

# Change & Charge



## Semiannual Report 2006

Six months ended September 30, 2006

# Consolidated Financial Highlights

Fujitec Co., Ltd. and Consolidated Subsidiaries  
Six-month periods ended September 30, 2006 and 2005

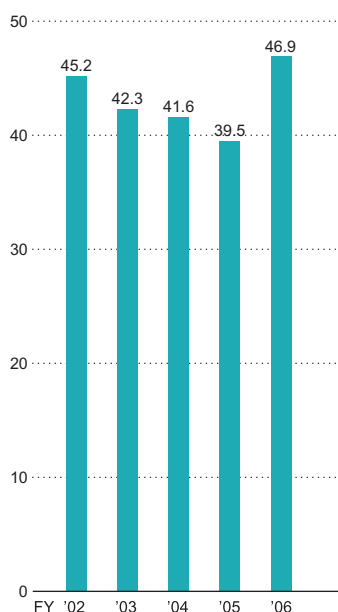
	Millions of yen		Thousands of U.S. dollars	Percent change
	2006	2005	2006	2006/2005
<b>For each period:</b>				
Net sales .....	¥ 46,904	¥ 39,506	\$ 397,492	+18.7%
Domestic .....	19,272	18,486	163,323	+4.3%
Overseas .....	27,632	21,020	234,169	+31.5%
Operating income .....	1,887	1,022	15,992	+84.7%
Net income .....	633	264	5,364	+139.7%
<b>At the end of each period:</b>				
Total assets .....	¥ 113,939	¥ 107,202	\$ 965,585	+6.3%
Net assets .....	64,209	60,439	544,144	+6.2%
<b>Per share of common stock:</b>				
	Yen		U.S. dollars	
Net income .....	¥ 6.76	¥ 2.82	\$ 0.06	+139.7%
Interim cash dividends .....	5.00	5.00	0.04	—

Notes: 1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥118 to U.S. \$ 1.

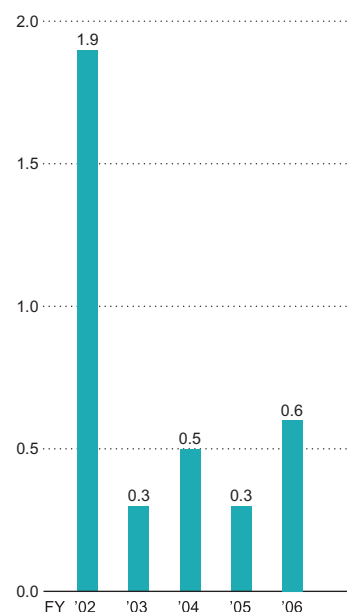
2. Net income per share amounts are computed based on the weighted average number of shares outstanding during each period.

3. The amounts of total assets and net assets in 2005 in the Consolidated Financial Highlights differ from those in the Consolidated Balance Sheets on pages 10 and 11, because the figures in the Consolidated Financial Highlights represent amounts as they stood as of September 30, 2005, while those in the Consolidated Balance Sheets are as of March 31, 2006.

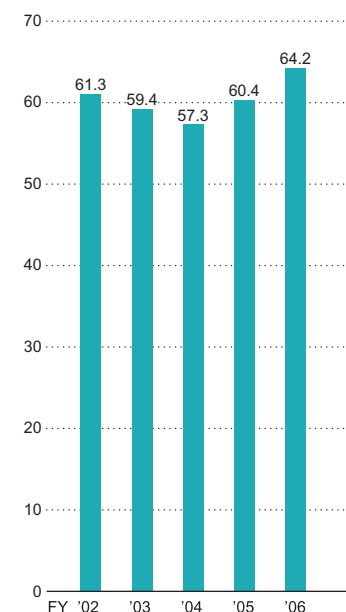
**Net sales**  
(Billion ¥)



**Net income**  
(Billion ¥)



**Net assets**  
(Billion ¥)



Note: The amounts of net assets for prior periods to 2006 have been reclassified in order to correspond to the presentation of those for September 30, 2006.

(Six-month periods ended September 30)

# To Our Shareholders

This is to report the outline of our business activities and financial results for the interim period ended September 30, 2006.

During the interim period, the global economy grew strong overall. This trend was supported by the expansion of the Asian economy, which was driven forward by sustained high growth in China. Another contributing factor was the gradual recovery in the European economy, despite signs of a slowdown in the U.S. economy. The Japanese economy continued in mild expansion, mainly driven by domestic private-sector demand.

Within this wider context, the elevator and escalator industry grew steadily, although there was a downturn trend in demand from the residential sector in the North American market. Meanwhile in Asia, the Chinese market remained strong, led by brisk demand from the residential sector, as well as from office building and hotel businesses. Other Asian regions, however, continued to face a challenging environment despite recovering demand. These challenges include intensifying price competition and rising raw material prices. Likewise, conditions in Japan remained severe under fierce price competition, with a shrinking trend in public investment continuing while demand from the private sector was recovering.



