

» 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, 2008, consolidated net sales increased 5.6 percent to a record ¥110,632 million (US\$1,106 million). This was due to a 5.9 percent increase in domestic net sales, and a 5.5 percent rise in overseas net sales in South Asia, East Asia and the Japanese yen's depreciation during the year.

By geographic segment, net sales in Japan rose 3.5 percent to ¥52,597 million (US\$526 million), reflecting a slight increase in new construction work as well as a rise in modernization and repair work. In North America, a selective reception of orders on new construction projects led to a 2.7 percent decline in net sales to ¥21,098 million (US\$211 million). In Europe, net sales climbed 6.2 percent to ¥1,808 million (US\$18 million). In South Asia, both new construction work and renewal work grew, supported by a recovery in construction investment centered on housing and commercial facilities. Consequently, net sales were up 29.3 percent to ¥11,317 million (US\$113 million). East Asia, meanwhile, saw net sales grow 6.1 percent to ¥29,522 million (US\$295 million) on the back of growth primarily in China, where demand for housing development was vigorous.

As a result of the above, the ratio of overseas sales to consolidated net sales declined by 0.1 percentage point from 56.4 percent in the previous fiscal year, to 56.3 percent.

Operating income rose 9.7 percent to ¥4,428 million (US\$44 million). Despite falling sales prices due to price competition and rises in prices of steel and other raw materials, the rise in net sales outweighed increases in cost of sales and selling, general and administrative (SG&A) expenses. By region operating income in Japan grew 17.2 percent to ¥1,241 million (US\$12 million) due to the rise in net sales and a decline in the SG&A expenses ratio. In North America, operating losses in the previous fiscal year turned profitable, resulting in operating income of ¥39 million (US\$0.39 million). In Europe, the previous fiscal year's operating losses also turned profitable, mainly due to a reduction in fixed costs, leading to operating income of ¥65 million (US\$0.65 million). In South Asia, operating income surged 29.8 percent to ¥1,132 million (US\$11 million), reflecting the increase in net sales of new installation and renewal work. However, in East Asia, operating income fell 14.8 percent to ¥1,933 million (US\$19 million) mainly in response to a drop in sales prices stemming from intensifying competition and a steep rise in raw material prices.

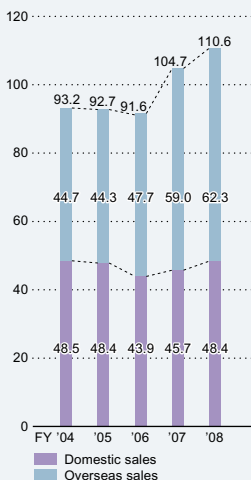
Other income (expenses) resulted in net income decreasing by ¥439 million (US\$44 million) from ¥735 million (US\$74 million) in the previous fiscal year to ¥296 million (US\$30 million). This was mainly due to a foreign currency exchange loss caused by the sharp yen's appreciation toward the fiscal year end.

In special items, without a profit of ¥7,837 million (US\$78 million) from the sale of the former Osaka Plant site in the previous year, and with a direct cost of ¥397 million (US\$4 million) related to reinforcement work for elevators identified as having insufficient strength, income before income taxes and minority interests decreased by ¥7,058 million (US\$71 million) from the previous year to ¥4,381 million (US\$44 million).

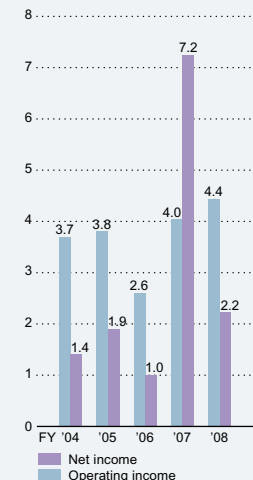
With regard to income taxes, deferred income tax adjustments decreased without adjustments associated with a profit from the sale of the former Osaka Plant site in the previous fiscal year to ¥727 million (US\$7 million) from ¥2,770 (US\$28 million).

As a result, net income totaled ¥2,219 Million (US\$22 million), a decrease of ¥5,026 million (US\$50 million) from the previous year.

