FUJITEC

Annual Report 2004

Year ended March 31, 2004

Profile

Fujitec Co., Ltd. was established in 1948 as a company manufacturing and selling elevators. Today, Fujitec has developed into an integrated manufacturer of elevators, escalators, moving walkways, vertical parking equipment and other people-moving systems, offering an integrated operation covering all stages from production through sales and installation to maintenance.

In 1964, Fujitec became one of the first in the industry to expand overseas when it established a base in Hong Kong. With subsequent establishments in Singapore, Venezuela, the United States, Argentina and other locations, we now operate bases in 20 countries around the world, including eleven production bases in seven different countries. Through this network, we supply the world with safe and convenient people-moving systems.

Fujitec operations are structured around a World Five-Pole Management Structure that divides its global group companies into five economic zones: the Americas, Japan, South Asia, East Asia, and Europe. With the Americas further divided into North America and South America, and East Asia into China and other regions, we operate in a total of seven regional blocks, each managed by a regional headquarters. Combining a global outlook with local roots in a ‘‘Glocal’’ corporate philosophy, we proceed with our global development in partnership with people around the world.

Valuing both people and technologies, we look forward to using the products that flow from this outlook in building the urban amenity of a new age in partnership with the world’s people.

CONTENTS

Forward-looking Statements

This annual report contains forecasts and projections concerning the plans, strategies and performance of Fujitec and its consolidated subsidiaries. These forecasts and projections constitute forward-looking statements that are not historical facts, but are based on assumptions and beliefs in accordance with data currently available to management. These forward-looking statements are subject to a number of risks and uncertainties that include, but are not limited to, economic conditions, intense competition in the construction industry, demand, foreign exchange rates, tax systems, and laws and regulations. This being so, Fujitec wishes to caution readers that actual results may differ materially from those projected.

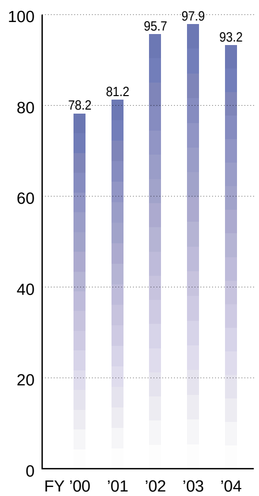
Consolidated Financial Highlights

Fujitec Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2004 and 2003

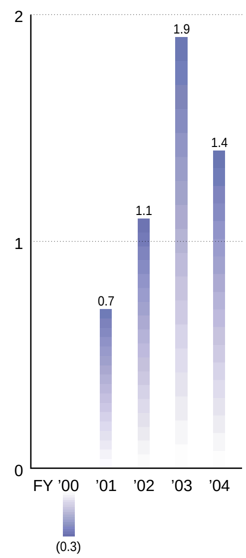
	Millions of Yen		Thousands of U.S. Dollars	Percent change
	2004	2003	**2004**	2004/2003
For the year				
Net sales	**¥ 93,237**	¥ 97,938	**$ 879,594**	–4.8%
Operating income	**3,735**	4,335	**35,236**	–13.8%
Net income	**1,385**	1,863	**13,066**	–25.7%
At year-end				
Total assets	**¥ 102,213**	¥ 106,620	**$ 964,274**	–4.1%
Shareholders' equity	**53,866**	54,885	**508,170**	–1.9%
Per share of common stock	Yen		U.S. Dollars	
Net income	**¥ 14.26**	¥ 19.07	**$ 0.13**	–25.2%
Cash dividends	**10.00**	10.00	**0.09**	+0.0%

Notes: 1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥106 to U.S. $1.
2. Net income per share amounts are computed based on the weighted average number of shares outstanding during each year. From fiscal 2003, the Company adopted a new accounting standard for computation of per share amount. The new standard requires that bonuses to directors and corporate auditors are to be deducted from net income for purposes of calculation.

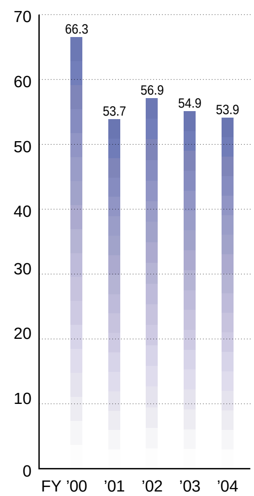
Net sales
(Billion ¥)



Net income (loss)
(Billion ¥)



Shareholders' equity
(Billion ¥)



To Our Shareholders

In the fiscal year which ended on March 31, 2004, despite the concerns over instability in the wake of the Iraq War and the effect of the SARS outbreak, the world economy showed a robust trend toward recovery. Japan likewise experienced the beginnings of a steady move toward economic recovery, which was evident in the favorable development of exports, particularly to Asia, the upturn in private-sector capital investment, the receding threat of financial instability, and the sustained recovery of the stock market.