Against this backdrop, Fujitec committed itself to proactive sales activities making use of its global mobility. As a result, the consolidated total value of orders received during the interim period increased to ¥51,008 million, up 11.8% from the same period of the previous year, consolidated net sales rising by 18.7% from one year earlier to ¥46,904 million.

On the profit front, with the profit increase in Japan and East Asia, consolidated operating income increased 84.7% from the same period of the previous year to ¥1,887 million. In other income / expenses, improvements were seen in net financial income / expenses, due to increased interest income and other factors. In special profit and loss, we booked a loss on retirement of fixed assets, including that of the former Osaka plant, and loss on revaluation of investments in securities. After also taking into account the reduction of tax expenses in Japan, net income during the interim period rose to ¥633 million, an increase of 139.7% from one year earlier.

It is expected that global inter-corporate competition will continue to intensify in the elevator- and escalator-related markets. Fujitec, however, is fully determined to create new corporate values and further increase profitability in the final year of the Company's mid-term business plan "Change & Charge." This will be accomplished by maximizing management efficiency through facility relocation and integration, as well as innovations in all departments throughout Big Wing, our new operating base.

We hope that our shareholders continue to provide the Company with their earnest support.

December 2006



**Takakazu Uchiyama**  
President and Chief Executive Officer

# Outline of Major Activities

## North & South America

In the U.S. capital, Washington D.C., a large-scale redevelopment project named Potomac Yard was completed. The office building of the complex is served by 20 Fujitec elevators.

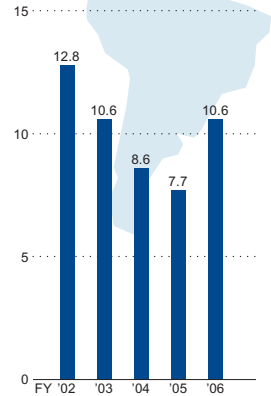


Rendering of the Repsol YPF Corporate HQ Building

In Canada, we received an order for a total of 26 Fujitec units, including elevators, escalators and moving walkways, for the expansion project of Vancouver International Airport. The number of Fujitec products installed at the Airport now totals 123.

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 Cesar Pelli, a world-renowned architect.

Sales in the Americas  
(Billion ¥)



## Japan

In Roppongi, Minato-ku, Tokyo, the “National Art Center, Tokyo” was completed, with its opening planned for January 2007. The Center is equipped with a total of 27 Fujitec escalators and elevators, including observation models.

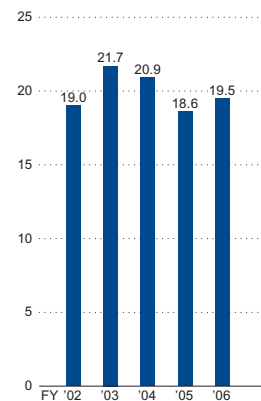
In Nagoya, Midland Square, the tallest skyscraper in the Chubu region was completed in front of Nagoya Station. Fujitec delivered 14 escalators to Midland Square and other commercial facilities to be opened in March 2007.

In Osaka, we supplied and installed a total of 20 elevators and escalators at Cross Tower Osaka Bay, Japan’s tallest super high-rise apartment building, and other commercial facilities. Fujitec also won a contract to supply and install 38 elevators and escalators to the newly expanded main building of Takashimaya Osaka Department Store.



The National Art Center, Tokyo

Sales in Japan  
(Billion ¥)





# East Asia

In Hong Kong, we received orders for 37 elevators, including high-speed models, and eight escalators for a high-rise office building comprising 28-story twin buildings, built in the Kwun Tong District.

In Shanghai, China, the headquarters building of the Bank of Shanghai, a major financial institution, was completed. For the building, we supplied and installed a total of 25 Fujitec elevators, including super-high speed models.

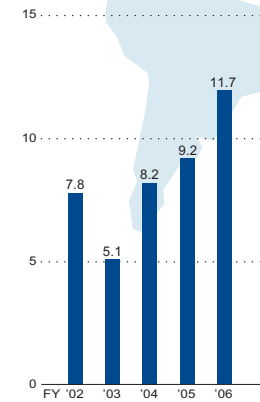


Housing to be constructed by KNHC

Fujitec also accepted two bulk orders in Nanjing, China: 150 elevators for Nanwanying housing, and 61 escalators designed for public transportation for Nanjing Subway Line 2.

Furthermore, in South Korea, following a collective order we received last year from the Korea National Housing Corporation (KNHC) for 170 elevators, we received an additional order for 277 elevators this year. The award owes greatly to the KNHC's high opinion of our products regarding performance and quality.

Sales in East Asia (Billion ¥)



# South Asia

In Singapore, Fujitec won a collective contract from the Housing Development Board (HDB) of Singapore for a total of some 700 elevators for the 6th Modernization Project. The cumulative

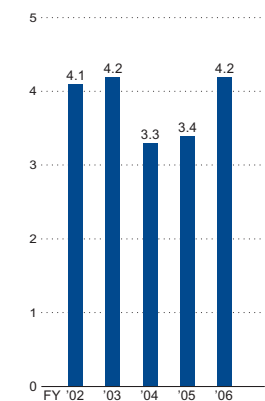


International Tech Park

number of elevators that the HDB has thus far contracted with Fujitec Singapore has reached some 20,000 elevators.