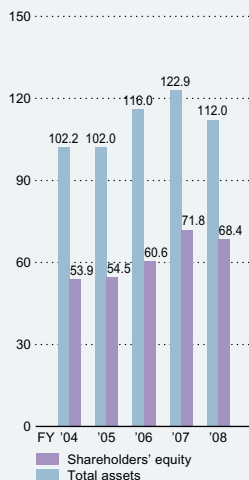
Domestic sales and overseas sales
(Billion ¥)



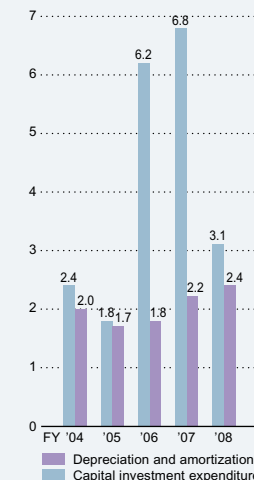
Operating income and net income
(Billion ¥)



Total assets and net assets
(Billion ¥)



Capital investment expenditure, depreciation and amortization
(Billion ¥)



Financial Position

Total assets as of March 31, 2008 were ¥112,043 million (US\$1,120 million), representing a decrease of 8.8 percent from the previous fiscal year-end. Current assets stood at ¥66,981 million (US\$670 million), down 11.7 percent year on year, primarily due to a decrease of cash and cash equivalents by the repayment of short term debt and the collection of the remaining proceeds from the sale of the site of the former Osaka plant as other current assets. In addition, fixed assets declined 4.2 percent year on year to ¥45,061 million (US\$450 million) mainly due to a decrease in gross unrealized gains on investment securities associated with declines in stock markets.

Total liabilities as of March 31, 2008 stood at ¥43,687 million (US\$437 million), a decrease of 14.5 percent from a year ago. This was mainly due to a 15.3 percent decline in current liabilities to ¥36,017 million (US\$360 million) caused by a decrease in short-term debt. Long-term liabilities declined 10.6 percent to ¥7,669 million (US\$77 million), which primarily reflected the transfer of the current portion of long-term debt (due within one year) to current liabilities. Net assets, including minority interests, declined 4.8 percent from the previous fiscal year-end to ¥68,355 million (US\$684 million). This decline mainly reflected a decrease in net unrealized gains on securities and an increase in the amount of deduction of foreign currency translation adjustments.

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 the year end, the value of outstanding short-term loans was ¥8,272 million (US\$83 million). Long-term finance for capital investment is procured through long-term loans. The outstanding balance of long-term loans excluding the current portion at the end of the period was ¥1,000 million (US\$10 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, issue 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.

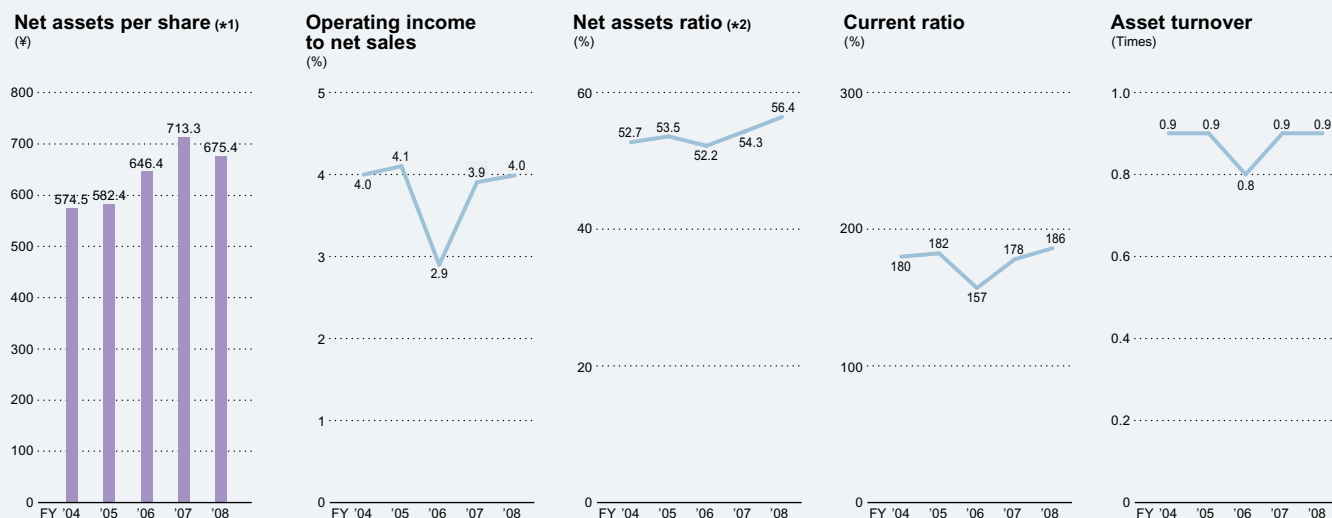
Cash Flows

Net cash generated by operating activities was ¥3,453 million (US\$35 million), ¥659 million less than in the previous fiscal year. This primarily reflected cash inflows comprising income before income taxes and minority interests of ¥4,381 million (US\$44 million) and depreciation and amortization of ¥2,375 million (US\$24 million) versus cash outflows comprising an increase in trade notes and accounts receivable of ¥1,554 million (US\$16 million) associated with higher sales in the fourth quarter and payment of income taxes amounting to ¥1,183 million (US\$12 million).