Within the industry however, although demand from public works projects in the North American market (subway and airport-expansion projects) showed an encouraging development, demand from the office sector in North America and Europe remained flat.

Turning to Asia, the Chinese market continued to expand on the back of strong demand from the office and residential sectors, but profitability was again squeezed by the rising price of steel. Other parts of Asia still showed little sign of recovery in demand.

In the Japanese market, intense price competition continued as public-sector investment declined and concern arose over an oversupply of office space in the Tokyo region.

In response to this situation, in order to put into practice our Go for the Gold three-year mid-term business plan launched in April 2001, we progressed with innovation across all divisions in three key areas: cost innovation, mind innovation, and technical innovation.

With the benefit of these efforts, we were able to deliver to Germany the first unit of the new-generation BELTA™ elevator, the first of its kind in the world to be fitted with our independently developed TALON™ elevator drive system. Further orders have been received from many other parts of the world.

Meanwhile, two newly launched products achieved continuous sales growth: the first smoketight elevator landing doors to be sold in Japan; and an elevator ventilation system incorporating the Plasmacluster™ ion-generating system developed jointly with Sharp Corporation.

Additionally, our Modernization Packages for existing elevators, which offer four separate upgrade packages to suit different customer needs, enjoyed wide popularity for their low pricing and short installation period.

Looking at our overseas business development, the Chinese joint-venture company Huasheng Fujitec Elevator Co., Ltd. (Hebei Province, China) began operation of its second elevator plant in March 2002 in response to strong Chinese demand.

Meanwhile, the escalator-manufacturing joint-venture company Shanghai Huasheng Fujitec Escalator Co., Ltd., which was established in Shanghai in January 2002, steadily increased its domestic and overseas shipment volume as the main escalator-production base of the Fujitec Group.

Through aggressive sales activity of this kind, the Fujitec Group worked to achieve its profit targets. However, although domestic net sales increased 6.6 percent from the previous fiscal year, the appreciation of the yen in the second half-year and other factors led to a 14.7 percent decline in overseas net sales, so that consolidated net sales for the fiscal year fell 4.8 percent to ¥93,237 million.

On the profits front, while North American operations reduced their business losses, operating income declined in East Asia. This was due chiefly to the nine-month accounting period for our Hong Kong subsidiary, caused by a change in its closing date, and the rise in steel prices in China. With the added impact of an appreciating yen, operating income decreased by 13.8 percent from the previous fiscal year to ¥3,735 million and net income by 25.7 percent to ¥1,385 million.

Outlook

Although the world economy seems likely to carry on in recovery mode, factors in the business environment — including the possibility of terrorist activity and other unpredictable developments, rising commodity prices, notably for crude oil, and the effect of rising interest rates — are expected to continue to leave no room for complacency.

Nevertheless, as urban multi-story development continues and the depth of below-ground excavation increases, the market goes on expanding. The modern market increasingly demands products of high added value, offering not only safety but also improvements in convenience, speed, and other areas. We believe that the innovations implemented in the past fiscal year in three key areas will be clearly reflected in business performance in the forthcoming period.

Under the mid-term business plan launched in April 2004, which adopts Change & Charge as our keynote phrase, we look forward to continuing to deliver high-quality products based on full deployment of our unique capabilities in technology development, and at the same time to increasing management efficiency, further increased profitability, and business expansion.

Our business projections for the forthcoming fiscal year predict a fall in net sales in North America and South Asia but growth in East Asia. Overall, consolidated net sales are forecast to rise by 0.8 percent to ¥94,000 million, consolidated operating income to grow by 20.5 percent to ¥4,500 million, and net income to expand by 73.3 percent to ¥2,400 million.

Through powerful innovation and progress, we are committed to meeting the expectations of shareholders, whose continued patronage we request as we set our sights on further advances.

Takakazu Uchiyama
President and Chief Executive Officer

Launch of New Mid-term Business Plan

Based on our global network of seven regional headquarters, we use our advanced capability in technology development to bring new products into the world.

Our new three-year mid-term business plan was launched in April 2004. Under the keynote phrase Change & Charge, we will be addressing three key tasks (1) profit-oriented management, (2) product quality innovation, (3) improvement in management efficiency. With a corporate strategy based on our seven world headquarters system, we aim to use strengthened global cooperation to complete these tasks by March 2007.

New Mid-term Business Plan

Change &

2004
Construction of R&D facilities for Fujitec Shanghai Technologies Co., Ltd.

2005
Completion of the Second Plant and Center on the Shiga Plant premises

1. Profit-oriented management

In our new mid-term business plan, the securing of a solid earnings base is designated as one aspect of our management vision through which we aim to justify the confidence placed in us by customers and shareholders.