In India, the high-class office building International Tech Park Chennai is served by 15 Fujitec elevators equipped with the advanced group supervisory control system.

Sales in South Asia (Billion ¥)



# Europe

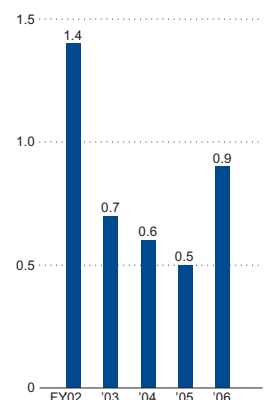
We supplied and installed 16 Fujitec machine-room-less elevators in Leipziger Platz, a high-grade office building completed at the city center of Berlin, Germany.

In the U.K., a total of 28 Fujitec elevators, including observatory models, are being completed one after another at new stations of the Channel Tunnel Railway.



Channel Tunnel Railway

Sales in Europe (Billion ¥)



## Grand Completion of Elevator Research Tower, the Tallest and Largest-Scale of its Kind in the World

Big Wing, the new operating base of Fujitec, was built on a site approximately 150,000m<sup>2</sup> in area, extending over Hikone and Maibara cities in Shiga Prefecture. In March 2006, we completed construction of the Product Development Center and the Laboratory, for carrying out R&D in cutting-edge technologies, as well as the Second Manufacturing Plant, which is equipped with state-of-the-art production facilities. Beginning in April this year, our Head Office was relocated to Big Wing, where we commenced full-fledged operations.

In addition, the 170 meter-high elevator research tower, whose construction proceeded at a rapid pace, was finally completed. This elevator research tower is the tallest and largest-scale in the world.

The research tower houses 13 elevators and is comprised of two buildings: one for high-rise elevators and the other for mid-rise elevators. At this facility, Fujitec elevators, including super-high-speed models that travel at 1,000 meters per minute, will be tested. We also use this research tower to develop new generations of elevators, so as to further enhance our leading-edge technologies.



The super-high speed elevator that takes you up to the sky lobby located on the top floor was designed based on the concept of an “hourglass of light.” Illumination installed on the floor, ceiling and walls of both sides changes like an hourglass, in response to the movement of the elevator.

On November 22 and 24, a ceremony and facility tour were organized to celebrate the completion of Big Wing. The event was attended by approximately 600 participants, including representatives from governmental agencies, those involved in construction work, and other guests.

Big Wing is our core facility for integrated manufacture, from product development and design through production. Now that we are based in Big Wing, we aim to realize further technological innovation and dramatic expansion of our production system.



Big Wing, flagship of the Fujitec Group



Birds-eye view from the sky lobby



# Financial Section

## Consolidated Financial Review

### Operating Results

Consolidated orders received during the interim period ended September 30, 2006 increased 11.8% year on year to ¥51,008 million (US\$432,271 thousand). This owes to 14.5% increase of orders in overseas markets such as East Asia, partly due to the weaker yen, and 8.8% increase in Japan. Consolidated net sales rose 18.7% to ¥46,904 million (US\$397,492 thousand) as overseas sales and domestic sales grew by 31.5% and 4.3%, respectively. Orders in hand at the end of the interim period stood at ¥96,886 million (US\$821,068 thousand), up 8.8% from the previous fiscal year-end.

In terms of profitability, the Company posted 84.7% increase in operating income year on year to ¥1,887 million (US\$15,992 thousand). This gain is due to increases in Japan and East Asia and smaller losses in North America and Europe. Income before taxes and minority interests of ¥1,434 million (US\$12,153 thousand), experienced 21.3% increase year on year. This resulted from an improvement in net financial income (expenses) coupled with an increase in interest received due to rising interest rates and other factors. Other causes include special items such as loss on the disposal of property, plant and equipment of ¥497 million, which included the accounting elimination of the former Osaka Plant, and the booking of a write-down of investment securities of ¥416 million. As a result of the above and the decrease of tax expenses in Japan compared to the previous period, Fujitec posted interim net income of ¥633 million (US\$5,364 thousand), up 139.7% year on year.

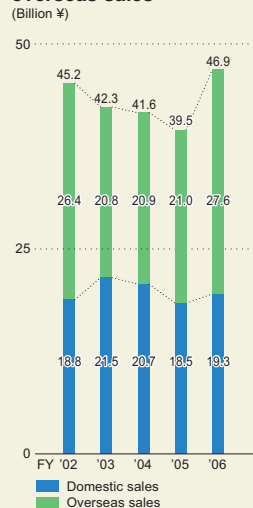
### Financial Position

Total assets as of the end of the interim period stood at ¥113,939 million (US \$965,585 thousand), ¥2,031 million decrease compared to the previous fiscal year-end. Although there was ¥906 million increase in property, plant and equipment associated with the construction of a new elevator research tower at the Big Wing site in Hikone City, Shiga Prefecture. Total assets decreased mainly due to ¥1,258 million decrease in investment securities as a result of decrease in market value and write-down, and ¥1,769 million decrease in advances under investments and advances, reflecting collections on the advances.