Net cash provided by investing activities was ¥2,675 million (US\$27 million), a ¥5,701 million (US\$57 million) reversal of net cash used in the previous year. Cash inflows comprising ¥3,340 million (US\$33 million) in proceeds from sale of property, plant and equipment, including the proceeds from the sale of the site of the former Osaka plant of ¥3,331 million (US\$33 million), and a net cash inflow from time deposit withdrawal (with deposit term of over 3 months) of ¥3,560 million (US\$36 million) outweighed cash outflows comprising acquisitions of property, plant and equipment of ¥3,049 million (US\$30 million) and an investment of ¥737 million (US\$7 million) in Fujitec Shanghai Sourcing Center Co., Ltd. (Shanghai Sourcing Center), which is promoting the procurement of components and materials in China.

Net cash used in financing activities was ¥6,594 million (US\$66 million), an increase of ¥4,381 million compared to the previous fiscal year. The main uses of cash were a ¥4,583 million (US\$46 million) net decrease in short-term debt and the payment of interest and cash dividends paid.

As a result of the foregoing, cash and cash equivalents totaled ¥16,866 million (US\$169 million) as of March 31, 2008, ¥1,969 million (US\$20 million) less than at the previous fiscal year-end.



*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, 2008 and 2007

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Current assets:			
Cash and cash equivalents.....	¥ 16,866	¥ 18,836	\$ 168,660
Time deposits	795	4,481	7,950
Trade notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	164	100	1,640
Other	29,885	29,884	298,850
Allowance for doubtful accounts	(377)	(435)	(3,770)
	<u>29,672</u>	<u>29,549</u>	<u>296,720</u>
Inventories (Note 4)	17,211	16,965	172,110
Deferred income taxes (Note 6)	981	468	9,810
Other current assets	1,457	5,534	14,570
Total current assets	<u>66,982</u>	<u>75,833</u>	<u>669,820</u>
Investments and long-term loans:			
Investments in Unconsolidated subsidiaries and affiliates	2,129	1,290	21,290
Investment securities (Note 3)	6,074	8,065	60,740
Long-term loans	1,928	1,931	19,280
	<u>10,131</u>	<u>11,286</u>	<u>101,310</u>
Property, plant and equipment, at cost:			
Buildings.....	23,292	23,081	232,920
Machinery and equipment	16,891	16,739	168,910
	<u>40,183</u>	<u>39,820</u>	<u>401,830</u>
Accumulated depreciation	(19,107)	(18,156)	(191,070)
	<u>21,076</u>	<u>21,664</u>	<u>210,760</u>
Land	6,914	6,964	69,140
Construction in progress	414	480	4,140
	<u>28,404</u>	<u>29,108</u>	<u>284,040</u>
Other assets:			
Deferred income taxes (Note 6)	58	69	580
Goodwill	1,944	2,237	19,440
Intangible assets	1,872	1,929	18,720
Other	2,652	2,427	26,520
	<u>¥112,043</u>	<u>¥122,889</u>	<u>\$ 1,120,430</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Current liabilities:			
Short-term debt (Note 7)	¥ 8,273	¥ 13,140	\$ 82,730
Current portion of long-term debt (Note 7)	800	—	8,000
Trade notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	30	58	300
Other	11,657	12,479	116,570
Advances from customers	6,394	6,161	63,940
Accrued income taxes (Note 6)	486	807	4,860
Accrued bonuses	1,355	1,230	13,550
Provision for losses on contracts	909	1,123	9,090
Other current liabilities	6,114	7,524	61,140
Total current liabilities	36,018	42,522	360,180
Long-term debt (Note 7)	1,003	1,805	10,030
Deferred income taxes (Note 6)	1,781	1,584	17,810
Accrued pension and severance payments (Note 12)	4,450	5,192	44,500
Retirement benefits for directors and corporate auditors	406	—	4,060
Other long-term liabilities	29	—	290
Total liabilities	43,687	51,103	436,870
Contingent liabilities (Note 8)			
Net assets:			
Shareholders' equity (Note 11)			
Common stock, no par value;			
Authorized: 300,000,000 shares			
Issued: 93,767,317 shares at March 31, 2008 and 2007	12,534	12,534	125,340
Additional paid-in capital	14,566	14,566	145,660
Retained earnings	48,710	47,622	487,100
Treasury stock at cost: 166,824 shares at March 31, 2008 and			
153,577 shares at March 31, 2007	(116)	(106)	(1,160)
Total shareholders' equity	75,694	74,616	756,940
Valuation and translation adjustments			
Net unrealized gains on securities	1,404	2,917	14,040
Deferred gain on hedge transactions	1	—	10
Foreign currency translation adjustments	(13,882)	(10,756)	(138,820)
Total valuation and translation adjustments	(12,477)	(7,839)	(124,770)
Minority interests	5,139	5,009	51,390
Total net assets	68,356	71,786	683,560
Total net assets	¥112,043	¥122,889	\$1,120,430

