

# » To Our Shareholders

## Summary

Report on the 2<sup>nd</sup> year of the Company's mid-term business plan "Regeneration for Quality" and specific targets for this year.

**By completing our re-organization activities and through active deployment of bold global strategies, we aim at further business growth.**

**Takakazu Uchiyama** President and Chief Executive Officer

## Management policies and issues

Fujitec was founded in 1948. Last year we commemorated our 60<sup>th</sup> anniversary. Since its foundation, the Company has been a manufacturer dedicated to elevator and escalator systems, and has been expanding its market not only in Japan but also in East Asia, South Asia, North America, South America, Europe and the Middle East. Currently the Company maintains business and production bases in twenty countries and regions around the world.

It has been the global mission statement of Fujitec to collaborate with people from nations around the world to develop beautiful and functional cities that meet the needs of a new age. Based on this creed, the Company has been conducting its corporate activities deeply rooted in the local communities of its host countries. With this continuing drive to promote "coexistence and co-prosperity" and the ability to constantly accommodate changes in society, the Company will focus all its resources on its further development.

However, due to the unprecedented damage caused to the global economy in last year's financial crises, a so-called "once-in-a-century event," the outlook remains uncertain.

In spite of this, perceiving times of challenge as times of opportunity, the Company has been quick to hammer out all possible measures and strategies for further reinforcing its corporate structure.

Although the surrounding business environment remains extremely challenging, the Group will make concerted efforts and take aggressive steps toward the next stage.

## Global overview and management environment in fiscal year ended March 31, 2009

Beginning in last fall, the global economy was hit by the ripple effects from the financial market turmoil

triggered in the U.S. reaching the real economy, leading to a rapid recessionary chain reaction across key industrialized nations. Emerging economies including China also suffered economic downturns due to deteriorating conditions in export markets. The Japanese economy, too, saw a rapid slowdown in demand with a further deepening recession.

Amid these circumstances, the elevator and escalator industry, in which we are principally involved, saw demand from North America tumble not only for apartment buildings, but also for office buildings and commercial facilities.

The Chinese market, after steady demand growth thus far, experienced a slowdown in real estate development due to the global recession, which added to the economic woes.

Meanwhile in South Asia, after a phase of steady expansion, real estate investment in Singapore started showing signs of a downturn, with demand continuing to diminish also in neighboring markets.

In Japan, both the public and private sector demand remains weak, and the rapidly worsening real estate market saw a dramatic reduction in condominium sales and commercial facility development.

These factors led to intense price competition reflecting the global recession, and, in combination with persistent high material prices, kept earnings low.

## Business performance in fiscal year 2009

Consolidated net sales for the last fiscal year declined 2.7% on the year to ¥107,609 million. Of the total, domestic net sales were ¥45,781 million (-5.4%). Including the effects from the yen appreciation, overseas net sales amounted to ¥61,828 million (-0.7%).

In terms of profit for this period, operating income totaled ¥2,569 million (-42.0%). Although increased earnings in South Asia and East Asia lifted operating income in regions outside Japan by ¥360 million, this was offset by a substantial profit decline in Japan. Other income/expenses resulted in a negative balance of ¥25 million. This was due to reduced financial income from lower interest received and ¥514 million in foreign currency exchange loss from the rapidly appreciating yen.

Special items included a loss from revaluation of inventories of ¥915 million, loss on disposal of property, plant and equipment from the re-development of the former head office site in Ibaraki, Osaka Prefecture and from the re-organization of the escalator production base in Toyooka, Hyogo Prefecture, as well as write-down of investment securities. As a result, income before income taxes and minority interests declined 71.1% on the year to ¥1,264 million.

Tax expenses totaled ¥1,271 million, partly due to a reversal of deferred income tax assets. After a deduction of ¥642 million of minority interests, net loss for the term came to ¥649 million.

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## Management policy and initiatives for fiscal year 2010

In fiscal year 2008, the Company started a three-year mid-term business plan called “Regeneration for Quality,” which ends in the current fiscal year. Under this plan, the Company is working to complete its re-organization activities, launch new products and further expand sales at its Service and Modernization operations.

Specifically, under the re-organization of operations, the Company aims to successfully complete the escalator production and field engineering bases. The escalator business base is located in Toyooka, Hyogo Prefecture. To further expand production capabilities and to reinforce R&D functions, new office and plant facilities at this site are under construction. Under the “Big Step” initiative, the objective is to expand the business scope by establishing an integrated system from development to production with faster processes.

At the same time, at the former head office site in Ibaraki, Osaka Prefecture, the Company will, in addition to the Field Engineering Research Institute and Field Training Center currently in use, integrate the Service and Modernization Division, the “Safenet Center” elevator remote monitoring center and the Parts Center, capable of supplying to markets around the globe. In this way, the former head office site is slated to re-emerge transformed and dubbed “Big Fit.” This initiative will contribute to further enhancing our field engineering capabilities and ability to respond promptly and reliably in case of natural disaster across a wider geographical area.

In regards to product development, in line with the forthcoming enforcement in September of this year of the Revised Building Standards Act concerning improved elevator safety, the Company was first in the industry to acquire official certification and will continue to develop products that assure higher levels of safety and confidence.

In the after-sales market, demand is strong for maintenance and repair services at the Service Division and for equipment updating services at the Modernization Division. Sales and marketing functions in these divisions will be further strengthened to expand earnings.

## Global strategies for global markets

In global markets, Fujitec Group leverages its global collaboration capabilities and implements bold sales and business strategies attuned to local markets and communities, and in so doing aims to further improve Group performance.

In East Asia and South Asia, markets remain relatively solid, with particularly strong demand in China, prompting the Company to further strengthen the production and sales systems. Elevator production capabilities will be reinforced at the elevator production base near Beijing, Huasheng

Fujitec, which has received orders for a series of large-scale residential building projects. In addition, Shanghai Huasheng Fujitec, the escalator production base in Shanghai, has doubled its production volume and is meeting buoyant demand in global markets including China.

Furthermore, since July of last year, new plant construction has been under way at the Shanghai Sourcing Center, which will serve as an equipment supply base. Construction was recently completed, with the plant going into full operation this October. With the Sourcing Center in operation, we are now equipped with a global supply system capable of rapidly and stably supplying equipment superior in quality and cost competitiveness to markets around the world. Expectations are for significant contributions to earnings.

Furthermore, sales activities will be made to increase market share in India, another market alongside China with potentially substantial future demand for elevators.

## Outlook

During the current year, which concludes our three-year mid-term business plan, the Fujitec Group will make concerted efforts to attain management targets, strive to achieve an early earnings recovery and to further enhance corporate value.

To accomplish this, the Company will complete the rebuilding of the escalator and field engineering bases currently under construction, so that, together with the elevator base, the three major bases in Japan will work together to provide products and services of excellence. At the same time, in global markets, proactive and bold sales initiatives will be implemented to further expand sales and maximize earnings.

Moving forward, we will continue to further build our strengths as a manufacturer dedicated to elevator and escalator systems, engage in the development of original new technologies and products, and provide services founded on safety and quality. Through these activities, we aim to contribute to further enhance and advance urban functionality. We sincerely request our shareholders' continued support.

June 26, 2009



**Takakazu Uchiyama**  
President and Chief Executive Officer