Specifically, in our main elevator division, the machine-room-less elevator, new-generation elevators fitted with the new TALON™ drive system, the GS8000 global standard-type escalator, and similar products will form the backbone of an enhanced product range with the emphasis on profitability. With simultaneous efforts to strengthen cost-competitiveness and to quickly bring to market new products that meet diverse customer needs, we aim to progressively increase profitability.

In service divisions, we aim to increase profitability by enhancing the range of maintenance services, pursuing modernization-oriented product development, reinforcing sales activity, and establishing new business models.

2. Product quality innovation

As a specialist of people-moving systems, our mission is to offer consistently high levels of quality and service.

Within the premises of the Shiga Plant (Hikone City, Shiga Prefecture), we plan to build a new Product Development Center and a Second Plant (due for completion by the end of 2005). By putting in place a system integrating all stages from product development to manufacture, and realizing a process that efficiently creates products with high added value, we aim to develop unique industry-leading products.

In addition, by implementing quality-enhancing activity, notably in the product development process, we will devote unstinting energy to creating 100 percent quality.

Meanwhile, in Japan, we are rolling out the MIS (Maintenance Information System) project aimed at further improving service quality. The system makes use of a database to ensure implementation of appropriate preventive maintenance and to shorten emergency response time so that maintenance is carried out speedily following an incident.

3. Improvement in management efficiency

In order to raise the level of management efficiency, we are taking active steps to introduce a leaner and faster-acting management system. For a leaner management system, we will work for an optimally effective deployment of management resources to substantially reduce total fixed costs.

For a faster-acting management system, we will clarify areas of responsibility and authority, lead other companies in our product development, and remain ahead of the times in our business activity.

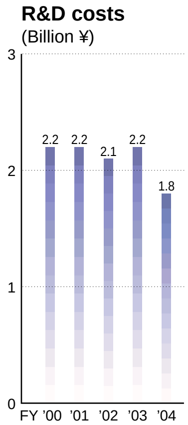
In the development of our global business, the headquarters located in North America, South America, Europe, South Asia, East Asia, and Japan will be joined by a new China headquarters to respond to the rapid business expansion in the Chinese market, creating a system of seven world headquarters, one in each business block. Each of these will undertake swift decision-making in its respective market, leading to improvement in management efficiency. Additionally, the establishment of a new Chinese research and development base in the shape of Fujitec Shanghai Technologies Co., Ltd. will be complete in fiscal year 2005, investing management resources in the Chinese market where demand remains strong.

Leaving the Rest Behind with Advanced Research and Development Capabilities

Global research system based on joint research throughout the world

Market requirements in the area of elevators, escalators, moving walkways and other people-moving systems are becoming increasingly diverse and sophisticated, covering not just safety but also convenience, improved design values, high speed, energy-saving, low cost and short installation times.

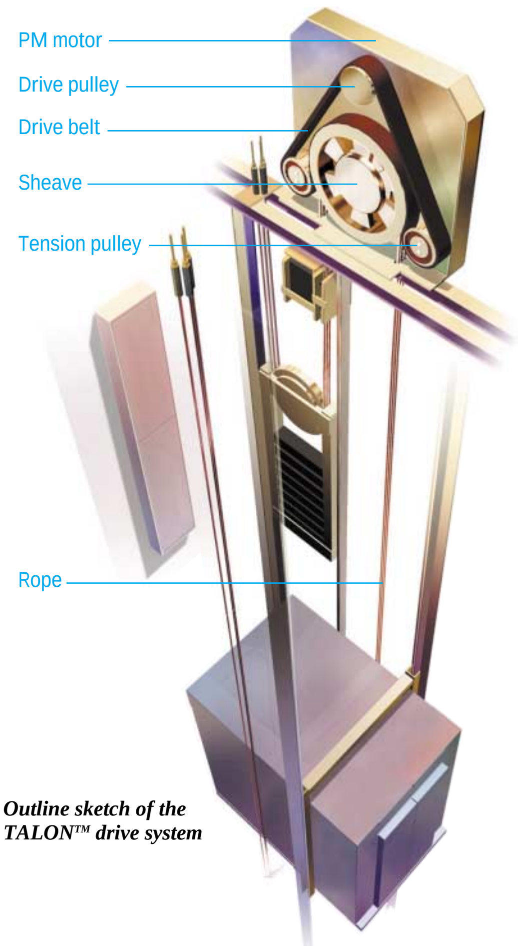
Meeting these societal needs with our advanced capabilities in technology development and providing the world with high-grade products is Fujitec's mission. Since our establishment, we have prided ourselves on our unique technology, becoming the first in the industry to market smoketight elevator landing doors and a new-generation elevator that is the first in the world to be fitted with the TALON™ elevator drive system. These and other unique Fujitec technologies are highly rated around the globe.



