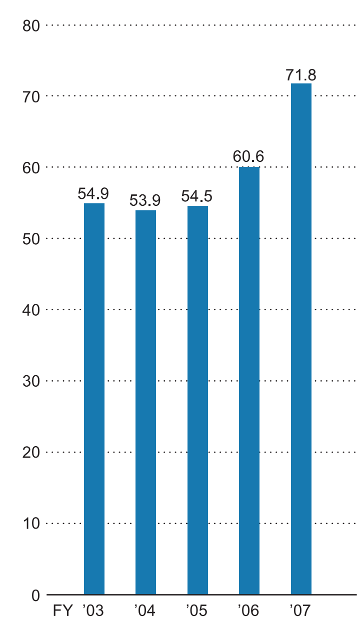
Net sales
(Billion ¥)



Net income
(Billion ¥)



Net assets
(Billion ¥)



» To Our Shareholders

Summary

On the final year's business performance under the "Change and Charge" mid-term business plan, and objectives of our new mid-term business plan "Regeneration for Quality"

Placing top priority on safety and quality, we will live up to our customers' confidence and pursue further enhancement of our corporate value.

Takakazu Uchiyama President and Chief Executive Officer

Completion of a new escalator plant in China subsequent to completion of "Big Wing".

Since fiscal 2004, we have been engaged in company-wide efforts to implement our 3-year mid-term business plan "Change and Charge." Relocation and integration of our main functions to Shiga Prefecture, which comprised the core of the plan, progressed as scheduled; "Big Wing," our new base of operations, was completed in April of last year, which marked the final year of the mid-term plan.

On its approximately 150,000m^2 site, "Big Wing" contains the Head Office/Product Development Center, which integrates head office and R&D functions; the Head Office Manufacturing Plant, which comprises the existing First Plant and the newly built Second Plant; the Elevator Research Tower - the tallest and largest of its kind in the world - and the Laboratory. With these functions, Big Wing serves as a core operation base for integrated manufacturing, from product development and design to procurement and production, ensuring prompt response to customer needs and providing high-precision, high-quality products that live up to customers' expectations.

Meanwhile in China, where high economic growth is continuing, a new escalator plant of Shanghai Huasheng Fujitec Escalator Co., Ltd. was recently completed. With an annual production capacity of 2,600 units, twice as many as before, the new plant radically expands the production system to increase the production of larger quantities, facilitating cost competitiveness and expanding its share of both the Chinese and global markets.

World situation and business environment in the 60th fiscal year (Fiscal year ended March 2007)

An overall picture of last year's world economy is as follows. While the expansionary trend in the U.S. slowed, mainly as a result of the sluggish housing market, China sustained high growth. Business was generally good in other Asian countries and Europe, because of steady economic expansion.

The Japanese economy, due to favorable corporate earnings, continued to enjoy increasing capital investment. Personal spending and housing investment remained steady. These elements resulted in a moderate expansion, mainly in the private sector.

Against this backdrop, the elevator industry, in which we are principally involved, remained solid in the North American market despite signs of a slowdown in demand in the apartment and condominium sector. In Asia, the Chinese market continued to expand on the back of booming demand from apartment and condominium development businesses, as well as from the construction of office buildings and hotels. Demand improved in other Asian countries as well, owing to business expansion.

In Japan, while public investment continued to decrease, demand in the private sector showed a steady increase from the condominium construction business. This increase can also be credited to the development of commercial complexes, particularly shopping centers.

However, it was difficult to heighten profitability because of a continuous rise in raw material prices and other unfavorable factors, as well as increased competition in all markets.

Operating results for the 60th fiscal year

In the last fiscal year, sales in East Asia and other overseas markets increased 23.7% from the previous year, partly due to the yen's depreciation. Domestic sales increased 4.1% from the previous year. As a result, consolidated net sales reached an all-time high of ¥104,700 million, an increase of 14.3% from the previous year. Likewise, consolidated orders received also reached a record high.

Although operating income dropped in South Asia, the operating loss in North America and Europe substantially narrowed from the previous year, and Japan and East Asia saw operating income

» To Our Shareholders

increases. As a result, operating income rose 53.3% year-on-year to ¥4,000 million. In other income/expenses, improvements were continuously seen in net financial income owing to an increase in interest earned, resulting from rising interest rates.

In special items, Fujitec booked a profit of ¥7,900 million from the sale of fixed assets, including gain on sales of our former Osaka plant site (Ibaraki, Osaka) which gain resulted from the relocation and integration of our functions to our new operation base "Big Wing." We also recorded a loss of ¥700 million from retirement of our former Osaka plant site and other fixed assets, and a loss of ¥500 million from write-down of investment securities. As a result, income before income taxes and minority interests increased by ¥9,700 million year-on-year to ¥11,400 million. Tax expense increased from the previous year due to deferred income taxes relating to gain on sales of land. As a result of the above, net income totaled ¥7,200 million, an increase of ¥6,200 million from the previous year.

Business visions and specific steps of the new mid-term plan

In fiscal 2007, we launched a new three-year mid-term business plan called "Regeneration for Quality." In order to continue our growth and recognition as a manufacturer that ensures excellence in all corporate activities, we are determined to innovate our corporate culture and strengthen our corporate foundation through a consistent devotion to quality.

Our mid-term plan centers on three business visions:
"Quality and Safety are our top priorities,"
"Supply products recognized as the best in the world,"
"Our spirit for innovation and commitment for excellence sustain the growth of the company."

As specific steps to achieve these goals, we will innovate development, design, purchase and production through the full-scale operation of "Big Wing," which was completed last year. We will also increase production capacity by optimizing operational efficiency through the full integration of functions at the new operation site. Furthermore, we will fully utilize our cutting-edge R&D facility to develop original technologies that will lead the industry in aesthetics and the ability to meet customer needs, thereby increasing our market share and profitability.

In the maintenance and modernization businesses, we are focusing our efforts on expanding sales by providing a variety of service options to respond to the increasing demand for the renewal of aging elevator and escalator equipment.

Meanwhile, we established our "Field Training Center" and "Field Engineering Research Institute" to conduct human resources training and promote technological innovation in our field service for installation and maintenance. A recent increase in elevator accidents in Japan has prompted stronger demand for elevator safety, quick service response times and comprehensive management in the event of an earthquake and other disasters. To meet such demand, we are striving to develop sophisticated field technologies and are pursuing further improvement of our product quality to ensure the safety and security of users.

Strategies to enhance activities in the global market

The sales and business strategies of the Fujitec Group have been carefully tailored to the unique environment of each region, while capitalizing on the resources available through the support of the Fujitec's global network. These strategies include unprecedented sales efforts, especially in China where tremendous growth is occurring. There, annual demand is in excess of 150,000 elevators and 20,000 escalators, or nearly half of global demand.

Here, Fujitec recently completed a new escalator plant, Shanghai Huasheng Fujitec Escalator Co., Ltd. to capitalize on China's flourishing market. This new facility will enhance our production capacity to not only meet China's brisk demand, but also to serve as a resource for other global companies.

The new plant is located on an approximately 150,000 m^2 operation site called "Shanghai Fujitec City." On the same site are "Shanghai R&D Center," a base of our R&D activities in China, and "Shanghai Sourcing Center," a newly established base for procuring materials for the global market. These facilities operate cooperatively to manufacture high-performance, high-quality products.

This year, we celebrate the 10th anniversary of Huasheng Fujitec Elevator Co., Ltd., our major elevator manufacturing facility, located in the suburbs of Beijing. We are currently improving the plant's production capacity to 10,000 units a year to respond to strong demand in China. Through the efforts here and Shanghai Huasheng, we will increase sales and gain recognition as China's top elevator and escalator brand.

To Our Shareholders

Conclusion

This year, the first year of the new mid-term business plan, every division of Fujitec Global has committed to working in concerted effort to realize our three business visions. In doing so, Fujitec will live up to our customers' expectations and maintain their confidence while placing top priority on "safety and quality." At the same time, as a specialized manufacturer, we are dedicated to the development of original technologies and products that only Fujitec can deliver.

To maintain and improve our corporate value and profit for all stakeholders, we will increase our share in growing markets, particularly that of China and other Asian countries. Also, one of our business goals is to remain committed to increasing our operating profit rate to 8% by fiscal 2010, the final year of the current mid-term plan. To these ends, all Fujitec Group companies around the world must combine their strengths to ensure coexistence and co-prosperity, and contribute to the development of new urban functions in their host countries. This is precisely how we can enhance our corporate value.

Through our global business activities, we will continue our efforts to deliver desirable products that satisfy our customers and augment our corporate value.

We are committed to taking major steps to ensure that our plan succeeds. I am confident in our strategy and ability to earn your future support.

June 28, 2007

Takakazu Uchiyama
President and Chief Executive Officer

» Outline of Major Activities

Americas

The U.S. economy continues to enjoy steady growth, and the South American economy remains stable.

In New York, the New York Times Tower, a new home of the country's leading newspaper publisher, is near completion. Designed by world-famous architect Renzo Piano, the 350-meter high, 52-story tower will be a new landmark of Times Square, which was named when the original New York Times headquarters was built in 1904.

A total of 32 Fujitec elevators, including super-high-speed models that run 480 meters per minute, are installed in the building. This tower is enhanced with our state-of-the-art destination floor guidance system, designed to reduce travel time.

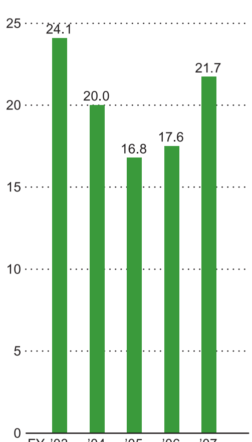
In Canada, the Four Seasons Centre for the Performing Arts opened in downtown Toronto. The center, which houses a hall with a seating capacity of 2,000, is served by seven Fujitec elevators.

Also in Canada, we supplied 15 elevators to the recently completed Alberta Children's Hospital in Calgary, which is furnished with the most advanced medical equipment and health promoting facilities.

Meanwhile, in Buenos Aires, Argentina, we received orders for 16 high-speed Fujitec elevators to be installed at the headquarters building of Repsol YPF, a high-class office building designed by world-renowned architect, Cesar Pelli.