Consolidated Statements of Income

Fujitec Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Net sales	¥ 110,632	¥ 104,716	\$ 1,106,320
Cost and expenses:			
Cost of sales	90,213	85,172	902,130
Selling, general and administrative expenses	15,991	15,507	159,910
	106,204	100,679	1,062,040
Operating income	4,428	4,037	44,280
Other income (expenses):			
Interest and dividend income	1,140	1,022	11,400
Interest expense	(419)	(487)	(4,190)
Foreign currency exchange (loss) gain	(398)	169	(3,980)
Other, net	(26)	31	(260)
	297	735	2,970
Special items:			
Gain on sales of property, plant and equipment	3	7,907	30
Loss on disposal and sales of property, plant and equipment	(54)	(709)	(540)
Write-down of investment securities	(10)	(469)	(100)
Loss from reinforcement work for products	(397)	—	(3,970)
Reversal of loss on impairment of long-lived assets	—	38	—
Other, net	114	(100)	1,140
	(344)	6,667	(3,440)
Income before income taxes and minority interests	4,381	11,439	43,810
Income taxes (Note 6):			
Current	928	878	9,280
Deferred	727	2,770	7,270
	1,655	3,648	16,550
Income before minority interests	2,726	7,791	27,260
Minority interests in net income of consolidated subsidiaries	507	546	5,070
Net income	¥ 2,219	¥ 7,245	\$ 22,190
Per share:			
Net income, based on the weighted average number of shares outstanding	¥ 23.66	¥ 77.32	\$ 0.24
Cash dividends, applicable to the year	12.00	12.00	0.12

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, 2008 and 2007

	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, 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
Net income	—	—	—	2,219	—	—	—	—	—	2,219
Cash dividends	—	—	—	(1,123)	—	—	—	—	—	(1,123)
Staff and workers' bonus and welfare fund	—	—	—	(6)	—	—	—	—	—	(6)
Treasury stock acquired, net ...	—	—	—	—	(10)	—	—	—	—	(10)
Decrease by a newly consolidated subsidiary	—	—	—	(2)	—	—	—	—	—	(2)
Other changes	—	—	—	—	—	(1,513)	1	(3,126)	130	(4,508)
Balance at March 31, 2008 ...	93,767	¥12,534	¥14,566	¥48,710	¥ (116)	¥ 1,404	¥ 1	¥ (13,882)	¥ 5,139	¥68,356
		0	0	0	0	0		0		

	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, 2007 ...	93,767	\$125,340	\$145,660	\$476,220	\$(1,060)	\$29,170	\$ —	\$(107,560)	\$50,090	\$717,860
Net income	—	—	—	22,190	—	—	—	—	—	22,190
Cash dividends	—	—	—	(11,230)	—	—	—	—	—	(11,230)
Staff and workers' bonus and welfare fund	—	—	—	(60)	—	—	—	—	—	(60)
Treasury stock acquired, net ...	—	—	—	—	(100)	—	—	—	—	(100)
Decrease by a newly consolidated subsidiary	—	—	—	(20)	—	—	—	—	—	(20)
Other changes	—	—	—	—	—	(15,130)	10	(31,260)	1,300	(45,080)
Balance at March 31, 2008 ...	93,767	\$125,340	\$145,660	\$487,100	\$(1,160)	\$14,040	\$ 10	\$(138,820)	\$51,390	\$683,560