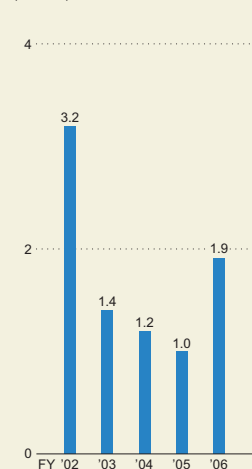
Total liabilities were ¥49,730 million (US\$421,441 thousand), ¥1,092 million decrease compared to the previous fiscal year-end. This mainly owes to ¥2,867 million decrease in other current liabilities due to decrease in equipment notes payable, accrued retirement payments and other items, which outweighed ¥1,503 million increase in short-term debt.

Net assets, including minority interests, amounted to ¥64,209 million (US\$544,144 thousand), ¥939 million decrease from the previous fiscal year-end, due to a drop in net unrealized holding gain on securities and an increase in the amount deducted for foreign currency translation adjustments. The equity ratio was 52.4%, 0.2% increase from the previous fiscal year-end, and the net assets per share were ¥637.57 (US\$5.40), ¥8.84 decrease from the previous fiscal year-end.

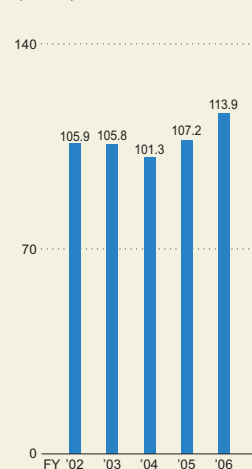
**Domestic sales and overseas sales**  
(Billion ¥)



**Operating income**  
(Billion ¥)



**Total assets**  
(Billion ¥)



## Cash Flows

Net cash provided by operating activities totaled ¥889 million (US\$7,534 thousand), ¥1,709 million increase from the same period a year earlier. This was mainly due to ¥1,421 million increase in inventories which was ¥2,683 million less than the increase in the same period a year earlier, despite ¥1,157 million cash payment for employees' early retirement benefit program.

Net cash used in investing activities totaled ¥2,112 million (US\$17,898 thousand), representing ¥6,342 million decrease from ¥4,230 million cash provided in the same period a year earlier. This was mainly attributed to the ¥4,025 million in cash used for acquisitions of property, plant and equipment associated with the construction of the new head office building, R&D center, No. 2 Plant and new elevator research tower in Hikone City, Shiga Prefecture and other items. Additionally, ¥1,770 million in cash was provided from collection on advances.

Net cash provided by financing activities totaled ¥638 million (US\$5,407 thousand), compared to ¥455 million cash used in the previous interim period. This was mainly attributable to ¥1,579 million increase in short-term debt, which was ¥1,081 million more than the increase in the year earlier, although there was cash used for dividends and other items.

As a result of the above and after deducting ¥365 million for the effect of exchange rate changes, cash and cash equivalents at the end of the interim period stood at ¥18,720 million (US\$158,644 thousand), ¥950 million decrease from the previous fiscal year-end.

# Consolidated Balance Sheets

Fujitec Co., Ltd. and Consolidated Subsidiaries  
September 30 and March 31, 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	September 30 2006	March 31 2006	September 30 2006
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents.....	¥ 18,720	¥ 19,670	\$ 158,644
Time deposits.....	645	482	5,466
Accounts and notes receivable:			
Unconsolidated subsidiaries and affiliates.....	119	172	1,008
Trade.....	24,768	26,944	209,899
Allowance for doubtful accounts.....	(343)	(299)	(2,907)
	<u>24,544</u>	<u>26,817</u>	<u>208,000</u>
Inventories.....	19,019	17,632	161,178
Deferred income taxes.....	1,418	1,908	12,017
Other current assets.....	3,228	1,189	27,356
Total current assets.....	<u>67,574</u>	<u>67,698</u>	<u>572,661</u>
<b>Investments and advances:</b>			
Unconsolidated subsidiaries and affiliates.....	1,077	1,077	9,127
Investment securities.....	8,524	9,782	72,237
Advances.....	1,930	3,699	16,356
	<u>11,531</u>	<u>14,558</u>	<u>97,720</u>
<b>Property, plant and equipment, at cost:</b>			
Buildings.....	19,017	21,069	161,161
Machinery and equipment.....	16,322	17,208	138,322
	<u>35,339</u>	<u>38,277</u>	<u>299,483</u>
Accumulated depreciation.....	(18,350)	(21,017)	(155,508)
	<u>16,989</u>	<u>17,260</u>	<u>143,975</u>
Land.....	7,009	7,014	59,398
Construction in progress.....	4,157	2,975	35,229
	<u>28,155</u>	<u>27,249</u>	<u>238,602</u>
<b>Other assets:</b>			
Deferred income taxes.....	66	78	559
Goodwill.....	2,188	2,216	18,543
Intangible assets.....	1,940	1,823	16,441
Other.....	2,485	2,348	21,059
	<u>¥113,939</u>	<u>¥115,970</u>	<u>\$ 965,585</u>

The accompanying notes are an integral part of these statements.