New York Times Tower

Sales in the Americas
(Billion ¥)



The Alberta Children's Hospital

Outline of Major Activities

Japan

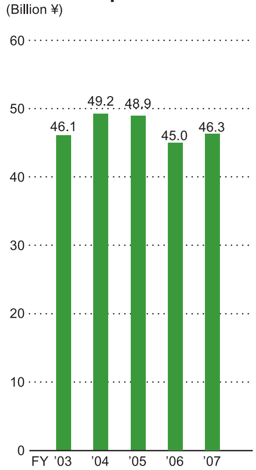
The Japanese economy is on a moderate recovery track, mainly led by steady private demand.

In March of this year, Tokyo Midtown, a large mixed-use development was opened in central Tokyo on land previously occupied by the Japan Defense Agency. The complex is comprised of six buildings, including a 54-story skyscraper that is served by 24 Fujitec elevators.

Adjacent to this complex is the National Art Center, Tokyo, a facility opened in January of this year for which we supplied a total of 27 elevators and escalators, including observation models.
Fujitec also delivered 14 escalators for Midland Square, the tallest skyscraper in the Chubu region, which is located in central Japan. Used for both office space and commercial use, the building holds the record for the highest open-air observation deck in Japan. Nearby, the reconstruction of the Nagoya building is underway. For this project, we have received an order for a total of 10 elevators and escalators.
In Namba, Osaka, we supplied 16 escalators for Namba Parks, a new urban development project consisting of a 30-story office tower and lifestyle commercial center crowned with a rooftop garden featuring lawn, trees, rocks and streams. The project was conceived to promote nature in a harsh urban environment where green space is sparse.
In the same area, we also received an order to supply a total of 38 elevators and escalators for the new expansion and renovation of Takashimaya Osaka Department Store,

In addition, we were awarded a contract to provide a total of 22 units of sophisticated elevators and escalators to "XIV Hakone Rikyu," a luxury resort hotel in Kanagawa.

Sales in Japan
(Billion ¥)




Tokyo Midtown


Midland Square

East Asia

In East Asia, construction demand remains active, led by sustained growth in the Chinese market.

In Hong Kong's Tsuen Wan area, a large-scale development project called Vision City was completed. Comprised of five 67-story buildings of condominiums and commercial facilities, this complex is served by a total of 64 Fujitec elevators and escalators units. Also in Hong Kong, we have received an order for a total of 26 high-speed elevators and escalators units for a 42-story class A office building in Kowloon Bay.

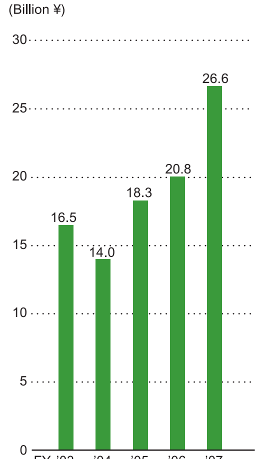
In China, we have received orders for 324 elevators and 61 escalators, collectively, for three projects: Hongshan Jiayuan, a large-scale housing project in Beijing, the Nanjing Subway; and Nanwanying Housing, a large-scale housing project in Nanjing.

In Taiwan, the high-speed rail commenced operation, serving 345 kilometers between Taipei in northern Taiwan to Gaoxiong in the south. We installed a total of 19 observatory-model elevators and escalators at Hsinchu and Tainan Stations.

In South Korea, following a previous order from the Korean National Housing Corporation (KNHC) for 170 elevators, we received an additional order for 277 elevators which are now being installed.

Outline of Major Activities

Sales in East Asia
(Billion ¥)



Taiwan High-speed Rail "Hsinchu Station"

Outline of Major Activities

South Asia

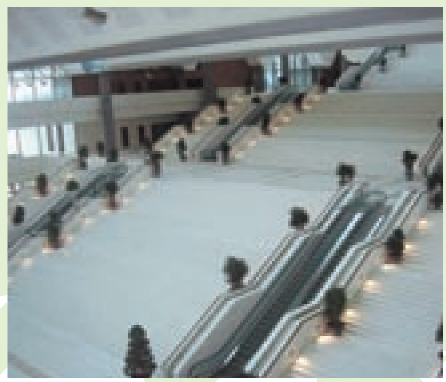
In this region, construction demand is gradually increasing, indicating economic recovery.

In Singapore, we won a high volume order from the Housing Development Board (HDB) of Singapore, for approximately 700 elevators for the 6th Modernization Project. Also in Singapore, we received an order for a total of 61 elevators, escalators and autowalks (moving walks) for "City Square Mall," a large-scale commercial facility.

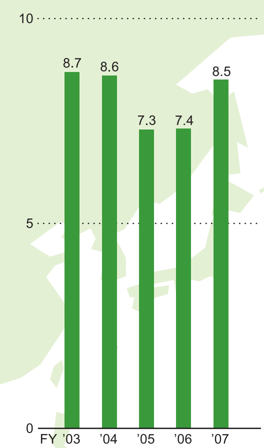
The world-famous Four Seasons Hotel is nearing completion in Mumbai, India. We installed 8 beautiful elevators in the 32-story hotel, the highest building in Mumbai.

In Malaysia, we received an order for a total of 79 elevators, escalators and autowalks for Jaya Jusco Bukit Tinggi, the largest complex of commercial facilities in Southeast Asia.

Meanwhile, in Vietnam we installed 12 escalators in the Hanoi National Convention Center, a venue of last year's APEC Meeting.


National Convention Center Hanoi

Sales in South Asia
(Billion ¥)



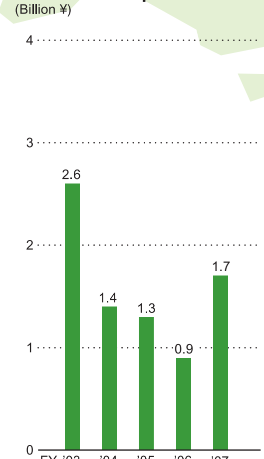
Europe

While enjoying steady economic recovery, Europe is showing signs of an upturn in construction demand. In the U.K., on the new main route of the Channel Tunnel Railway connecting London and Paris, three stations are scheduled for completion in November of this year. A total of 28 Fujitec elevators, including observation models, are being installed at St. Pancras Station, the starting station, and at Ebbsfleet and Stratford Stations.

In the United Arab Emirates, extension work is underway at Dubai International Airport, which is scheduled for completion at the end of this year. When completed it will be the biggest international airport in the Middle East, and will be served by 16 Sky Train elevators, the world's largest observation model.


Channel Tunnel Railway

Sales in Europe
(Billion ¥)



New Products

To ensure safe operation of elevators in the event of an earthquake

Due to the unpredictable nature of earthquakes, we need to ensure our elevators are prepared for emergencies. To minimize the impact of earthquakes on elevators, Fujitec has enhanced the anti-quake functions of its products and has established a system for ensuring quick recovery of its systems in the aftermath of any area that has been extensively affected by a disaster.

A major development is the addition of an operation mode to our standard elevator specification that will direct elevators to stop at the nearest floor when preliminary tremors (P-wave) are detected by the "Primary-wave Seismic Detection" system. This allows passengers time to get to a safe location before the more destruction main tremors (S-wave) occur.

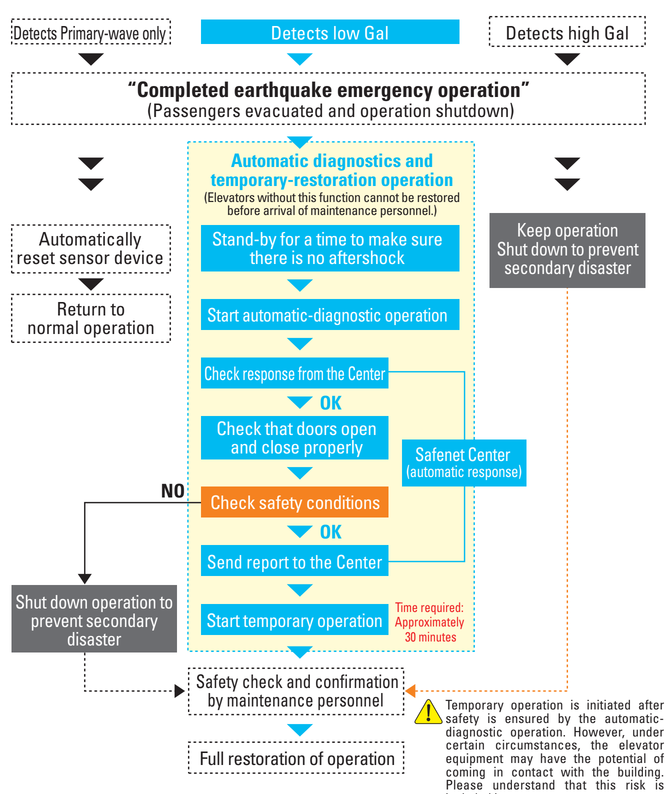
In some circumstances, preliminary tremors can activate an emergency stop with passengers inside the cab. To prevent putting passengers at risk, Fujitec has developed an automatic restart function that will put the elevator into emergency operation. This feature ensures that passengers can be safely transported to the nearest floor following seismic activity.

When main tremors are detected, elevators undergo an emergency operation in which the elevator is shutdown. Fujitec has developed remote diagnostic tools to determine if any physical damage to the elevator has occurred. If the system is safe, elevator operation will be restored in temporary operation mode. In elevators without this feature, operation cannot be restored until maintenance personnel arrive.

Fujitec has also established an emergency system for use in the event of an earthquake. This system links GPS-equipped mobile phones carried by our maintenance personnel to our intra-company network. This allows our Safenet Center to locate and deploy maintenance personnel to perform restoration services in a prompt and effective manner. Systems such as these provide our users with a sense of security and confidence regarding the operation and maintenance of our elevators.

Safenet Center

Automatic diagnostics and temporary restoration / operation service: Operation diagram



» Topics

Shanghai Huasheng Fujitec celebrated the grand opening of a new plant

On an approximately 150,000 m^2 site in the Song Jiang Industrial Zone, Shanghai, China, Shanghai Huasheng Fujitec's headquarters and new escalator plant, which has been under construction since November 2005, was recently completed.

Since its establishment in December 2001 as a joint venture investment by Fujitec Co., Ltd. and Chinatex Corporation, Shanghai Huasheng Fujitec, the "World Escalator Plant" of the Fujitec Group, has provided numerous escalators and autowalks to hotels, commercial facilities and transportation facilities both in China and around the world.