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, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 4,381	¥ 11,439	\$ 43,810
Depreciation and amortization	2,375	2,217	23,750
(Benefit) provision for allowance for doubtful accounts	(56)	173	(560)
Provision for bonuses to employees	121	202	1,210
Benefit for losses on contracts	(75)	(232)	(750)
Interest and dividend income	(1,140)	(1,022)	(11,400)
Interest expense	419	487	4,190
Write-down of investment securities	10	469	100
Gain on sales of property, plant and equipment	(3)	(7,907)	(30)
Increase in trade notes and accounts receivable	(1,555)	(2,331)	(15,550)
(Increase) decrease in inventories	(631)	1,024	(6,310)
(Decrease) increase in trade notes and accounts payable	(373)	1,969	(3,730)
Increase (decrease) in advances from customers	385	(967)	3,850
Other, net	779	593	7,790
Sub-total	4,637	6,114	46,370
Payment for employees' early retirement program	—	(1,187)	—
Payment of income taxes	(1,183)	(814)	(11,830)
Net cash provided by operating activities	3,454	4,113	34,540
Cash flows from investing activities:			
Decrease (increase) in time deposits, net	3,560	(3,938)	35,600
Acquisitions of property, plant and equipment	(3,050)	(6,790)	(30,500)
Proceeds from sale of property, plant and equipment	3,340	5,367	33,400
Payment for purchase of investment securities	(482)	(33)	(4,820)
Investment in unconsolidated subsidiaries	(737)	(214)	(7,370)
Payment for long-term loans	(18)	(132)	(180)
Collections on long-term loans	11	1,788	110
Proceeds from interest and dividend income	1,162	971	11,620
Other, net	(1,110)	(45)	(11,100)
Net cash used in investing activities	2,676	(3,026)	26,760
Cash flows from financing activities:			
Increase in short-term debt, net	(4,584)	1,708	(45,840)
Repayment of long-term debt	—	(2,100)	0
Payment of interest	(430)	(437)	(4,300)
Cash dividends paid	(1,123)	(937)	(11,230)
Cash dividends paid to minority shareholders	(447)	(327)	(4,470)
Other, net	(10)	(120)	(100)
Net cash (used in) provided by financing activities	(6,594)	(2,213)	(65,940)
Effect of exchange rate changes on cash and cash equivalents	(1,523)	292	(15,230)
Net (decrease)increase in cash and cash equivalents	(1,987)	(834)	(19,870)
Cash and cash equivalents at beginning of year	18,836	19,670	188,360
Cash and cash equivalents increased by a newly consolidated subsidiary	17	—	170
Cash and cash equivalents at end of year	¥ 16,866	¥ 18,836	\$ 168,660

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, 2008 and 2007

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 Financial Instruments 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 ¥100=U.S. \$1, the approximate effective rate of exchange at March 31, 2008. 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 ¥100=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 seventeen 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)
FSP Pte. Ltd. (former 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, Inc. (Philippines)
Huasheng Fujitec Elevator Co., Ltd. (China)
Shanghai Huasheng Fujitec Escalator Co., Ltd. (China)
Fujitec (HK) Co., Ltd. (Hong Kong)
Rich Mark Engineering Limited (Hong Kong)
Fujitec Taiwan Co., Ltd. (Taiwan)
Fujitec Korea Co., Ltd. (Korea)

The accounts of Fujitec, Inc. (Philippines) were newly included in consolidation, effective January 1, 2007, due to an acquisition of the major ownership by a consolidated subsidiary, Fujitec Singapore Corpn. Ltd.

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 significant 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 investment is judged to be material, and other than temporary, the carrying value of the individual investment 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 their balance sheet dates. When a significant change in exchange rate occurs between the foreign consolidated subsidiaries' balance sheet date and the consolidated balance sheet date, their assets and liabilities are translated into Japanese yen at the exchange rates in effect at the consolidated balance sheet date. The items of shareholders' equity are translated at the historical rates at the dates of acquisition, and profit and loss accounts are translated into Japanese yen at the annual average rates.

Any resulting Foreign currency 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 and affiliates

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, or other securities that are not classified in any of the above categories.

Held-to-maturity debt securities are stated at amortized cost. 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. 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 has in the past accrued the unfunded retirement liability for a lump-sum benefit for directors and corporate auditors of the Company based on the established guidelines and the payment of such benefits was subject to approval at the shareholders' meeting. The annual meeting of shareholders held on June 27, 2007 abolished the retirement benefit plan for directors and corporate auditors as of the meeting date, and further resolved to make payments corresponding to their terms of office up to June 27, 2007 to all directors and corporate auditors currently in office at the time of their retirement.

Consequently, liabilities for retirement benefits for directors and corporate auditors amounting to ¥406 million (U.S. \$4,060 thousand) were reclassified to "Retirement benefits for directors and corporate auditors" in the accompanying balance sheet as of March 31, 2008.

(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. Forward foreign exchange contracts, foreign currency swap contracts 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 forward foreign exchange 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 swap contracts are utilized to hedge interest rate exposure of long-term debt. The interest rate swap contracts, which qualify for deferral hedge accounting and meet specific matching criteria, are not remeasured at market value instead 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.

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

For the purposes of reporting on the consolidated statement of cash flows, the Companies consider all cash accounts and all highly liquid debt instruments purchased with an original maturity 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 this 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 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 Bonuses" (Statement No. 4 issued by Accounting Standards Board of Japan on November 29, 2005).

(S) Change in accounting policy and supplemental information

(1) Change in accounting policy - Method of depreciation

According to an amendment of the Japanese Corporation Tax Law, the Company depreciates the acquisition cost of property, plant and equipment acquired on or after April 1, 2007 to the nominal value of 1 yen at the end of the asset's useful life. As for the property, plant and equipment acquired on or before March 31, 2007, the Company depreciates the assets with the depreciation limit to the nominal value of 1 yen in equal installments from the fiscal year that starts on and after April 1, 2007. The effects of those changes are immaterial.