# Consolidated Balance Sheets

Fujitec Co., Ltd. and Consolidated Subsidiaries  
September 30 and March 31, 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	September 30 2006	March 31 2006	September 30 2006
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term debt .....	¥ 12,877	¥ 11,374	\$ 109,127
Current portion of long-term debt .....	2,100	2,100	17,797
Accounts and notes payable:			
Unconsolidated subsidiaries and affiliates .....	27	58	229
Trade .....	10,511	10,266	89,076
Advances from customers .....	7,928	6,960	67,186
Accrued income taxes .....	616	642	5,220
Accrued bonuses .....	343	1,053	2,907
Provision for losses on contracts .....	1,426	1,337	12,085
Other current liabilities .....	6,549	9,416	55,500
Total current liabilities .....	42,377	43,206	359,127
<b>Long-term debt</b> .....	<b>1,806</b>	1,807	<b>15,305</b>
<b>Deferred income taxes</b> .....	<b>197</b>	775	<b>1,670</b>
<b>Accrued pension and severance payments</b> .....	<b>5,350</b>	5,034	<b>45,339</b>
Total liabilities .....	<b>49,730</b>	50,822	<b>421,441</b>
<b>Contingent liabilities</b> (Note 3)			
<b>Net assets:</b>			
Common stock, no par value;			
Authorized: 300,000,000 shares			
Issued and outstanding: 93,767,317 shares at September 30, 2006			
and at March 31, 2006 .....	12,534	12,534	106,220
Additional paid-in capital .....	14,566	14,566	123,441
Retained earnings .....	41,478	41,344	351,508
Treasury stock at cost: 143,275 shares at September 30, 2006 and			
137,726 shares at March 31, 2006 .....	(98)	(94)	(831)
Total shareholders' equity .....	68,480	68,350	580,338
Net unrealized gains on securities .....	3,158	3,676	26,763
Adjustment arising from translation			
of foreign subsidiaries' accounts .....	(11,946)	(11,473)	(101,237)
Total valuation and translation adjustments .....	(8,788)	(7,797)	(74,474)
Minority interest in consolidated subsidiaries .....	4,517	4,595	38,280
Total net assets .....	64,209	65,148	544,144
	¥113,939	¥115,970	\$ 965,585

The accompanying notes are an integral part of these statements.



# Consolidated Statements of Income

Fujitec Co., Ltd. and Consolidated Subsidiaries  
Six-month periods ended September 30, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
<b>Net sales</b> .....	<b>¥ 46,904</b>	¥ 39,506	<b>\$ 397,492</b>
<b>Cost and expenses:</b>			
Cost of sales .....	<b>37,688</b>	31,157	<b>319,390</b>
Selling, general and administrative.....	<b>7,329</b>	7,327	<b>62,110</b>
	<b>45,017</b>	38,484	<b>381,500</b>
Operating income .....	<b>1,887</b>	1,022	<b>15,992</b>
<b>Other income (expenses):</b>			
Interest and dividend income.....	<b>536</b>	350	<b>4,542</b>
Interest expense .....	<b>(208)</b>	(129)	<b>(1,763)</b>
Foreign currency exchange gain.....	<b>76</b>	53	<b>644</b>
Other, net.....	<b>107</b>	18	<b>907</b>
	<b>511</b>	292	<b>4,330</b>
<b>Special items:</b>			
Gain on sales of property, plant and equipment .....	<b>11</b>	7	<b>93</b>
Reversal of loss on impairment of long-lived assets .....	<b>38</b>	0	<b>322</b>
Loss on disposal and sales of property, plant and equipment.....	<b>(506)</b>	(21)	<b>(4,288)</b>
Write-down of investment securities .....	<b>(416)</b>	0	<b>(3,525)</b>
Other, net.....	<b>(91)</b>	(118)	<b>(771)</b>
	<b>(964)</b>	(132)	<b>(8,169)</b>
Income before income taxes and minority interest .....	<b>1,434</b>	1,182	<b>12,153</b>
<b>Income taxes:</b>			
Current.....	<b>291</b>	524	<b>2,467</b>
Deferred .....	<b>261</b>	192	<b>2,212</b>
	<b>552</b>	716	<b>4,679</b>
Income before minority interest.....	<b>882</b>	466	<b>7,474</b>
<b>Minority interest in income of consolidated subsidiaries</b> .....	<b>249</b>	202	<b>2,110</b>
Net income.....	<b>¥ 633</b>	¥ 264	<b>\$ 5,364</b>
<b>Per share:</b>			
Net income, based on the weighted average number of shares outstanding .....	<b>¥ 6.76</b>	¥ 2.82	<b>\$ 0.06</b>
Cash dividends, applicable to the period .....	<b>5.00</b>	5.00	<b>0.04</b>