The recent construction project was designed to relocate the existing Fujitec plant to the new site to increase production capacity and accommodate the booming demand in China, as well as growing global demand. The new plant facility, which features cutting-edge production equipment and systems, has an annual production capacity of 2,600 escalators and autowalks.

Ribbon cutting by guests of honor

Shanghai Huasheng Fujitec Escalator (Right) and Shanghai R&D Center (Left) on Shanghai Fujitec City

On May 30, a grand ceremony was organized to celebrate the opening of the new plant. The event was attended by approximately 500 participants, including representatives from the Song Jiang Zone government and the China Elevator Association, the Chairman of Chinatex Corporation, President Uchiyama and other esteemed members from the Fujitec Group.

Based on the theme for the ceremony, “Escalating our Excellence,” our super-high-rise escalator with a rise of 20 meters and our new model escalator (NEW GS8000) were introduced to the participants after the monument-unveiling and ribbon-cutting ceremonies.

Adjacent to this new site are “Fujitec Shanghai Technologies Co., Ltd. ”(Shanghai R&D Center), our R&D facility in China, and “Fujitec Shanghai Sourcing Center Co., Ltd.” (Shanghai Sourcing Center), a newly established base for parts and components procurement.

Having established an efficient and integrated system from development to manufacturing, Shanghai Huasheng Fujitec will yield products of higher performance and quality, with the aim of increasing its share in both the Chinese and global markets.

Presentation of our new-model escalator (NEW GS8000)

Escalator production line

» Topics

Huasheng Fujitec celebrates its 10th anniversary of operation

Located in Langfang, Hebei Province, on the outskirts of Beijing, Huasheng Fujitec commenced full-scale operation in 1997 as Fujitec's main elevator production facility in China. This year marks the 10th anniversary of its operation.

Since commencing full-scale operation, the plant has steadily increased production in response to brisk demand in China. With completion of the Second Plant in 2002, this plant has realized even more dramatic growth, tremendously increasing its production capacity and continuously increasing the number of orders received for large scale projects.

Currently, Huasheng Fujitec is upgrading its production system to increase its annual manufacturing capacity to 10,000 units. Also, in close cooperation with Shanghai R&D Center, the plant is engaged in the development of higher performing equipment with a competitive cost structure.

In celebrating the tenth anniversary of our Beijing operation, we are making companywide efforts to further increase sales and gain recognition as a top brand in China.

Huasheng Fujitec Elevator

Field Training Center and Field Engineering Research Institute established

In April, 2006 our headquarters office, R&D and production facilities were relocated to Hikone, Shiga. With that relocation, our former operation site in Ibaraki, Osaka, was converted into our “Field Training Center.”

The Center is designed to promote technological innovation and conduct human resources training in our installation and maintenance field service. To achieve this, the Center houses equipment to teach trainees a variety of service techniques, from basic to advanced. Training tools available at the Center include elevators and escalators in the research tower, as well as machines, elevator cars, door operators, printed circuit boards, speed governors and other equipment for practical operations training.


Safety training for high-altitude work

The Field Engineering Research Institute, which was established simultaneously with the Field Training Center, is engaged in the improvement and development of installation and maintenance techniques. The two facilities work closely together to ensure top maintenance and improvement of product quality.

Of highest priority, the Field Training Center will be used to develop sophisticated field technologies that will further advance our safety protocols and continue to exceed our customers’ expectations. This effort is in response to a fatal accident that occurred in Tokyo last year involving another manufacturer’s elevator, prompting stronger demands for upgraded elevator safety. Also, in the event of an earthquake or other disaster, elevator manufacturers are expected to quickly respond with appropriate personnel and resources.


Training using traction machines and equipment


Training using actual escalator

» Policy toward Large-scale Purchases of Fujitec Shares

With the aim of maximizing shareholder value, on May 11, 2007, the Board of Directors adopted countermeasures for large-scale purchases of Fujitec shares (the "rule"). The rule was established under the basic philosophy that shareholders should make final decisions regarding large-scale purchases of Fujitec shares, and that sufficient information should be provided shareholders if a large-scale purchase is to be attempted. Under the abovementioned philosophy, the Board of Directors adopted the rule for large-scale purchasers who intend to acquire 20% or more of all voting rights of the Company.

The rule requires that (1) a high-volume purchaser provide sufficient information to the Board of Directors before a large-scale purchase is to be conducted and (2) after all required information is provided, the Board of Directors should be allowed a sufficient period of time during which it will assess the proposed purchase, negotiate its terms and reach a consensus to seek viable alternatives for Fujitec's shareholders. The period of time for consideration of this sale is 60 days (in the case of an all-cash public tender offer for all Fujitec shares) or 90 days (in the case of any other large-scale purchase) following completion of the submission of the required information. In the event of non-compliance with such rules by a prospective large-scale purchaser, the Board of Directors may take countermeasures to protect the interests of all shareholders. Countermeasures may include gratuitous allocation of the right to subscribe for new shares and other measures permitted by the Japanese Corporate Law as well as other laws and regulations as directed by Fujitec's Articles of Incorporation. Specific appropriate measures to be taken will be determined by the Board of Directors on a case-by case basis.

Furthermore, in order to ensure the rule is enforced appropriately and to eliminate the possibility of arbitrary decisions by the Board of Directors, Fujitec has established an Independent Committee. The Independent Committee consists of three external experts who have no relationship with Fujitec's senior operating officers. Fujitec's Board of Directors must give very serious consideration to decisions made by this impartial Independent Committee. This committee's existence represents a solution to ensure that the new rule regarding large scale purchasers will be successfully applied to maintain Fujitec's corporate value and protect the common interests of shareholders. Under the rule, Fujitec will not, in principle, take any countermeasures against a proposed large-scale purchase if the large-scale purchaser has complied with the procedures set forth in the rule. If the large-scale purchaser fails to comply with the procedures, the company may take countermeasures. This constitutes an objective condition for initiating the countermeasures.

The rule was approved at the 60th annual meeting of shareholders held on June 27, 2007. The rule is in effect for three years and will expire at the conclusion of the annual meeting of shareholders. The term can be extended for additional successive periods, each of which will expire at the conclusion of the annual meeting of shareholders. At any time before the next annual meeting, the rule can be terminated with immediate effect upon passage of a resolution to do so at the Board of shareholder's meeting. The company announced the details of the rule on May 11, 2007 as information on countermeasures (takeover defenses) for Large-scale Purchases of Fujitec Stock. For more details, refer to the website below.

(http://www.fujitec.co.jp/english/company/pdf/20070511.pdf)

Financial Section

» Financial Section

Consolidated Financial Review

(Japanese yen amounts have been translated into U.S. dollars using the exchange rate of ¥118 to US$1.00.)

Operating Results

During the fiscal year ended March 31, 2007, consolidated net sales increased 14.3 percent to a record ¥104,716 million (US$887 million). This was primarily due to the substantial contribution of net sales in East Asia and elsewhere overseas. By geographic segment, net sales in Japan rose 2.9 percent to ¥46,296 million (US$392 million), reflecting demand for condominiums and signs of recovery in multipurpose facilities such as shopping centers in the private sector despite a continued contraction in public sector projects. In North America, growth in new construction projects due to an extensive construction order backlog lifted net sales 23.3 percent to ¥21,661 million (US$184 million). In Europe, net sales climbed 80.9 percent to ¥1,664 million (US$14 million) reflecting firm progress in new construction projects. Net sales in South Asia increased 15.1 percent to ¥8,492 million (US$72 million). East Asia, meanwhile, saw net sales climb 28.2 percent to ¥26,603 million (US$225 million) atop housing and office demand, particularly in China.

As a result of the above, the ratio of overseas sales to consolidated net sales rose by 4.3 percentage points from 52.1 percent in the previous fiscal year, to 56.4 percent.

Operating income soared 53.3 percent to ¥4,037 million (US$34 million) due to the increase in net sales and a decrease in the selling, general and administrative expenses ratio, despite falling prices due to sales price competition and rises in prices of steel and other raw materials. By region, operating income in Japan increased 109.3 percent to ¥1,059 million (US$9 million), mainly due to efforts to pare down fixed expenses through the consolidation and integration of the Company's headquarters, R&D and production functions previously based in Ibaraki City, Osaka Prefecture at Hikone City, Shiga Prefecture. Operating losses in North America and Europe decreased ¥446 million and ¥137 million, respectively. In South Asia, operating income was down 18.0 percent to ¥872 million (US$7 million), mainly due to orders for low-margin projects being recorded as sales, while operating income in East Asia increased 27.0 percent to ¥2,270 million (US$19 million), primarily because of higher sales.

Other income (expenses) resulted in net income of ¥735 million (US$6 million), reflecting an improvement in net financial income coupled with an increase in interest income due to rising interest rates.

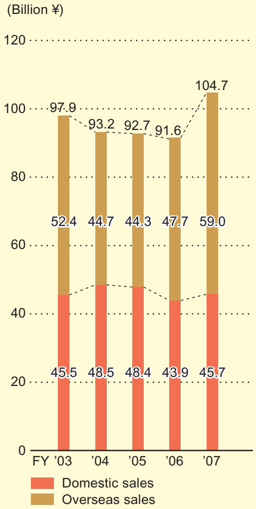
Special items booked included a gain on sales of property, plant and equipment of ¥7,907 million (US$67 million), loss on disposal and sales of property, plant and equipment of ¥709 million (US$6 million) and write-down of investment securities of ¥469 million (US$4 million). As a result, income before income taxes and minority interests increased by ¥9,731 million to ¥11,439 million (US$97 million).

Income taxes increased from the previous fiscal year due to deferred income tax adjustments associated with gains on sales of land. Despite this, net income increased 609.0 percent to ¥7,245 million (US$61 million).

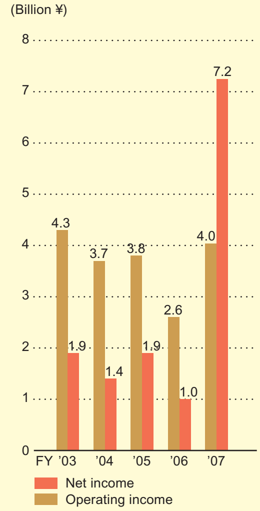
Financial Position

Total assets as of March 31, 2007 were ¥122,889 million (US$1,041 million), representing an increase of 6.0 percent from the previous fiscal year-end. Current assets stood at ¥75,833 million (US$643 million), up 12.0 percent year to year, primarily due to an increase in trade notes and accounts receivable due to increased sales in North America and East Asia, and to the recording of the uncollected remaining proceeds from the sale of the site of the former Osaka plant as other current assets.