(2) Supplemental information - Provisions for warranty of completed contracts

Owing to an increase in the estimated cost of free-of-charge warranty for the year ended at March 31, 2008, the Company has changed its method of accounting for provisions for warranty of completed contracts from recognition of previously one-thousandth of the contract revenue to recognition of the estimated cost of free-of-charge warranty expected in the future, relative to the contract revenue.

As a result of this change, compared with the previous method, cost of sales increased by ¥83 million (U.S. \$830 thousand) and operating income decreased the same amount, and income before income taxes and minority interest decreased by ¥144 million (U.S. \$1,440 thousand).

(S) Reclassification of accounts

Certain reclassifications have been made in the 2007 financial statement to conform to the presentation for 2008.

3. Marketable Securities and Investment Securities

At March 31, 2008 and 2007, investment securities were as follows:

Investment securities:

	Millions of Yen							
	2008				2007			
	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	¥ 3,483	¥ 2,536	¥ 174	¥ 5,845	¥ 3,013	¥ 4,941	¥ 24	¥ 7,930
Other	1	1	—	2	2	1	—	3
	¥ 3,484	¥ 2,537	¥ 174	¥ 5,847	¥ 3,015	¥ 4,942	¥ 24	¥ 7,933

Thousands of U.S. Dollars (Note1)

	2008			
	Cost	Gross unrealized gains	Gross unrealized losses	Book value (Estimated fair value)
	Equity securities	\$ 34,830	\$ 25,360	\$ 1,740
Other	10	10	—	20
	\$ 34,840	\$ 25,370	\$ 1,740	\$ 58,470

The carrying amounts of equity securities whose fair value is not readily determinable were ¥227 million (U.S. \$ 2,270 thousand) and ¥132 million for the years ended March 31, 2008 and 2007.

4. Inventories

Inventories at March 31, 2008 and 2007 are comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
	Finished goods and semi-finished goods	¥ 3,508	¥ 3,491
Work in process	8,000	7,546	80,000
Raw materials and supplies	5,703	5,928	57,030
	¥ 17,211	¥ 16,965	\$ 172,110

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 reviews its long-lived assets for impairment annually. During the years ended March 31, 2008 and 2007, no impairment is recognized.

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, 2008 and 2007.

Income of the consolidated foreign subsidiaries is taxed at the rate of corporate income taxes, ranging from 17.5% to 25.0% for the year ended March 31, 2008 and 16% to 31.5% for the year ended March 31, 2007.

At March 31, 2008 and 2007, the reconciliation of the Company's statutory tax rate and the effective income tax rate is as follows:

	<u>2008</u>	<u>2007</u>
Statutory tax rate.....	40.69%	40.69%
Non-deductible expenses.....	0.64	0.30
Per capita inhabitant tax.....	2.76	1.03
Effect of foreign tax rate differences.....	(8.87)	(4.57)
Allowance for doubtful accounts.....	1.54	(4.01)
Others.....	1.02	(1.55)
Effective tax rate.....	<u>37.78%</u>	<u>31.89%</u>

The tax effects of temporary differences that give rise to significant deferred tax assets and liabilities at March 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2008</u>	<u>2007</u>	<u>2008</u>
Deferred tax assets:			
Accrued pension and severance payments.....	¥ 1,634	¥ 1,920	\$ 16,340
Accrued bonuses.....	401	400	4,010
Write-down of investments in a consolidated subsidiary.....	—	989	—
Allowance for doubtful accounts.....	56	101	560
Foreign tax credits.....	585	189	5,850
Others.....	425	470	4,250
Total deferred tax assets.....	<u>3,101</u>	<u>4,069</u>	<u>31,010</u>
Deferred tax liabilities:			
Depreciation.....	(69)	(87)	(690)
Unrealized gains on securities.....	(959)	(2,001)	(9,590)
Deferred gains on sales and acquisition of fixed assets.....	(2,452)	(2,539)	(24,520)
Others.....	(363)	(489)	(3,630)
Total deferred tax liabilities.....	<u>(3,843)</u>	<u>(5,116)</u>	<u>(38,430)</u>
Net deferred tax assets.....	¥ <u>(742)</u>	¥ <u>(1,047)</u>	\$ <u>(7,420)</u>

7. Short-term Debt and Long-term Debt

Short-term debt represents notes payable mainly to banks with an average interest rate of 2.75% per annum at March 31, 2008 and 3.67% per annum at March 31, 2007.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Without collateral:			
Loans, from banks and insurance companies, due through 2011 at average interest rate 1.10% per annum.....	1,800	1,800	18,000
Other	3	5	30
	1,803	1,805	18,030
Less, portion due within one year	800	—	—
	¥ 1,003	1,805	\$ 10,030

The aggregate annual maturities of long-term debt outstanding as of March 31, 2008 are as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2009	800
2010	2	20
2011	1,001	10,010
	¥ 1,803	\$ 18,030

At March 31, 2008, 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)	¥ 499

8. Contingent Liabilities

At March 31, 2008 and 2007, contingent liabilities were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Guarantees of bank loans	¥ 14	¥ 18	\$ 140

9. Derivative Financial Instruments

Certain consolidated subsidiary enters into derivative financial instruments ("derivatives"), including forward foreign exchange contracts and currency swap contracts, to hedge foreign currency exchange risks 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 Companies' 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 Companies do not anticipate any losses arising from credit risk.