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Net Assets

Fujitec Co., Ltd. and Consolidated Subsidiaries  
Six-month periods ended September 30, 2006 and 2005

	Thousands	Millions of Yen						
	Number of shares of common stock issued	Shareholders' equity				Valuation and translation adjustments		Minority interest
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains(losses) on securities	Adjustment arising from translation of foreign subsidiaries' accounts	
<b>Balance at March 31, 2005</b> .....	93,767	¥ 12,534	¥ 14,566	¥ 41,233	¥ (84)	¥ 1,277	¥ (14,986)	¥ 3,808
Net income.....	—	—	—	264	—	—	—	—
Cash dividends .....	—	—	—	(468)	—	—	—	—
Bonuses to directors and corporate auditors .....	—	—	—	0	—	—	—	—
Staff and workers' bonus and welfare fund .....	—	—	—	(4)	—	—	—	—
Change in adjustment arising from translation of foreign subsidiaries' accounts...	—	—	—	30	—	—	1,454	—
Change in net unrealized gains on securities.....	—	—	—	—	—	814	—	—
Treasury stock acquired, net .....	—	—	—	—	(4)	—	—	5
<b>Balance at September 30, 2005</b> ...	93,767	¥ 12,534	¥ 14,566	¥ 41,055	¥ (88)	¥ 2,091	¥ (13,532)	¥ 3,813
<b>Balance at March 31, 2006</b> .....	93,767	¥ 12,534	¥ 14,566	¥ 41,344	¥ (94)	¥ 3,676	¥ (11,473)	¥ 4,595
Net income.....	—	—	—	633	—	—	—	—
Cash dividends .....	—	—	—	(468)	—	—	—	—
Bonuses to directors and corporate auditors .....	—	—	—	(26)	—	—	—	—
Staff and workers' bonus and welfare fund .....	—	—	—	(5)	—	—	—	—
Change in adjustment arising from translation of foreign subsidiaries' accounts...	—	—	—	—	—	—	(473)	—
Change in net unrealized gains on securities.....	—	—	—	—	—	(518)	—	—
Treasury stock acquired, net .....	—	—	—	—	(4)	—	—	(78)
<b>Balance at September 30, 2006</b> ...	93,767	¥ 12,534	¥ 14,566	¥ 41,478	¥ (98)	¥ 3,158	¥ (11,946)	¥ 4,517

	Thousands	Thousands of U.S. Dollars (Note 1)						
	Number of shares of common stock issued	Shareholders' equity				Valuation and translation adjustments		Minority interest
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains(losses) on securities	Adjustment arising from translation of foreign subsidiaries' accounts	
<b>Balance at March 31, 2006</b> .....	93,767	\$106,220	\$123,441	\$350,372	\$(797)	\$31,153	\$(97,229)	\$38,941
Net income.....	—	—	—	5,364	—	—	—	—
Cash dividends .....	—	—	—	(3,966)	—	—	—	—
Bonuses to directors and corporate auditors .....	—	—	—	(220)	—	—	—	—
Staff and workers' bonus and welfare fund .....	—	—	—	(42)	—	—	—	—
Change in adjustment arising from translation of foreign subsidiaries' accounts...	—	—	—	—	—	—	(4,008)	—
Change in net unrealized gains on securities.....	—	—	—	—	—	(4,390)	—	—
Treasury stock acquired, net .....	—	—	—	—	(34)	—	—	(661)
<b>Balance at September 30, 2006</b> ...	93,767	\$106,220	\$123,441	\$351,508	\$(831)	\$26,763	\$(101,237)	\$38,280