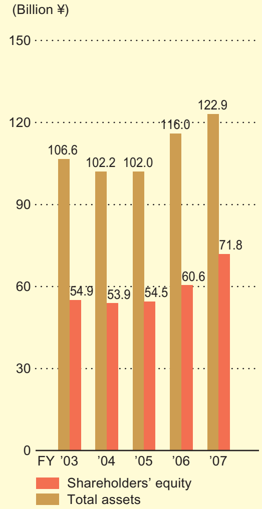
Domestic sales and overseas sales
(Billion ¥)



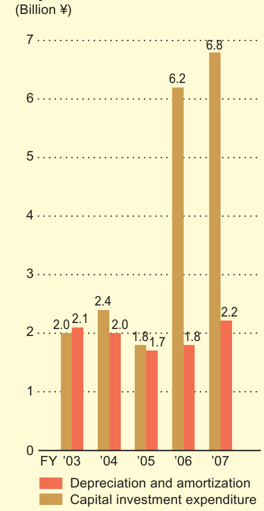
Operating income and net income
(Billion ¥)



Total assets and net assets
(Billion ¥)



Capital investment expenditure, depreciation and amortization
(Billion ¥)



Investments and advances amounted to ¥11,286 million (US$96 million), a decrease of 22.5 percent year to year, mostly as a result of a decrease in gross unrealized gains on securities and the collection on long-term advances. Property, plant and equipment increased 6.8 percent year to year to ¥29,108 million (US$247 million) mainly due to the construction of an elevator research tower, and to the construction of a new escalator plant in Shanghai, China.

Total liabilities as of March 31, 2007 stood at ¥51,103 million (US$433 million), an increase of 0.6 percent from a year ago. This was mainly due to a 1.6 percent decrease in current liabilities to ¥42,522 million (US$360 million) chiefly caused by a decrease in notes payable-equipment included in other current liabilities. Long-term liabilities increased 12.7 percent to ¥8,581 million (US$73 million) mainly due to an increase in deferred income taxes. Net assets, including minority interests, amounted to ¥71,786 million (US$608 million), a 10.2 percent increase from the previous fiscal year-end.

Capital Sources and Financial Liquidity

Currently, the Fujitec Group's procurement of operating capital through loans is realized in the form of short-term loans due within one year, which are generally raised by the individual consolidated subsidiaries in local currency. As of March 31, 2007, the value of outstanding short-term loans was ¥13,140 million (US$111 million). Long-term finance such as for capital investment is procured through long-term loans. The outstanding balance of long-term loans at the end of the period was ¥1,800 million (US$15 million), of which the majority was loaned at fixed interest rates and denominated in yen.

The Company is of the opinion that cash flows from operating activities, loans, and, where necessary, issuance of bonds will be adequate to provide the operating capital required in the future to maintain growth and the long-term finance required for capital investment.

Cash Flows

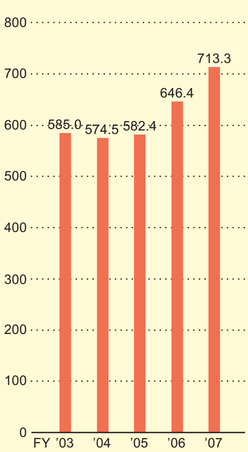
Net cash provided by operating activities was ¥4,113 million (US$35 million), ¥2,815 million more than in the previous fiscal year. This increase primarily reflected income before income taxes and minority interests of ¥3,532 million (US$30 million), excluding a gain of ¥7,907 million (US$67 million) on sales of property, plant and equipment.

Net cash used in investing activities was ¥3,026 million (US$26 million), ¥2,998 million more than a year earlier. Cash inflows from proceeds from sale of property, plant and equipment of ¥5,367 million (US$45 million) and collection on advances of ¥1,788 million (US$15 million) were outweighed by acquisitions of property, plant and equipment of ¥6,790 million (US$58 million) and a net increase in time deposits (with deposit term of over 3 months) of ¥3,938 million (US$33 million).

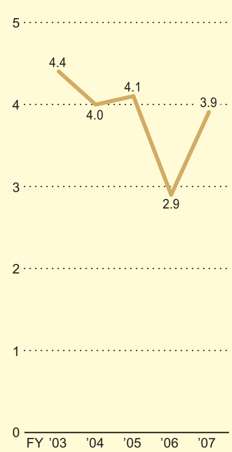
Net cash used in financing activities was ¥2,213 million (US$19 million), a ¥2,432 million reversal of net cash provided in the previous year. The main uses of cash were ¥2,100 million (US$18 million) for the repayment of long-term debt and ¥1,701 million (US$14 million) for the payment of interest and cash dividends paid. These outflows were partly offset by a net increase in short-term debt of ¥1,708 million (US$14 million).

As a result of the foregoing, cash and cash equivalents totaled ¥18,836 million (US$160 million) as of March 31, 2007, ¥834 million (US$7 million) less than at the previous fiscal year-end.

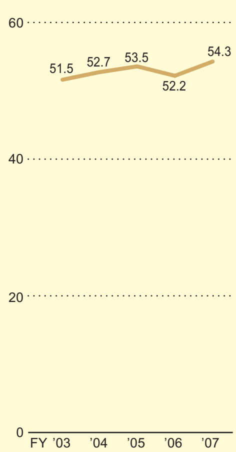
Net assets per share (*1)
(¥)



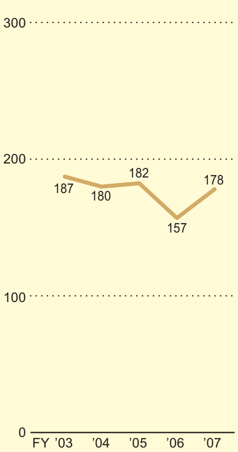
Operating income to net sales
(%)



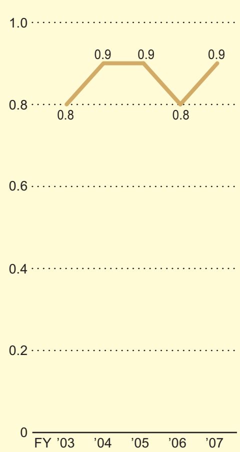
Net assets ratio (*2)
(%)



Current ratio
(%)



Asset turnover
(Times)



**1. Net assets per share is calculated excluding minority interests and appropriation of staff and workers' bonus and welfare fund.*

**2. Net assets ratio is calculated excluding minority interests.*

Consolidated Balance Sheets

Fujitec Co., Ltd. and Consolidated Subsidiaries
March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2007**	2006	**2007**
Current assets:			
Cash and cash equivalents	**¥ 18,836**	¥ 19,670	**$ 159,627**
Time deposits	**4,481**	482	**37,975**
Marketable securities (Note 3)	**—**	—	**—**
Trade notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	**100**	172	**847**
Other	**29,884**	26,944	**253,254**
Allowance for doubtful accounts	**(435)**	(299)	**(3,686)**
	29,549	26,817	**250,415**
Inventories (Note 4)	**16,965**	17,632	**143,771**
Deferred income taxes (Note 6)	**468**	1,908	**3,966**
Other current assets	**5,534**	1,189	**46,898**
Total current assets	**75,833**	67,698	**642,652**
Investments and advances:			
Investments in unconsolidated subsidiaries and affiliates	**1,290**	1,077	**10,932**
Investment securities (Note 3)	**8,065**	9,782	**68,347**
Advances	**1,931**	3,699	**16,365**
	11,286	14,558	**95,644**
Property, plant and equipment, at cost:			
Buildings	**23,081**	21,069	**195,602**
Machinery and equipment	**16,739**	17,208	**141,856**
	39,820	38,277	**337,458**
Accumulated depreciation	**(18,156)**	(21,017)	**(153,865)**
	21,664	17,260	**183,593**
Land	**6,964**	7,014	**59,017**
Construction in progress	**480**	2,975	**4,068**
	29,108	27,249	**246,678**
Other assets:			
Deferred income taxes (Note 6)	**69**	78	**585**
Goodwill	**2,237**	2,216	**18,958**
Intangible assets	**1,929**	1,823	**16,347**
Other	**2,427**	2,348	**20,568**
	¥122,889	¥115,970	**$ 1,041,432**

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars (Note 1) 2007
Current liabilities:			
Short-term debt (Note 7)	¥ 13,140	¥ 11,374	$ 111,356
Current portion of long-term debt (Note 7)	—	2,100	—
Trade notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	58	58	491
Other	12,479	10,266	105,754
Advances from customers	6,161	6,960	52,212
Accrued income taxes (Note 6)	807	642	6,839
Accrued bonuses	1,230	1,053	10,423
Provision for losses on contracts	1,123	1,337	9,517
Other current liabilities	7,524	9,416	63,763
Total current liabilities	42,522	43,206	360,355
Long-term debt (Note 7)	1,805	1,807	15,297
Deferred income taxes (Note 6)	1,584	775	13,424
Accrued pension and severance payments (Note12)	5,192	5,034	44,000
Total liabilities	51,103	50,822	433,076
Minority interests	—	4,595	—
Contingent liabilities (Note 8)			
Net assets:			
Shareholders' equity (Note 11)			
Common stock, no par value; Authorized: 300,000,000 shares Issued and outstanding: 93,767,317 shares at March 31, 2007 and 2006	12,534	12,534	106,220
Additional paid-in capital	14,566	14,566	123,441
Retained earnings	47,622	41,344	403,576
Treasury stock at cost: 153,577 shares at March 31, 2007 and 137,726 shares at March 31, 2006	(106)	(94)	(898)
	74,616	68,350	632,339
Valuation and translation adjustments			
Net unrealized gains on securities	2,917	3,676	24,720
Deferred gain on hedge transactions	—	—	—
Foreign currency translation adjustments	(10,756)	(11,473)	(91,152)
	(7,839)	(7,797)	(66,432)
Minority interests	5,009	—	42,449
Total net assets	71,786	60,553	608,356
	¥122,889	¥115,970	$1,041,432