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

The fair value of the Companies' derivative financial instruments at March 31, 2008 and 2007 is as follows:

	Millions of Yen					
	2008			2007		
	Contract amount	Fair value	Unrealized gain(loss)	Contract amount	Fair value	Unrealized gain(loss)
Foreign currency swap contracts.....	¥ 2,673	¥ (28)	¥ (28)	¥ 2,673	¥ 105	¥ 105

	Thousands of U.S. Dollars (Note1)		
	2008		
	Contract amount	Fair value	Unrealized gain(loss)
Foreign currency swaps	\$26,730	\$ (280)	\$ (280)

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

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, 2008 and 2007, 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 ¥130 million (U.S. \$1,300 thousand) and ¥140 million for the years ended March 31, 2008 and 2007, 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, 2008 and 2007, is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Machinery and equipment			
Acquisition costs.....	¥ 1,029	¥ 1,083	\$ 10,290
Accumulated depreciation.....	823	746	8,230
Net leased property.....	¥ 206	¥ 337	\$ 2,060

Future minimum lease payments under finance leases as of March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Due within one year.....	¥ 116	¥ 131	\$ 1,160
Due after one year.....	90	206	900
Total.....	¥ 206	¥ 337	\$ 2,060

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 ¥130 million (U.S. \$ 1,300 thousand) and ¥140 million for the years ended March 31, 2008 and 2007, respectively.

Obligations under non-cancelable operating leases as of March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Due within one year.....	¥ 58	¥ 4	\$ 580
Due after one year.....	125	8	1,250
Total.....	¥ 183	¥ 12	\$ 1,830

11. Shareholders' Equity

Under the Japanese laws and regulations, a company may, by resolution of the board of directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital.

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 and certain consolidated subsidiary at March 31, 2008 and 2007.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Projected benefit obligation.....	¥ (11,810)	¥ (11,606)	(\$118,100)
Fair value of plan assets.....	6,098	6,453	60,980
Funded status:			
Benefit obligation in excess of plan assets.....	(5,712)	(5,153)	(57,120)
Unrecognized actuarial differences.....	1,262	399	12,620
Accrued pension liability recognized in the consolidated balance sheets.....	¥ (4,450)	¥ (4,754)	(\$44,500)

Severance and pension costs of the Company and certain consolidated subsidiaries for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Service cost.....	¥ 681	¥ 756	\$ 6,810
Interest cost.....	221	209	2,210
Expected return on plan assets.....	(161)	(141)	(1,610)
Amortization:			
Actuarial losses.....	108	101	1,080
Net periodic benefit cost.....	849	925	8,490
Cost of defined contribution pension plans.....	43	35	430
Total cost of pension plans.....	¥ 892	¥ 960	\$ 8,920

Assumption used in the accounting for the defined benefit plan of the Company for the years ended March 31, 2008 and 2007 is as follows:

	2008	2007
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

The retirement benefits to directors and corporate auditors of the Company currently in office amounting to ¥406 million (U.S. \$4,060 thousand), which are fixed as of June 27, 2007 and payable at the time of their retirement, were reclassified to "Retirement benefits for directors and corporate auditors" in the accompanying balance sheet as of March 31, 2008. Accrued severance payments to directors and corporate auditors of the Company amounting to ¥438million as of March 31, 2007 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, 2008 and 2007 were ¥2,257 million (U.S. \$ 22,570 thousand) and ¥1,880 million, respectively.

14. Segment Information

Information by geographical area for the years ended March 31, 2008 and 2007 is summarized as follows:

(A) Geographical segment information

(1) Operating income (loss):

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Japan			
Net sales: Customers.....	¥ 48,607	¥ 46,296	\$ 486,070
Intersegment.....	3,991	4,501	39,910
	52,598	50,797	525,980
Operating expenses.....	51,357	49,738	513,570
Operating income.....	1,241	1,059	12,410
North America			
Net sales: Customers.....	21,073	21,661	210,730
Intersegment.....	26	29	260
	21,099	21,690	210,990
Operating expenses.....	21,060	21,746	210,600
Operating income (loss).....	39	(56)	390
Europe			
Net sales: Customers.....	1,794	1,664	17,940
Intersegment.....	14	39	140
	1,808	1,703	18,080
Operating expenses.....	1,743	1,723	17,430
Operating income (loss).....	65	(20)	650

