

» To Our Shareholders

Summary

Regarding the "Regeneration for Quality" Mid-term Business Plan, First Fiscal Year Report, and Current Fiscal Year Action Goals.

We will carry out a new regeneration plan on our 60th anniversary to achieve further growth and prosperity.

Takakazu Uchiyama President and Chief Executive Officer

Aiming toward further growth as the company celebrates its 60th anniversary

Fujitec Co., Ltd. began as a specialized manufacturer of elevators in 1948, so this year marks our 60th year in business. I believe 2008 is a crucial year that will set the stage for the next 60 years.

Looking back on our 60 year history, it is clear how Fujitec's founder aimed to establish comfortable people-moving technologies for the urban environment. He also had the foresight to conduct business based on the belief that the world forms a single marketplace. It is therefore no surprise that our business now extends from Japan to East Asia, South Asia, North America, South America, Europe and the Middle East. We currently have business outlets or production bases in 20 countries and regions around the world.

Superior technologies and products, a globally networked system and strong ties with customers that have been built over the years have propelled the company for these past six decades.

Last year, problems, such as insufficient strength of steel products, caused a great deal of trouble to our customers and users. We are taking measures to ensure that such problems never happen again and are working to completely guarantee quality so that everyone can use our products with peace of mind.

World situation and business environment in the 61st fiscal year.

The past fiscal year saw a slowdown in the global economy brought on by the stagnant housing market in the United States and confusion prevailing in the financial markets. China continued its rapid growth, while the economies in other Asian countries and Europe leaned toward a slowdown, but demand in the global marketplace has still been firm overall.

Under these circumstances, in the elevator and escalator industry, which applies to Fujitec, demand for products declined for residential buildings in the North American market, but remained stable for office buildings and commercial facilities. Whereas in Asia, the vigorous demand for our products continued due primarily to a burgeoning housing boom in China. In Singapore and other parts of South Asia, economic expansion has led to greater demand.

The Japanese economy continues its overall recovery, but a sharp decline in housing investment has cast a shadow over capital investment and signs of an economic slowdown have intensified. In the Japanese market, the number of public works continued to shrink, and in the private sector there was a significant decline in the number of condominium projects as a result of stricter structural codes and inspections imposed by the newly amended Building Standard Law. However, demand from shopping centers and other commercial facilities continues to show steady growth. In terms of profits, price wars and the continuing rise in prices of raw materials have made the current situation more difficult than before.



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Operating results for the 61st fiscal year

In the last fiscal year, domestic sales increased 5.9% from the previous year. Overseas sales increased 5.5% from the previous year due to increased demand in South Asia and East Asia and the depreciation of the Japanese yen during the year. As a result, consolidated net sales increased by 5.6% to ¥110,632 million.

Operating income decreased in East Asia but increased in Japan and South Asia, while an operating profit finally turned into the black in North America and Europe. As a result, operating income rose 9.7% from the previous year to ¥4,428 million. Other income/expenses were affected by a foreign currency exchange loss due to the rapid appreciation of the yen toward the year end, so the net of other income/expenses did not exceed more than ¥297 million.

In special items, without a profit of ¥7,837 million from the sale of the former Osaka Plant site in the previous year, and with a direct costs of ¥397 million related to reinforcement work for elevators identified as having insufficient strength, income before income taxes and minority interests decreased by ¥7,058 from the previous year to ¥4,381 million.

As a result, net income totaled ¥2,219 million, a decrease of ¥5,026 million from the previous year.

Actively carrying out an innovative plan in the 2nd year of our three-year business plan

Starting in fiscal 2007, Fujitec implemented a new three-year mid-term business plan called "Regeneration for Quality." The last year, because it coincides with the 60th anniversary of the Company's founding, we are actively promoting an innovative plan aimed at entering markets with new products and developing new business strategies.

More specifically, we are reorganizing in order to expand sales. In April 2008 we began selling our XIOR line of new standard model elevators, which replaces all of our standard models with new specifications. These products place a high priority on Safety & Security

and they have all been upgraded in terms of performance, functions and quality. Company-wide, we will put all of our energies and resources into expanding sales of these new products. Our goal is to reach orders for a total of 4,000 elevators - 3,000 standard units and 1,000 order-made units in fiscal 2009, the final fiscal year of the three-year mid-term business plan.

In establishing an organization under a dual head office system, the Tokyo Head Office, opened in Mita, Minato Ward in February 2008, together with "Big Wing" in Hikone, Shiga so that we will be able to boost our marketing and sales capacity. We aim to expand sales further in the Tokyo metropolitan area, which is the largest market in Japan. We will actively collect and disseminate information of all kinds, and will further raise the public recognition of Fujitec brand.

Another major project is the rebuilding of our escalator production base and field training center. The escalator production facility is located in Toyooka, Hyogo Prefecture. To boost production and strengthen R&D functions, we are setting up an integrated system to achieve rapid response from development through to production. For business growth, Fujitec is constructing a new office building and plant that will be completed in the autumn of 2009, to be named "Big Step."

At the company's former head office in Ibaraki, Osaka, the Field Engineering Research Institute and Field Training Center were established to improve technologies and educate and train personnel in field service functions such as installation and maintenance. These will be merged with the Modernization sector, Remote Monitoring Center and Parts Center to create "Big Fit" for the establishment of sophisticated field engineering.

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Aiming to boost profits in the global marketplace with a focus on building the Chinese market

In the global marketplace we will implement sales and business strategies aiming at boosting profits, while taking advantage of the Fujitec group's global synergy and mobile power. In particular, we will be strengthening our business activities in China, where high growth continues unabated, by working hard to expand our share in that market.

In May 2007, Shanghai Huasheng Fujitec completed a new escalator plant and the company continues to expand its production system steadily to meet the burgeoning demand in China and the rest of the world. The GS-NX Series that was released in Japan in April 2008 is a global standard product that was developed jointly with Shanghai Huasheng Fujitec and aims to win a growing share of both the Japanese market and the global market.

Huasheng Fujitec, our elevator production base in China, has been receiving orders from large-scale residential projects one after another, which has enabled it to expand its elevator production system with the goal of producing 10,000 units annually.

Demand is also rising in India and in Middle Eastern countries, where Fujitec is putting a great deal of energy into sales activities. In India, the current elevator demand is about the same as the demand in Japan, and this demand is expected to be more than double in the future. Thus, we have moved the head office of Fujitec India to the largest city in South India, Chennai, and opened Engineering Centre to further expand the technical division and aim for further growth in the Indian market.

Regarding the company's outlook

This year is the second year of our three-year mid-term business plan. We wish to quickly recover the trust of our clients lost as a result of various problems in the first year and will do our utmost to restore business results and achieve our targeted figures. As this is our 60th anniversary, Fujitec is positioning this year as a "Year of Regeneration" for a leap into the next age.

To this end, we are putting energy into restructuring by setting up a dual head office system, launching new products to boost sales and rebuilding the escalator manufacturing and field service sectors. We are also further building sales in the modernization area to increase profits and boost our corporate value. Our aim is to achieve an 8% operating profit rate in fiscal 2009, the final fiscal year of the plan.

Having reached our 60th year in business, we are re-examining the fundamentals of manufacturing and pursuing total quality in all of our business activities. Top priority will be placed on safety and security in the supply of Fujitec elevators and escalators. I would like to ask all of our shareholders, once again, for your continued support in the future.

June 28, 2008



Takakazu Uchiyama
President and Chief Executive Officer