Consolidated Statements of Income

Fujitec Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
Net sales	¥ 104,716	¥ 91,627	$ 887,424
Cost and expenses:			
Cost of sales	85,172	74,020	721,797
Selling, general and administrative expenses	15,507	14,973	131,415
	100,679	88,993	853,212
Operating income	4,037	2,634	34,212
Other income (expenses):			
Interest and dividend income	1,022	731	8,661
Interest expense	(487)	(283)	(4,127)
Foreign currency exchange gain	169	88	1,432
Other, net	31	44	263
	735	580	6,229
Special items:			
Gain on sales of property, plant and equipment	7,907	65	67,008
Loss on disposal and sales of property, plant and equipment	(709)	(46)	(6,008)
Gain on sales of investment securities	1	8	8
Write-down of investment securities	(469)	—	(3,974)
Benefits for employees' early retirement program	—	(1,456)	—
Reversal of loss on impairment of long-lived assets	38	41	322
Loss on impairment of long-lived assets	—	(118)	—
Other, net	(101)	—	(856)
	6,667	(1,506)	56,500
Income before income taxes and minority interests	11,439	1,708	96,941
Income taxes (Note 6):			
Current	878	892	7,441
Deferred	2,770	(687)	23,475
	3,648	205	30,916
Income before minority interests	7,791	1,503	66,025
Minority interests in net income of consolidated subsidiaries	546	482	4,627
Net income	¥ 7,245	¥ 1,021	$ 61,398

	Yen		U.S. Dollars (Note 1)
Per share:			
Net income, based on the weighted average number of shares outstanding	¥ 77.32	¥ 10.58	$ 0.66
Cash dividends, applicable to the year	12.00	10.00	0.10

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Fujitec Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Thousands	Millions of Yen								
	Number of shares of common stock issued	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains on securities	Deferred gain on hedge transactions	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at April 1, 2005	93,767	¥12,534	¥14,566	¥41,233	¥ (84)	¥ 1,277	¥ —	¥ (14,986)	—	¥54,540
Net income	—	—	—	1,021	—	—	—	—	—	1,021
Cash dividends	—	—	—	(936)	—	—	—	—	—	(936)
Staff and workers' bonus and welfare fund	—	—	—	(4)	—	—	—	—	—	(4)
Treasury stock acquired, net	—	—	—	—	(10)	—	—	—	—	(10)
Foreign currency translation adjustments	—	—	—	30	—	—	—	3,513	—	3,543
Change in net unrealized gains on securities	—	—	—	—	—	2,399	—	—	—	2,399
Balance at March 31, 2006	93,767	12,534	14,566	41,344	(94)	3,676	—	(11,473)	—	60,553
Reclassified balance at March 31,2006	—	—	—	—	—	—	—	—	¥ 4,595	4,595
Net income	—	—	—	7,245	—	—	—	—	—	7,245
Cash dividends	—	—	—	(936)	—	—	—	—	—	(936)
Bonuses to directors and corporate auditors	—	—	—	(26)	—	—	—	—	—	(26)
Staff and workers' bonus and welfare fund	—	—	—	(5)	—	—	—	—	—	(5)
Treasury stock acquired, net	—	—	—	—	(12)	—	—	—	—	(12)
Other changes	—	—	—	—	—	(759)	—	717	414	372
Balance at March 31, 2007	**93,767**	**¥12,534**	**¥14,566**	**¥ 47,622**	**¥ (106)**	**¥ 2,917**	**¥ —**	**¥ (10,756)**	**¥ 5,009**	**¥71,786**

	Thousands	Thousands of U.S. Dollars (Note 1)								
	Number of shares of common stock issued	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains on securities	Deferred gain on hedge transactions	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2006	93,767	$106,220	$123,441	$350,372	$ (796)	$31,152	$ —	$(97,228)	$ —	$ 513,161
Reclassified balance at March 31, 2006	—	—	—	—	—	—	—	—	38,941	38,941
Net income	—	—	—	61,398	—	—	—	—	—	61,398
Cash dividends	—	—	—	(7,932)	—	—	—	—	—	(7,932)
Bonuses to directors and corporate auditors	—	—	—	(220)	—	—	—	—	—	(220)
Staff and workers' bonus and welfare fund	—	—	—	(42)	—	—	—	—	—	(42)
Treasury stock acquired, net	—	—	—	—	(102)	—	—	—	—	(102)
Other changes	—	—	—	—	—	(6,432)	—	6,076	3,508	3,152
Balance at March 31, 2007	**93,767**	**$106,220**	**$123,441**	**$403,576**	**$ (898)**	**$24,720**	**$ —**	**$(91,152)**	**$42,449**	**$608,356**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Fujitec Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 11,439**	¥ 1,708	**$ 96,941**
Depreciation and amortization	**2,217**	1,763	**18,788**
Provision for allowance for doubtful accounts	**173**	70	**1,466**
Benefit for bonuses to employees	**—**	(245)	**—**
(Benefit) provision for losses on contracts	**(232)**	5	**(1,966)**
Interest and dividend income	**(1,022)**	(731)	**(8,661)**
Interest expense	**487**	283	**4,127**
Write-down of investment securities	**469**	—	**3,975**
Benefits for employees' early retirement program	**—**	1,456	**—**
Gain on sales of property, plant and equipment	**(7,907)**	(60)	**(67,008)**
Loss on impairment of long-lived assets	**—**	118	**—**
Increase in trade notes and accounts receivable	**(2,331)**	(448)	**(19,754)**
Decrease (increase) in inventories	**1,024**	(436)	**8,678**
Increase (decrease) in trade notes and accounts payable	**1,969**	(527)	**16,686**
(Decrease) increase in advances from customers	**(967)**	779	**(8,195)**
Bonuses paid to directors and corporate auditors	**(26)**	—	**(220)**
Other, net	**821**	(384)	**6,957**
Sub-total	**6,114**	3,351	**51,814**
Payment for employees' early retirement program	**(1,187)**	(269)	**(10,060)**
Payment of income taxes	**(814)**	(1,784)	**(6,898)**
Net cash provided by operating activities	**4,113**	1,298	**34,856**
Cash flows from investing activities:			
Increase (Decrease) in time deposits, net	**(3,938)**	4,569	**(33,373)**
Acquisitions of property, plant and equipment	**(6,790)**	(6,216)	**(57,542)**
Proceeds from sale of property, plant and equipment	**5,367**	143	**45,483**
Payment for purchase of investment securities	**(33)**	(229)	**(280)**
Proceeds from sale of investment securities	**2**	526	**17**
Investment in unconsolidated subsidiary	**(214)**	—	**(1,814)**
Payment for long-term advances	**(132)**	(15)	**(1,119)**
Collections on long-term advances	**1,788**	474	**15,153**
Proceeds from interest and dividend income	**971**	735	**8,229**
Other, net	**(47)**	(15)	**(398)**
Net cash used in investing activities	**(3,026)**	(28)	**(25,644)**
Cash flows from financing activities:			
Increase in short-term debt, net	**1,708**	645	**14,475**
Proceeds from long-term debt	**—**	1,000	**—**
Repayment of long-term debt	**(2,100)**	(4)	**(17,797)**
Proceeds from minority shareholders' investment	**—**	186	**—**
Payment of interest	**(437)**	(286)	**(3,703)**
Cash dividends paid	**(937)**	(937)	**(7,941)**
Cash dividends paid to minority shareholders	**(327)**	(346)	**(2,771)**
Other, net	**(120)**	(39)	**(1,017)**
Net cash (used in) provided by financing activities	**(2,213)**	219	**(18,754)**
Effect of exchange rate changes on cash and cash equivalents	**292**	2,097	**2,474**
Net (decrease) increase in cash and cash equivalents	**(834)**	3,586	**(7,068)**
Cash and cash equivalents at beginning of year	**19,670**	16,084	**166,695**
Cash and cash equivalents at end of year	**¥ 18,836**	¥ 19,670	**$ 159,627**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Fujitec Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Fujitec Co., Ltd. (the "Company") and its consolidated subsidiaries have been prepared from the consolidated financial statements filed with the Director of the Kanto Local Finance Bureau, as required by the Securities and Exchange Law of Japan, in conformity with accounting principles and practices generally accepted in Japan.

For the purpose of this Annual Report, certain reclassifications have been made to the consolidated financial statements issued domestically, in order to present these statements in a form which is more familiar to readers of these statements outside Japan. However, such reclassifications have no effect on net income or retained earnings.

The United States dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating Japanese yen into United States dollars on a basis of ¥118=U.S. $1, the approximate effective rate of exchange at March 31, 2007. The inclusion of such United States dollar amounts is solely for convenience and is not intended to imply that Japanese yen, and assets and liabilities originating in Japanese yen, have been or could be readily converted, realized or settled in United States dollars at ¥118=U.S. $1 or at any other rate.

2. Summary of Significant Accounting Policies

(A) Principles of consolidation

The consolidated financial statements include the accounts of the Company and the following sixteen significant subsidiaries (together the "Companies").

Fujitec America, Inc. (U.S.A.)
Fujitec Canada, Inc. (Canada)
Fujitec UK Ltd. (United Kingdom)
Fujitec Deutschland GmbH (Germany)
Fujitec Singapore Corpn. Ltd. (Singapore)
Fujitec Maintenance (Singapore) Pte. Ltd. (Singapore)
P.T. Fujitec Indonesia (Indonesia)
Fujitec (Malaysia) Sdn. Bhd. (Malaysia)
Fujitec India Private Ltd. (former FSP Elevator Private Ltd.) (India)
Fujitec Vietnam Co., Ltd. (Vietnam)
Fujitec (HK) Co., Ltd. (Hong Kong)
Rich Mark Engineering Limited (Hong Kong)
Fujitec Taiwan Co., Ltd. (Taiwan)
Huasheng Fujitec Elevator Co., Ltd. (China)
Shanghai Huasheng Fujitec Escalator Co., Ltd. (China)
Fujitec Korea Co., Ltd. (Korea)

The closing date of the above consolidated subsidiaries is December 31.

In preparing the consolidated financial statements, using consolidated subsidiaries' accounts, based on their own closing dates, the necessary adjustments were made for the intercompany transactions incurred from the consolidated subsidiaries' closing date to the consolidated balance sheet date.

All significant intercompany transactions and accounts have been eliminated. Investments in unconsolidated subsidiaries (more than 50% owned) and affiliates (20% to 50% owned) are carried at cost due to their immateriality as a whole. If a decline in value below the cost of an individual security is judged to be material, and other than temporary, the carrying value of the individual security is written down.