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Cash Flows

Fujitec Co., Ltd. and Consolidated Subsidiaries  
Six-month periods ended September 30, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interest .....	¥ 1,434	¥ 1,182	\$ 12,153
Depreciation and amortization .....	992	816	8,407
Loss on disposal and sales of property, plant and equipment .....	506	21	4,288
Increase(decrease) of allowance for doubtful accounts .....	32	(9)	271
Decrease of bonuses to employees .....	(709)	(877)	(6,008)
Provision for losses on contracts .....	117	256	992
Interest and dividend income .....	(536)	(350)	(4,542)
Interest expense .....	208	129	1,763
Write-down of investment securities .....	416	—	3,525
Decrease in trade notes and accounts receivable .....	2,047	3,523	17,347
Increase in inventories .....	(1,421)	(4,104)	(12,042)
Increase(decrease) in trade notes and accounts payable .....	256	(797)	2,169
Increase in advances from customers .....	1,000	1,786	8,474
Bonuses paid to directors and corporate auditors .....	(26)	—	(220)
Other, net .....	(1,828)	(1,267)	(15,492)
Sub-total .....	2,488	309	21,085
Payment of benefits for employees' early retirement program .....	(1,157)	—	(9,805)
Payment of income taxes .....	(442)	(1,129)	(3,746)
Net cash provided by(used in) operating activities .....	889	(820)	7,534
<b>Cash flows from investing activities:</b>			
Increase(decrease) in time deposits, net .....	(161)	4,704	(1,364)
Acquisitions of property, plant and equipment .....	(4,025)	(819)	(34,110)
Proceeds from sale of property, plant and equipment .....	57	25	483
Payment for purchase of investment securities .....	(31)	(8)	(263)
Collections on advances .....	1,770	15	15,000
Proceeds from interest and dividend income .....	494	373	4,187
Other, net .....	(216)	(60)	(1,831)
Net cash (used in) provided by investing activities .....	(2,112)	4,230	(17,898)
<b>Cash flows from financing activities:</b>			
Borrowings on short-term debt, net .....	1,579	498	13,381
Payment of interest .....	(171)	(129)	(1,449)
Cash dividend paid .....	(468)	(468)	(3,966)
Cash dividend paid to minority shareholders .....	(297)	(319)	(2,517)
Other, net .....	(5)	(37)	(42)
Net cash provided by (used in) financing activities .....	638	(455)	5,407
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>(365)</b>	<b>980</b>	<b>(3,094)</b>
<b>Net (decrease) increase in cash and cash equivalents .....</b>	<b>(950)</b>	<b>3,935</b>	<b>(8,051)</b>
<b>Cash and cash equivalents at beginning of year .....</b>	<b>19,670</b>	<b>16,084</b>	<b>166,695</b>
<b>Cash and cash equivalents at end of year .....</b>	<b>¥ 18,720</b>	<b>¥ 20,019</b>	<b>\$ 158,644</b>

The accompanying notes are an integral part of these statements.

# Notes to Consolidated Financial Statements

Fujitec Co., Ltd. and Consolidated Subsidiaries  
Six-month periods ended September 30, 2006 and 2005

## 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 Semiannual 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 September 30, 2006. 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. Bdn. (Malaysia)  
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 accounts of Fujitec Vietnam Co., Ltd. were newly included in consolidation, effective October 1, 2005, due to the inception of corporation as a subsidiary of Fujitec Singapore Corpn. Ltd.

The interim closing date of the above consolidated subsidiaries is June 30.

In preparing the consolidated financial statements, using consolidated subsidiaries' accounts, based on their own interim closing dates, the necessary adjustments were made for the significant intercompany transactions incurred from the consolidated subsidiaries' interim 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) Accounting principles**

The semiannual consolidated financial statements are prepared in accordance with the same accounting principles as those listed in the Notes to Consolidated Financial Statements for the fiscal year ended March 31, 2006, except for the adoption of the following Japanese accounting standards.

**(Accounting Standards for Presentation of Net Assets in the Balance Sheet)**

Effective this semiannual period, the Company has adopted the Accounting Standards for Presentation of Net Assets in the Balance Sheet, No. 5 Business Accounting Standard of December 9, 2005 published by the Accounting Standards Board of Japan(the "ASBJ") and the ASBJ Implementation Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet (No. 8 Guidance for Accounting Standard of December 9, 2005).

The corresponding total shareholders' equity under the accounting standards prior to the above adoption is ¥59,692 million(U. S. \$505,864 thousand). The net assets as of September 30, 2006 are presented in accordance with the new standard and reclassifications have been made to corresponding accounts as of March 31, 2006.

**(Accounting Standards for Directors' Bonuses)**

Effective this semiannual period, the Company has adopted the Japanese Accounting Standard for Directors' Bonuses (the ASBJ No. 4 Business Accounting Standard of November 29, 2005). There was no effect on the Company's profits and losses by this change.

**3. Contingent Liabilities**

At September 30, 2006, contingent liabilities were as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Guarantees of bank loans .....	¥ 16	\$ 136

**4. Subsequent Events****(Interim dividends)**

On November 10, 2006, the Board of Directors of the Company declared interim cash dividends of ¥468 million (U.S. \$3,966 thousand), or ¥5 (U.S. \$0.04) per share, to be paid on December 6, 2006, to shareholders.

**(Sale of fixed asset)**

In line with the consolidation and integration of headquarters, R&D and production functions of the Company from Ibaraki city, Osaka Prefecture to Hikone city, Shiga Prefecture, the Board of Directors have approved the sale of the former Osaka manufacturing plant site in Ibaraki city at its meeting held on August 10, 2006. The Company executed a sales contract on November 29, 2006 as follows:

1. Purchaser: Daikyo Incorporated
2. Description of the assets sold:
  - Land: 23,869.83 square meters (m<sup>2</sup>)
  - Location: Sho 1-chome, Ibaraki city, Osaka Prefecture
  - Current state: Former Osaka manufacturing plant site
3. Date of transfer: Transferred by December 27, 2006
4. Sales price: ¥8,328 million(U. S. \$70,576 thousand)

As a result of the sale of the assets, we expect to record a gain on sale of fixed asset of ¥8,000 million(U. S. \$67,797 thousand) as special income in the current year.

