

To Our Shareholders

Summary

Through the establishment of an integrated framework for development and production in Shiga Prefecture, Fujitec will strive to secure a stable earnings base that will allow its business to expand and advance.

Operating environment for the fiscal year ended March 2005: soaring raw material prices affected profitability, despite the signs of market improvement.

In the fiscal year ended March 31, 2005, the global economy grew strong overall, due to favorable economic conditions in the U.S., sustained high economic growth in China, and a gradual recovery in the European economy. However, during the second half of the year, rising oil and raw material prices impacted economic growth worldwide.

Against this backdrop, the elevator industry, where we are principally involved, faced a challenging

environment. Although demand from both the office and residential sectors in the North American market showed improvement, profitability was affected by soaring oil and raw material prices.

In Asia, the Chinese market continued to expand on the back of booming demand from large-scale residential development businesses, but policies to restrain investments and to hike the price of steel had a negative impact on profits.

Likewise, conditions in Japan remained severe as solid demand for elevators from the high-rise residential segment and recovering large-scale commercial facilities and factories still failed to compensate for the decline in the market's public sector segment.



Results for fiscal 2005: improvement measures to build a more profitable organization were successfully implemented, despite a marginal drop in income.

The Company faced a challenging operating environment in fiscal 2005, particularly for expanding net sales. Nevertheless, as outlined in our mid-term business plan, we are working to stabilize a solid foundation for earnings as one element of our management vision. To this end, we aim to make Fujitec an organization that can steadily generate earnings rather than merely increase sales alone.

These efforts yielded results in fiscal 2005. Despite a slight decrease in net sales, operating income, ordinary profit, and net income all posted year-on-year increases.

Consolidated net sales edged down 0.6 percent from the previous fiscal year to ¥92,704 million. This was attributable primarily to the effects of the stronger yen on overseas operations, although both domestic and overseas sales were held to only marginal declines. Operating income rose 1.5 percent to ¥3,792 million, due to cost-reducing efforts. With the added impact of improved net financial items and a foreign currency exchange gain caused by the weaker yen during the first half, net income increased 36.9 percent to ¥1,896 million.



“Change & Charge”: Fujitec’s Management Vision

Promoting Specific Measures to Attain the Goals of the Mid-term Business Plan

In fiscal 2006, we will enter the second year of “Change & Charge,” our mid-term business plan. During the year, we hope to make another stride forward by delivering the solid results necessary to attain the goals set out for the final year of the plan. In particular, we will focus on offering the industry’s best selling products, a key element of the management vision outlined in the plan. As an integrated elevator manufacturer, we will do our best to rise above fierce competition by creating cutting-edge, proprietary technologies and quickly launching high value-added products.

To achieve this, we are currently constructing a new Product Development Center within the premises of the Shiga Plant, which boasts a large area of approximately 150,000m². This Center promises to develop highly original technologies that only Fujitec can deliver. We are also building a Second Plant on the same premises, which will sustain an annual production capacity of 5,000 elevator units when combined with those of the existing plants. Named “Big Wing,” these new facilities integrate all stages from product development to manufacturing and will become a core operating base for Fujitec’s business. Construction of these facilities has been under way at a rapid pace following the groundbreaking ceremony on May 9, 2005.

The Product Development Center also features a 170 meter-high elevator tower for research purposes, the tallest of its kind in the world. With the ability to conduct tests for ultra-fast models with a speed of 1,000 meters per minute, the tower will be an added asset to improve the comfort, quietness, and reliability of Fujitec elevators.

By concentrating our management resources in Shiga, we are aiming to deliver new corporate value and expand and advance our business to a higher level.

China: the Most Promising Strategic Market

Global demand for elevators remains challenging. All the same, eyes are set on China as the world’s most promising market. With a growth rate of 9.5 percent in 2004, the economic development of China stands out among all other countries in the world. In the elevator industry, the market in China has been expanding at an annual rate of 10-15 percent. By 2004, the Chinese elevator market had reached colossal proportions, with annual sales volume exceeding 80,000 units.

In line with this trend, China accounts for over half of Fujitec's net sales in East Asia. Currently, Huasheng Fujitec Elevator Co., Ltd., an elevator plant located in the suburbs of Beijing, and Shanghai Huasheng Fujitec Escalator Co., Ltd., specializing in the manufacture of escalators in Shanghai, are both running at full capacity. We are confident that these production sites will continue to contribute to higher sales.

Not limiting ourselves to manufacturing functions, we are currently building the Shanghai R&D Center to conduct cutting-edge R&D activities on elevators and other products. When finished, this new facility will collaborate with the "Big Wing," our product development and manufacturing center in Shiga Prefecture, to offer high value-added products and technologies that will lead the industry and respond quickly to changing demands in the global market.

Outlook: Attaining the Goals of the Mid-Term Business Plan

Fiscal 2006 marks the second year of "Change & Charge," our mid-term business plan—a critical phase in which we will endeavor wholeheartedly to realize all three elements of the management vision outlined in the plan by reinforcing our business foundation. By fully leveraging our management resources and improving management efficiency, we will build a stable earnings base on an even higher level. At the same time, we will continue to deliver the best products and services that satisfy customer needs.

The completion of the Product Development Center and the Second Plant in Shiga, a key element to support the mid-term plan, will give Fujitec a new operating base equipped with state-of-the-art facilities. Building on this foundation, we will strive to achieve greater earnings and create superior corporate value.

I ask for your continued support as we work to attain these goals.

July 31, 2005



Takakazu Uchiyama
President and Chief Executive Officer