(B) Translation of foreign currency transactions

The Company adopted the Accounting Standards for Foreign Currency Transactions issued by the Business Accounting Council. Under the method, every monetary asset and liability denominated in foreign currency is translated into Japanese yen at the rate of exchange in effect at the balance sheet date.

(C) Translation of consolidated foreign subsidiaries' accounts

The accounts of foreign consolidated subsidiaries are translated into Japanese yen in accordance with the statements issued by the Business Accounting Council. As specified by the statements, assets and liabilities of foreign consolidated subsidiaries are translated into Japanese yen at the exchange rates in effect at the balance sheet dates, and the items of shareholders' equity are translated at the historical rates at the dates of acquisition. Profit and loss accounts are translated into Japanese yen at the annual average rates.

Any resulting translation differences are stated as "Foreign currency translation adjustments" in the accompanying consolidated financial statements.

(D) Revenue recognition

Generally, most of the contracts are on a short-term basis and the Companies record profits or losses on the completed contract method, except for certain foreign subsidiaries which record income from long-term construction contracts on the percentage-of-completion method. Maintenance services not covered by warranty are provided on a fee basis and revenues from such services are included in net sales.

Certain subsidiaries recognize the total estimated loss currently when estimates indicate that a loss will be incurred on a contract.

(E) Marketable securities, investment securities and investments in unconsolidated subsidiaries

The Company adopted the Accounting Standards for Financial Instruments, which was issued by the Business Accounting Council. In accordance with the standards, securities are classified into trading securities, held-to-maturity debt securities, equity investments in unconsolidated subsidiaries and affiliates, and other securities that are not classified in any of the above categories.

Held-to-maturity debt securities are stated at amortized cost adjusted for the amortization of premiums and the accretion of discounts to maturity. Investments in unconsolidated subsidiaries and affiliates are valued at cost, as determined by the moving average method. Marketable equity securities and debt securities not classified as held-to-maturity are classified as other securities. Other securities with a fair market value are carried at fair value with unrealized gains and losses, net of tax, reported as a separate component of net assets. The amortized cost of debt securities in this category is adjusted for the amortization of premiums and the accretion of discounts to maturity. Realized gains and losses, and significant declines in value judged to be other than temporary on those securities, are charged to income. Securities without a fair market value have been stated at cost as determined by the moving average method.

(F) Inventories

Inventories are stated at cost, which is determined primarily by the specific identification method for finished goods and work in process, and by the average method for all other inventories, except for certain foreign subsidiaries' inventories which are all stated at the lower of cost determined by FIFO method or market.

(G) Property, plant and equipment, and depreciation

Property, plant and equipment, including significant renewals and additions, are carried at cost.

Depreciation is principally computed by the declining-balance method over the estimated useful lives of the assets, except for foreign subsidiaries which adopt the straight-line method.

Until the year ended March 31, 1998, the depreciation for buildings of the Company was computed by the declining-balance method. Buildings which were acquired on or after April 1, 1998 are depreciated by the straight-line method, according to the revision in Japanese corporation income tax law.

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

(H) Goodwill and other intangible assets

The U.S. subsidiary (Fujitec America, Inc.) and the Canadian subsidiary (Fujitec Canada, Inc.) have recorded goodwill, which represents the excess of purchase price over fair value of net assets acquired. Until the year ended December 31, 2001, goodwill was amortized on a straight-line basis over periods of between 20 to 40 years. From the year ended December 31, 2002, the U.S. and Canadian subsidiaries adopted a revised accounting standard of goodwill. The standard requires that goodwill no longer be amortized, but tested, at least annually, for impairment.

Amortization of other intangible assets is calculated by the straight-line basis over their estimated useful lives.

The Company reviews the carrying amount of intangible assets for impairment whenever events or circumstances indicate that the carrying amounts may not be recoverable.

(I) Impairment of long-lived assets

The Company evaluates the carrying value of long-lived assets to be held for use in the business. If the carrying value of a long-lived asset is impaired, a loss is recognized based on the amount by which the carrying value exceeds its recoverable amount. The recoverable amount is the higher of the net selling price or the value in use of the assets, which is determined as the discounted cash flows generated from continuing use of the individual asset or the assets group. The Company adopted the Japanese accounting standard "Accounting Standard for Impairment of Fixed Assets" which became effective for the year beginning on or after April 1, 2005.

(J) Severance payments and pension plan

The Company has two retirement benefit plans, an unfunded lump-sum severance payment plan and a defined benefit pension plan, which cover substantially all employees of the Company. Upon retirement or termination of employment, employees are generally entitled to a lump-sum payment or annuity, in addition to a certain lump-sum payment, and the amount of the benefit is determined by their current basic rate of pay, length of service and conditions under which the termination occurs. The accrued pension and severance payments for employees at the balance sheet dates represents the estimated present value of projected benefit obligation in excess of the fair value of the plan assets.

The U.S. subsidiary (Fujitec America, Inc.) has a defined contribution pension plan covering substantially all its employees.

The Korean subsidiary accrues annually the liability for employees' severance benefits at 100% of the amounts that would be required if all its employees were to terminate their employment under voluntary conditions at the balance sheet dates.

The Company accrues the unfunded retirement liability for a lump-sum benefit to directors and corporate auditors of the Company based on the established guidelines. Payment of such benefits is subject to approval at the shareholders' meeting.

(K) Leases

Under accounting principles generally accepted in Japan, finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by a method similar to that applicable to operating leases.

(L) Research and development costs

Research and development costs are charged against income as incurred.

(M) Income taxes

The Company adopts the asset and liability method of tax effect accounting, in accordance with the Financial Accounting Standard on Accounting for Income Taxes, issued by the Business Accounting Council.

Under the standard, the deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

(N) Derivative and hedging activities

The Companies use derivative financial instruments to manage their exposure to foreign exchange and interest rate fluctuations. Foreign exchange forward contracts, foreign currency swaps and interest rate swap contracts are utilized by the Companies to reduce foreign currency exchange risk and interest rate risk. The Companies do not enter into derivatives for trading or speculative purposes.

The Companies adopted an accounting standard for derivative financial instruments and an accounting standard for foreign currency transactions. These standards require that: a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions be recognized in the income statement and b) if a derivative qualifies for deferral hedge accounting because of a high correlation and effectiveness between the hedging instrument and the hedged item, the gains or losses are deferred until maturity of the hedged transaction.

Time deposits denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contract qualifies for deferral hedge accounting.

Interest rate swaps are utilized to hedge interest rate exposure of long-term debt. The interest rate swaps, which qualify for deferral hedge accounting and meet specific matching criteria, are not remeasured at market value rather the differential paid or received under the swap agreements is recognized and included in interest expense or income as incurred.

(O) Net income and cash dividends per share

Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during each year.

The Company adopted Financial Accounting Standard No.2, "Accounting Standard for Net Income Per Share" and Guidance of Financial Accounting Standard No.4, "Guidance for Appropriation of Accounting Standard for Net Income Per Share." The standard requires that bonuses to directors and corporate auditors, which are not available to common stockholders, are deducted from net income for the calculation through the year ended March 31, 2006.

Cash dividends per share represent actual amounts applicable to the respective years for which the dividends were proposed by the Board of Directors of the Company. Dividends are charged to retained earnings in the year which they are paid.

(P) Cash and cash equivalents

The Companies consider all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

(Q) Presentation of Net assets

On December 9, 2005, Accounting Standards Board of Japan issued "Accounting Standard for Presentation of Net Assets in the Balance Sheet." Effective from the year ended March 31, 2007, the Company adopted the new standard and also, the consolidated balance sheet as of March 31, 2007 has been adapted to comply with the new standard. As a result of adopting the new standard, minority interests and deferred gain on hedge transactions were presented as the net assets. Total shareholders' equity under the previous presentation method would have been ￥66,777 million (U.S. $565,907 thousand) at March 31, 2007.

(R) Bonuses to directors and corporate auditors

Effective the year ended March 31, 2007, the Company has adopted "Accounting Standard for Bonuses to Directors" (Accounting Standards Board of Japan ("ASBJ") Statement No. 4 issued on November 29, 2005). As a result of adoption of this standard, income before income taxes and minority interests decreased by ¥36 million (U.S. $305 thousand) for the year ended March 31, 2007 from the amount which would have been recorded under the method applied in the previous year.

(S) Reclassification of accounts

Certain reclassifications including the presentation of the net assets have been made in the 2006 financial statement to conform to the presentation for 2007.

3. Marketable Securities and Investment Securities

At March 31, 2007 and 2006, investment securities were as follows:

Investment securities:

	Millions of Yen							
	2007				2006			
	Cost	Gross unrealized gains	Gross unrealized losses	Book value (Estimated fair value)	Cost	Gross unrealized gains	Gross unrealized losses	Book value (Estimated fair value)
Equity securities	**¥ 3,013**	**¥ 4,941**	**¥ 24**	**¥ 7,930**	¥ 3,450	¥ 6,515	¥ 316	¥ 9,649
Other	**2**	**1**	**—**	**3**	2	—	—	2
	¥ 3,015	**¥ 4,942**	**¥ 24**	**¥ 7,933**	¥ 3,452	¥ 6,515	¥ 316	¥ 9,651

	Thousands of U.S. Dollars (Note1)			
	2007			
	Cost	Gross unrealized gains	Gross unrealized losses	Book value (Estimated fair value)
Equity securities	**$ 25,534**	**$ 41,873**	**$ 203**	**$ 67,204**
Other	**17**	**8**	**—**	**25**
	$ 25,551	**$ 41,881**	**$ 203**	**$ 67,229**

The carrying amounts of equity securities whose fair value is not readily determinable were ¥132 million (U.S. $1,119 thousand) and ¥131 million for the years ended March 31, 2007 and 2006.

4. Inventories

Inventories at March 31, 2007 and 2006 are comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
Finished goods and semi-finished goods	**¥ 3,491**	¥ 3,604	**$ 29,585**
Work in process	**7,546**	8,764	**63,949**
Raw materials and supplies	**5,928**	5,264	**50,237**
	¥ 16,965	¥ 17,632	**$ 143,771**

5. Impairment of Fixed Assets

For impairment testing of long-lived assets, the Company generally groups fixed assets used for normal operations at the business unit level for which profits are reasonably controllable. Also, the Company assesses the recoverability of individual assets not used in normal operations or that are idle. The Company reviewed its long-lived assets for impairment during the year ended March 31, 2006 and, as a result, recognized an impairment loss for the telephone subscription rights of ¥118 million. These charges were recorded in special items in the consolidated statements of income for the year ended March 31, 2006. During the year ended March 31, 2007, no impairment is recognized.