## 5. Segment Information

Information by geographical area for the six-month periods ended September 30, 2006 and 2005 is summarized as follows:

### (A) Geographical segment information

#### (1) Operating income (loss):

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
<b>Japan</b>			
Net sales: Customers .....	¥ 19,469	¥ 18,644	\$ 164,992
Intersegment .....	2,403	1,852	20,364
	<b>21,872</b>	20,496	<b>185,356</b>
Operating expenses.....	21,364	20,210	181,051
Operating income .....	<b>508</b>	286	<b>4,305</b>
<b>North America</b>			
Net sales: Customers .....	10,639	7,731	90,161
Intersegment .....	14	3	119
	<b>10,653</b>	7,734	<b>90,280</b>
Operating expenses.....	10,823	8,195	91,720
Operating loss .....	<b>(170)</b>	(461)	<b>(1,440)</b>
<b>Europe</b>			
Net sales: Customers .....	915	463	7,754
Intersegment .....	26	6	220
	<b>941</b>	469	<b>7,974</b>
Operating expenses.....	954	535	8,084
Operating loss .....	<b>(13)</b>	(66)	<b>(110)</b>
<b>South Asia</b>			
Net sales: Customers .....	4,162	3,426	35,271
Intersegment .....	136	54	1,153
	<b>4,298</b>	3,480	<b>36,424</b>
Operating expenses.....	3,906	2,977	33,102
Operating income .....	<b>392</b>	503	<b>3,322</b>
<b>East Asia</b>			
Net sales: Customers .....	11,719	9,242	99,314
Intersegment .....	599	389	5,076
	<b>12,318</b>	9,631	<b>104,390</b>
Operating expenses.....	11,066	8,882	93,780
Operating income .....	<b>1,252</b>	749	<b>10,610</b>
<b>Total</b>			
Net sales: Customers .....	¥ 46,904	¥ 39,506	\$ 397,492
Intersegment .....	3,178	2,304	26,932
	<b>50,082</b>	41,810	<b>424,424</b>
Elimination .....	(3,178)	(2,304)	(26,932)
Consolidated net sales .....	<b>46,904</b>	39,506	<b>397,492</b>
Operating expenses.....	48,113	40,799	407,737
Elimination .....	(3,096)	(2,315)	(26,237)
Consolidated operating expenses .....	<b>45,017</b>	38,484	<b>381,500</b>
Operating income .....	1,969	1,011	16,687
Elimination .....	(82)	11	(695)
Consolidated operating income.....	<b>¥ 1,887</b>	¥ 1,022	<b>\$ 15,992</b>

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 and Indonesia
- (4) East Asia ..... China, Hong Kong, Taiwan and Korea

**(B) Overseas sales**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
The Americas .....	<b>¥ 10,719</b>	¥ 7,781	<b>\$ 90,839</b>
South Asia .....	<b>4,277</b>	3,511	<b>36,246</b>
East Asia .....	<b>11,078</b>	9,097	<b>93,881</b>
Other areas .....	<b>1,558</b>	631	<b>13,203</b>
Total .....	<b>¥ 27,632</b>	¥ 21,020	<b>\$234,169</b>
Percentage of overseas sales to net sales .....	<b>58.9%</b>	53.2%	

## 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 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 ..... United Kingdom, Germany and Middle East

# GLOBAL NETWORK

## The Americas

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### 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, Bangkok,  
Dubai, and Montevideo

## Japan

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

## South Asia

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### 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

FSP Elevator Private Ltd.  
Marketing, installation and  
maintenance

## East Asia

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### China

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

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

Fujitec Shanghai Technologies Co.,  
Ltd.  
Research and development

### 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

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### 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  
Masakazu Kawai  
Iwataro Sekiguchi  
Katsuhiro Harada  
Kunihiko Sawa

\*Representative director

### Corporate Auditors

Tomozo Taya  
Tomihisa Kuroishi  
Susumu Monma

(As of September 30, 2006)

## Shareholders' Information

### Fujitec Co., Ltd.

Big Wing, Hikone,  
Shiga 522-8588, Japan  
Telephone: +81-749-30-7111  
Facsimile: +81-749-30-7056

### 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: 4,060

### Major Shareholders

	Number of shares held (Thousands)	Percentage of total number of shares in issue(%)
Uchiyama International, Limited	10,025	10.69%
Mellon Bank Treaty Clients Omnibus	7,037	7.50%
The Master Trust Bank of Japan, Ltd.	5,842	6.23%
Fuji Electric Holdings Co., Ltd.	5,089	5.42%
CGML-IPB Customer Collateral Account	4,752	5.06%
Credit Suisse Zurich	4,560	4.86%
Resona Bank, Ltd.	4,203	4.48%
Japan Trustee Services Bank, Ltd.	3,263	3.47%
Morgan Stanley & Co. International Limited	3,149	3.35%
Northern Trust Co. (AVFC) Sub A/C Non Treaty	2,255	2.40%

### 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

Japan: 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 September 30, 2006)