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
South Asia			
Net sales: Customers.....	11,030	8,492	110,300
Intersegment.....	287	262	2,870
	11,317	8,754	113,170
Operating expenses.....	10,185	7,882	101,850
Operating income.....	1,132	872	11,320
East Asia			
Net sales: Customers.....	28,128	26,603	281,280
Intersegment.....	1,395	1,234	13,950
	29,523	27,837	295,230
Operating expenses.....	27,589	25,567	275,890
Operating income.....	1,934	2,270	19,340
Total			
Net sales: Customers.....	¥ 110,632	¥ 104,716	\$1,106,320
Intersegment.....	5,713	6,065	57,130
	116,345	110,781	1,163,450
Elimination.....	(5,713)	(6,065)	(57,130)
Consolidated net sales.....	110,632	104,716	1,106,320
Operating expenses.....	111,934	106,656	1,119,340
Elimination.....	(5,730)	(5,977)	(57,300)
Consolidated operating expenses.....	106,204	100,679	1,062,040
Operating income.....	4,411	4,125	44,110
Elimination.....	17	(88)	170
Consolidated operating income.....	¥ 4,428	¥ 4,037	\$ 44,280

Note : Each segment outside Japan mainly 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)
	2008	2007	2008
Japan.....	¥ 54,302	¥ 56,309	\$ 543,020
North America.....	12,090	14,772	120,900
Europe.....	640	809	6,400
South Asia.....	10,932	10,089	109,320
East Asia.....	35,995	37,270	359,950
Sub-total.....	113,959	119,249	1,139,590
Net of elimination and common use assets.....	(1,916)	3,640	(19,160)
Total.....	¥ 112,043	¥ 122,889	\$ 1,120,430

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, unconsolidated subsidiaries and affiliates) maintained for general corporate purposes, totaling ¥8,197 million (U.S. \$ 81,970 thousand) at March 31, 2008 and ¥9,345 million at March 31, 2007.

(B) Overseas sales

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
The Americas.....	¥ 21,608	¥ 22,125	\$ 216,080
South Asia.....	11,030	8,609	110,300
East Asia.....	26,288	25,149	262,880
Other areas.....	3,329	3,132	33,290
Total.....	¥ 62,255	¥ 59,015	\$ 622,550
Percentage of overseas sales to net sales.....	56.3%	56.4%	

Notes:

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

15. Subsequent Event

The following appropriation of retained earnings at March 31, 2008 was approved at the annual meeting of shareholders held on June 26, 2008:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	¥ 655	\$ 6,550
Cash dividends		

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, 2008 and 2007, 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, 2008 and 2007, 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 16, 2008



OSAKA AUDIT CORPORATION

Consolidated 5-Year Summary

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

	Millions of Yen					Thousands of U.S. Dollars
	2008	2007	2006	2005	2004	2008
For the year:						Thousands of U.S. Dollars
Net sales.....	¥110,632	¥104,716	¥ 91,627	¥ 92,704	¥ 93,237	\$1,106,320
Japan.....	48,377	45,701	43,915	48,413	48,536	483,770
Outside Japan.....	62,255	59,015	47,712	44,291	44,701	622,550
Operating income.....	4,428	4,037	2,634	3,792	3,735	44,280
Net income.....	2,219	7,245	1,021	1,896	1,385	22,190
Depreciation and amortization.....	2,375	2,217	1,763	1,727	1,992	23,750
Acquisition of property, plant and equipment.....	3,050	6,790	6,216	1,831	2,432	30,500
At year-end:						
Total assets.....	¥112,043	¥122,889	¥115,970	¥101,967	¥102,213	\$1,120,430
Net assets.....	68,356	71,786	60,553	54,540	53,866	683,560
Per share of common stock:						U.S. Dollars
Net income.....	¥ 23.66	¥ 77.32	¥ 10.58	¥ 20.20	¥ 14.26	\$ 0.24
Cash dividends.....	12.00	12.00	10.00	10.00	10.00	0.12
Net assets.....	675.35	713.27	646.41	582.37	574.52	6.75

Notes:1. During FY 2005, the accounts of Fujitec (Malaysia) Sdn. Bhd., Fujitec India Private Ltd. and FSP Pte. Ltd. (formerly Fujitec Maintenance (Singapore) Pte. Ltd.), which are subsidiaries of Fujitec Singapore Corp. 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 Corp. Ltd., were newly included in the consolidation.
3. 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 for FY 2004-2006.
4. During FY 2008, the accounts of Fujitec, Inc. (Philippines), which is a subsidiary of Fujitec Singapore Corp. Ltd., were newly included in the consolidation.
5. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥100 to U.S.\$ 1.