Notes to Consolidated Financial Statements

6. Income Taxes

The Company is subject to corporate income tax, inhabitant tax and enterprise tax, based on income which, in the aggregate, indicates a normal statutory tax rate of approximately 40.69% for the years ended March 31, 2007 and 2006.

Income of the consolidated foreign subsidiaries is taxed at the rate of corporate income taxes, ranging from 17.5% to 31.5% for the year ended March 31, 2007 and from 15% to 25% for the year ended March 31, 2006.

At March 31, 2007 and 2006, a reconciliation of the Company's statutory tax rate and the effective income tax rate is as follows:

	2007	2006
Statutory tax rate	**40.69%**	40.69%
Non-deductible expenses	**0.30**	1.63
Per capital inhabitant tax	**1.03**	6.91
Effect of foreign tax rate differences	**(4.57)**	(26.14)
Allowance for doubtful accounts	**(4.01)**	(19.92)
Others	**(1.55)**	8.82
Effective tax rate	**31.89%**	11.99%

The tax effects of temporary differences that give rise to significant deferred tax assets and liabilities at March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
Deferred tax assets:			
Accrued pension and severance payments	**¥ 1,920**	¥ 1,901	**$ 16,271**
Accrued bonuses	**400**	379	**3,390**
Write-down of investments in a consolidated subsidiary	**989**	—	**8,381**
Provision for losses on contracts	**—**	210	**—**
Allowance for doubtful accounts	**101**	90	**856**
Others	**659**	1,462	**5,585**
Total deferred tax assets	**4,069**	4,042	**34,483**
Deferred tax liabilities:			
Depreciation	**(87)**	(72)	**(737)**
Unrealized gains on securities	**(2,001)**	(2,522)	**(16,958)**
Deferred gains on sales and aquisition of fixed assets	**(2,539)**	—	**(21,517)**
Others	**(489)**	(237)	**(4,144)**
Total deferred tax liabilities	**(5,116)**	(2,831)	**(43,356)**
Net deferred tax assets	**¥ (1,047)**	¥ 1,211	**$ (8,873)**

7. Short-term Debt and Long-term Debt

Short-term debt represents notes payable mainly to banks with an average interest rate of 3.67% per annum at March 31, 2007.

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
Without collateral:			
Loans, from banks and insurance companies due through 2011 at average interest rate 1.10% per annum	**1,800**	3,900	**15,254**
Other	**5**	7	**43**
	1,805	3,907	**15,297**
Less, portion due within one year	**—**	2,100	**—**
	¥ 1,805	¥ 1,807	**$ 15,297**

The aggregate annual maturities of long-term debt outstanding as of March 31, 2007 are as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 1)
2008	¥ —	$ —
2009	802	6,797
2010	2	17
2011	1,001	8,483
	¥ 1,805	$ 15,297

At March 31, 2007, the following assets are pledged as collateral for short-term loans:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Property, plant and equipment (at net book value)	¥ 1,806	$ 15,305

8. Contingent Liabilities

At March 31, 2007 and 2006, contingent liabilities were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
Guarantees of bank loans	**¥ 18**	¥ 20	**$ 153**

Notes to Consolidated Financial Statements

9. Derivative Financial Instruments

The Company and certain subsidiaries enter into derivative financial instruments ("derivatives"), including foreign currency forward contracts and currency swaps, to hedge foreign currency exchange risk associated with certain assets and liabilities denominated in foreign currencies. Additionally, the Company enters into interest rate swap agreements to manage its interest rate exposure on certain liabilities.

It is the Company and these consolidated subsidiaries' policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities. The Company does not hold or issue derivatives for trading purposes.

Because the counterparties to the derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

Under the Company's guidelines, the execution and control of derivatives are controlled by the Finance Headquarters. Each derivative transaction is reported to the General Manager of Finance Division, where evaluation and analysis of derivatives are made.

The fair value of the Company and a consolidated subsidiary's derivative financial instruments at Mach 31, 2007 and 2006 is as follows:

	Millions of Yen					
	2007			2006		
	Contract amount	Fair value	Unrealized gain(loss)	Contract amount	Fair value	Unrealized gain(loss)
Foreign currency swaps	**¥ 2,673**	**¥ 105**	**¥ 105**	¥ —	¥ —	¥ —
Foreign currency forward contracts:						
Pay US dollars/ Receive Japanese Yen	**—**	**—**	**—**	109	116	(7)

	Thousands of U.S. Dollars (Note1)		
	2007		
	Contract amount	Fair value	Unrealized gain(loss)
Foreign currency swaps	**$22,653**	**$ 890**	**$ 890**
Foreign currency forward contracts:			
Pay US dollars/ Receive Japanese Yen	**—**	**—**	**—**

The above transactions were entered into for the purpose of minimizing foreign exchange risks pertaining advances and accounts payable and receivable between the Company and the consolidated subsidiary.

Derivatives which qualify for deferral hedge accounting under which unrealized gain or loss is deferred as net assets with net of taxes at March 31, 2007 and as an assets or a liability at March 31, 2006, are excluded from market value information disclosure.

10. Leases

The Company and its consolidated subsidiaries lease certain machinery and equipment. Total rental expenses under these leases were ¥140 million (U.S. $1,186 thousand) and ¥145 million for the years ended March 31, 2007 and 2006, respectively.

Pro forma information relating to acquisition costs, accumulated depreciation and future minimum lease payments for property held under finance leases which do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006, is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Machinery and equipment	**2007**	2006	**2007**
Acquisition costs	**¥ 1,083**	¥ 1,128	**$ 9,178**
Accumulated depreciation	**746**	662	**6,322**
Net leased property	**¥ 337**	¥ 466	**$ 2,856**

Future minimum lease payments under finance leases as of March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
Due within one year	**¥ 131**	¥ 137	**$ 1,110**
Due after one year	**206**	329	**1,746**
Total	**¥ 337**	¥ 466	**$ 2,856**

The acquisition costs and future minimum lease payments under finance leases include imputed interest expense.

Depreciation expense which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method, would have been ¥140 million (U.S. $1,186 thousand) and ¥145 million for the years ended March 31, 2007 and 2006, respectively.

Obligations under non-cancelable operating leases as of March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
Due within one year	**¥ 4**	¥ 15	**$ 34**
Due after one year	**8**	1	**68**
Total	**¥ 12**	¥ 16	**$ 102**

11. Shareholders' Equity

On May 1, 2006, the new Corporation Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan, became effective.

The Corporate Law provides that an amount equal to 10% of dividends be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital depending on the equity account charged upon the payment of such dividends until the total of aggregated amount of additional paid-in capital and legal reserve equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions by resolution of the shareholders.

12. Severance Payments and Pension Plan

The following tables set forth the changes in benefit obligation, plan assets and funded status of the Company at March 31, 2007 and 2006.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
Projected benefit obligation	**¥ 11,606**	¥ 10,893	**$ 98,356**
Fair value of plan assets	**(6,453)**	(5,632)	**(54,687)**
Funded status:			
Benefit obligation in excess of plan assets	**5,153**	5,261	**43,669**
Unrecognized prior service cost	**—**	—	**—**
Unrecognized actuarial differences	**(399)**	(429)	**(3,381)**
Accrued pension liability recognized in the consolidated balance sheets	**¥ 4,754**	¥ 4,832	**$ 40,288**

Severance and pension costs of the Company for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
Service cost	**¥ 756**	¥ 686	**$ 6,407**
Interest cost	**209**	238	**1,771**
Expected return on plan assets	**(141)**	(135)	**(1,195)**
Amortization:			
Prior service cost	**—**	—	**—**
Actuarial losses	**101**	184	**856**
Net periodic benefit cost	**¥ 925**	¥ 973	**$ 7,839**

Assumption used in the accounting for the defined benefit plans for the years ended March 31, 2007 and 2006 is as follows:

	2007	2006
Method of attributing benefit to periods of service	**straight-line basis**	straight-line basis
Discount rate	**2.0%**	2.0%
Expected long-term rate of return on plan assets	**2.5%**	2.5%
Amortization period for actuarial losses	**10years**	10years

Accrued severance payments to directors and corporate auditors of Japan amounting to ¥438 million (U.S. $3,712 thousand) as of March 31, 2007 and ¥202 million as of March 31, 2006 were included in "Accrued pension and severance payments" in the accompanying consolidated balance sheets.

13. Research and Development Costs

Research and development costs for the years ended March 31, 2007 and 2006 were ¥1,880 million (U.S. $15,932 thousand) and ¥1,834 million, respectively.

14. Segment Information

Information by geographical area for the years ended March 31, 2007 and 2006 is summarized as follows:

(A) Geographical segment information

(1) Operating income(loss):

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
Japan			
Net sales: Customers	**¥ 46,296**	¥ 45,004	**$ 392,339**
Intersegment	**4,501**	3,685	**38,144**
	50,797	48,689	**430,483**
Operating expenses	**49,738**	48,183	**421,508**
Operating income	**1,059**	506	**8,975**
North America			
Net sales: Customers	**21,661**	17,574	**183,568**
Intersegment	**29**	15	**246**
	21,690	17,589	**183,814**
Operating expenses	**21,746**	18,091	**184,288**
Operating loss	**(56)**	(502)	**(474)**
Europe			
Net sales: Customers	**1,664**	920	**14,102**
Intersegment	**39**	15	**330**
	1,703	935	**14,432**
Operating expenses	**1,723**	1,093	**14,602**
Operating loss	**(20)**	(158)	**(170)**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
South Asia	**2007**	2006	**2007**
Net sales: Customers	**8,492**	7,376	**71,966**
Intersegment	**262**	104	**2,220**
	8,754	7,480	**74,186**
Operating expenses	**7,882**	6,416	**66,796**
Operating income	**872**	1,064	**7,390**
East Asia			
Net sales: Customers	**26,603**	20,753	**225,449**
Intersegment	**1,234**	921	**10,458**
	27,837	21,674	**235,907**
Operating expenses	**25,567**	19,887	**216,670**
Operating income	**2,270**	1,787	**19,237**
Total			
Net sales: Customers	**¥ 104,716**	¥ 91,627	**$ 887,424**
Intersegment	**6,065**	4,740	**51,398**
	110,781	96,367	**938,822**
Elimination	**(6,065)**	(4,740)	**(51,398)**
Consolidated net sales	**104,716**	91,627	**887,424**
Operating expenses	**106,656**	93,670	**903,864**
Elimination	**(5,977)**	(4,677)	**(50,652)**
Consolidated operating expenses	**100,679**	88,993	**853,212**
Operating income	**4,125**	2,697	**34,958**
Elimination	**(88)**	(63)	**(746)**
Consolidated operating income	**¥ 4,037**	¥ 2,634	**$ 34,212**

Note :
Each segment outside Japan represents the following nations and regions:
(1) North America................U.S.A. and Canada
(2) Europe...........................United Kingdom and Germany
(3) South Asia......................Singapore, Indonesia and Malaysia
(4) East Asia........................China, Hong Kong, Taiwan and Korea

(2) Assets:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
Japan	**¥ 56,309**	¥ 54,148	**$ 477,195**
North America	**14,772**	13,712	**125,186**
Europe	**809**	776	**6,856**
South Asia	**10,089**	8,875	**85,500**
East Asia	**37,270**	33,557	**315,848**
Sub-total	**119,249**	111,068	**1,010,585**
Net of elimination and common use assets	**3,640**	4,902	**30,847**
Total	**¥ 122,889**	¥ 115,970	**$1,041,432**

Note :
The common use assets included in the item "Net of elimination and common use assets" consist primarily of working assets (cash and marketable securities), and long-term investment (investment in securities and unconsolidated subsidiaries and affiliates) maintained for general corporate purposes, totaling ¥9,345 million (U.S. $79,195 thousand) at March 31, 2007 and ¥10,858 million March 31, 2006.

(B) Overseas sales

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
The Americas	**¥ 22,125**	¥ 17,798	**$ 187,500**
South Asia	**8,609**	7,443	**72,958**
East Asia	**25,149**	20,316	**213,127**
Other areas	**3,132**	2,155	**26,542**
Total	**¥ 59,015**	¥ 47,712	**$ 500,127**
Percentage of overseas sales to net sales	**56.4%**	52.1%	

Notes:
1. Overseas sales are the sum of export sales of the Company and net sales of consolidated subsidiaries to each segment after elimination of all intercompany transactions.

2. Each segment outside Japan represents the following nations and regions:
   (1) The Americas..........U.S.A., Canada, Argentina and Venezuela
   (2) South Asia ....Singapore, Philippines and Malaysia
   (3) East Asia................China , Hong Kong, Taiwan and Korea
   (4) Other areas............Europe and Middle East

15. Subsequent Event

The following appropriation of retained earnings at March 31, 2007 was approved at the annual meeting of shareholders held on June 27, 2007:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Cash dividends	**¥ 655**	**$ 5,551**

Report of Independent Auditors

The Board of Directors
Fujitec Co., Ltd.

We have audited the accompanying consolidated balance sheets of Fujitec Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets and cash flows for the years 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 audits.

We conducted our audits 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, expressed in Japanese yen, present fairly, in all material respects, the consolidated financial position of Fujitec Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles and practices generally accepted in Japan.

The amounts stated in U.S. dollars have been translated on the basis set forth in Note 1 to the consolidated financial statements.

Osaka, Japan

June 28, 2007

Yukoh Audit Corporation

YUKOH AUDIT CORPORATION

Consolidated 5-Year Summary

Fujitec Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen					Thousands of U.S. Dollars
	2007	2006	2005	2004	2003	**2007**
For the year:						
Net sales	**¥104,716**	¥ 91,627	¥ 92,704	¥ 93,237	¥ 97,938	**$ 887,424**
Domestic	**45,701**	43,915	48,413	48,536	45,507	**387,297**
Overseas	**59,015**	47,712	44,291	44,701	52,431	**500,127**
Operating income	**4,037**	2,634	3,792	3,735	4,335	**34,212**
Net income	**7,245**	1,021	1,896	1,385	1,863	**61,398**
Depreciation and amortization	**2,217**	1,763	1,727	1,992	2,051	**18,788**
Acquisition of property, plant and equipment	**6,790**	6,216	1,831	2,432	2,047	**57,542**
At year-end:						
Total assets	**¥122,889**	¥115,970	¥101,967	¥102,213	¥106,620	**$1,041,432**
Net assets	**71,786**	60,553	54,540	53,866	54,885	**608,356**
	Yen					U.S. Dollars
Per share of common stock:						
Net income	**¥ 77.32**	¥ 10.58	¥ 20.20	¥ 14.26	¥ 19.07	**$ 0.66**
Cash dividends	**12.00**	10.00	10.00	10.00	10.00	**0.10**
Net assets	**713.27**	646.41	582.37	574.52	585.04	**6.04**

Notes:
1. During FY 2005, the accounts of Fujitec (Malaysia) Sdn. Bhd., Fujitec India Private Ltd. (former FSP Elevators Private Ltd.) and Fujitec Maintenance (Singapore) Pte. Ltd., which are subsidiaries of Fujitec Singapore Corpn. Ltd., were newly included in the consolidation.
2. During FY 2006, the accounts of Fujitec Vietnam Co., Ltd., which is a subsidiary of Fujitec Singapore Corpn. Ltd., were newly included in the consolidation.
3. Net assets in FY 2003-2006 excude Minority Interests.
4. Net income (loss) per share amounts are computed based on the weighted average number of shares outstanding during each year. Bonuses to directors and corporate auditors are to be deducted from net income for purposes of the calculation in FY 2003-2006.
5. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥118 to U.S.$ 1.

GLOBAL NETWORK

The Americas

United States
Fujitec America, Inc.
R&D, manufacturing, marketing, installation and maintenance

Canada
Fujitec Canada, Inc.
Marketing, installation and maintenance

Venezuela
Fujitec Venezuela C.A.
Marketing, installation and maintenance

Argentina
Fujitec Argentina S.A.
Marketing, installation and maintenance

Guam
Fujitec Pacific, Inc.
Marketing, installation and maintenance

Overseas Liaison Offices

Beijing, Dubai and Montevideo

Japan

Fujitec Co., Ltd.
R&D, manufacturing, marketing, installation and maintenance

South Asia

Singapore
Fujitec Singapore Corpn. Ltd.
R&D, manufacturing, marketing, installation and maintenance

Fujitec maintenance (Singapore) Pet. Ltd.
installation and maintenance

Malaysia
Fujitec (Malaysia) Sdn. Bhd.
Marketing, installation and maintenance

Indonesia
P. T. Fujitec Indonesia
Manufacturing, installation and maintenance

Vietnam
Fujitec Vietnam Co., Ltd.
Marketing, installation and maintenance

Philippines
Fujitec, Inc.
Marketing, installation and maintenance

India
Fujitec India Private Ltd.
Marketing, installation and maintenance

East Asia

China
Huasheng Fujitec Elevator Co., Ltd.
Manufacturing, marketing, installation and maintenance

Shanghai Huasheng Fujitec Escalator Co., Ltd.
Manufacturing, marketing, installation and maintenance

Fujitec Shanghai Technologies Co., Ltd.
Research and development

Fujitec Shanghai Sourcing Center Co., Ltd.
Procurement and Manufacturing

Hong Kong
Fujitec (HK) Co., Ltd.
Manufacturing, marketing, installation and maintenance

Taiwan
Fujitec Taiwan Co., Ltd.
Manufacturing, marketing, installation and maintenance

Korea
Fujitec Korea Co., Ltd.
Manufacturing, marketing, installation and maintenance

Europe and Middle East

Germany
Fujitec Deutschland GmbH
Marketing, installation and maintenance

United Kingdom
Fujitec UK Ltd.
Marketing, installation and maintenance

Saudi Arabia
Fujitec Saudi Arabia Co., Ltd.
Marketing, installation and maintenance

Egypt
Fujitec Egypt Co., Ltd.
Marketing, installation and maintenance

Board of Directors

Chairman Kenji Otani

President and Chief Executive Officer
Takakazu Uchiyama*

Directors
Akira Sumimoto
Iwataro Sekiguchi
Katsuhiro Harada
Toshiyuki Matsubara
Kunihiko Sawa
Yasuo Hanakawa
Kazuo Inaba

*Representative director

Corporate Auditors
Masakazu Kawai
Susumu Monma
Masanobu Nakano

(As of June 27, 2007)

Shareholders' Information

Fujitec Co., Ltd.
Big Wing, Hikone,
Shiga 522-8588, Japan
Telephone: +81-749-30-6650
Facsimile: +81-749-30-7057

Date of Establishment
February 9, 1948

Paid-in Capital
¥12,533,933,095

Common Stock
Authorized: 300,000,000 shares
Issued: 93,767,317 shares
Number of shareholders: 3,805

Major Shareholders

	Number of shares held (Thousands)	Shareholding ratio(%)
Uchiyama International, Limited	10,025	10.69%
Mellon Bank Treaty Clients Omnibus	8,237	8.78%
The Master Trust Bank of Japan, Ltd.	5,782	6.16%
Fuji Electric Holdings Co., Ltd.	5,089	5.42%
CGML-London-Equity	4,674	4.98%
Credit Suisse Zurich	4,545	4.84%
Resona Bank, Ltd.	4,203	4.48%
Japan Trustee Services Bank, Ltd.	3,710	3.95%
Northern Trust Co. (AVFC) Sub A/C Non Treaty	2,255	2.40%
Morgan Stanley & Co. International Limited	2,039	2.17%

Annual Meeting of Shareholders
The annual meeting of shareholders of the Company is normally held in June each year in Hikone, Shiga, Japan.

Stock Exchange Listings
Tokyo and Osaka stock exchanges

Transfer Agent
The Chuo Mitsui Trust and Banking Company, Limited
Stock Transfer Agency Department
33-1, Shiba 3-chome, Minato-ku,
Tokyo 105-8574, Japan
Business office:
The Chuo Mitsui Trust and Banking Company, Limited
Osaka Branch
Stock Transfer Agency Department
2-21, Kitahama 2-chome, Chuo-ku,
Osaka 541-0041, Japan
Telephone: +81-6-6202-7361

Auditors
Yukoh Audit Corporation

(As of March 31, 2007)

FUJITEC CO.,LTD.

http://www.fujitec.com

Printed in Japan on 100% recycled paper with soy ink