Unique technology with TALON™ – the world's first elevator drive system of its kind

Fujitec's independently developed TALON™ drive system represents a fundamental re-examination of the principle behind the traction sheave system, the drive system of the roped elevator which has remained in use for 100 years. Our new-generation elevator is lowered and raised by pressing a specially designed belt against ropes running over a sheave. The development of this new drive system realizes savings in energy, space, and resources and has given the world its most environment-friendly elevator yet.

The first unit of the BELTA™ new-generation elevator has now been delivered to Germany and further orders have been received from around the world.



Outline sketch of the TALON™ drive system

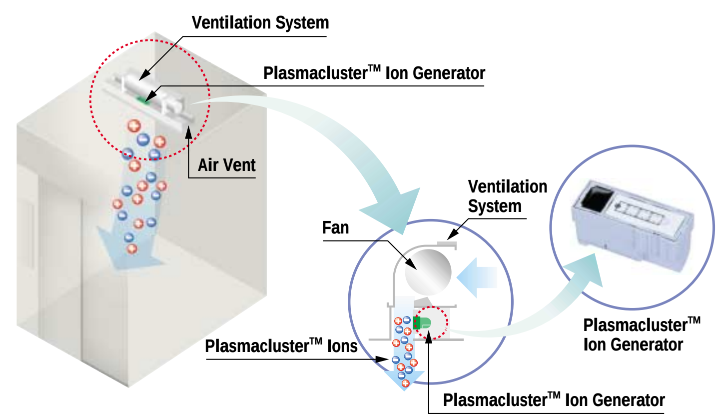
Smoketight elevator landing door

The greatest danger in office building fires is said to be not flames but smoke. Elevator shafts, stairwells, and other vertical spaces act as chimneys funneling smoke into the upper floors and spreading damage. In response, the Japanese government amended the Building Standard Law so that all buildings begun from June 2003 onward must have smoketight fire-safety equipment (such as fire doors) fitted to all elevator landing doors or halls.

To adapt to the new legislation, Fujitec developed an elevator landing door which is itself smoketight, eliminating the need for fitting of additional fire-safety equipment. Launched in April 2003, these doors represent an expert fusion of Fujitec's wealth of elevator technologies with the know-how in airtight systems accumulated by Toyo Shutter Co., Ltd. in its long history of manufacturing fire doors. The enthusiastic market response has led to rapid sales growth and this technology, born in Japan, is now set to go global.

Plasmacluster™ ion-generating system

The very public space of an elevator is used by a large number of different people. This fact has led to a rising demand for hygienic measures to be taken. To meet this need, Fujitec collaborated with Sharp Corporation (Osaka) to develop a new elevator ventilation system incorporating the Plasmacluster™ ion-generating system, which is effective against airborne bacteria and allergens.



Detailed Cross-Sectional View

In Japan, the fitting of this device, the world's first of its kind developed for elevator use, started in December 2003 with the Fujitec standard-type elevator residential model, and is being progressively extended to make it standard equipment on all elevators. The device is to be introduced not only in Japan, but will be rolled out to the global markets of Asia, the Americas, Europe, and the Middle East.

All-round packages for elevator modernization

For modernization, whereby elevators with many years of service are replaced with the latest model, Fujitec has commercialized a set of Modernization Packages which offer different upgrade packages to suit customer budgets and needs. Previously, elevator modernization meant replacement of almost all machinery and parts, which sometimes resulted in a higher specification than the customer required, and involved heavy costs. This could also be very inconvenient as it meant that the elevator was out of service for a long period while modernization work was carried out.

The newly introduced Modernization Packages consist of four quality-upgrade options responsive to customer budgets and timeframes which are adapted to the customers' needs. These include a Control Performance Improvement Package, a Door Performance Improvement Package, an Entrance Design Package, and a Car Design Package. By making maximum use of existing machinery and parts and optimizing the efficiency of the engineering methods used, the packages, which have proved extremely popular, realize substantial cost reductions and dramatic shortening of the period of elevator service interruption.

Shiga Plant – Creating a Major Base Integrating All Processes from Development to Production

Rendering of Shiga Plant following completion of construction of the world's tallest elevator research tower at 170 meters, a Product Development Center, and a Second Plant

To allow us to stay ahead of the intensifying competition in the industry by deploying the unique technological capabilities we have built up over many years and speedily bringing to market products of high added value, we have decided to build a Product Development Center and a Second Plant on the premises of our Shiga Plant.

The Product Development Center, which will house offices, an elevator research tower, experimental facilities, and a showroom, will be a center using the latest and most powerful research and development facilities for the development of technology and products at the cutting edge of the industry and aimed at a global market.

The research tower – at 170 meters the world's tallest in a research facility – will be equipped with 12 elevator cars, ranging from a super high-speed model to a standard type, allowing technology and product development using all elevator types. Until now, production has been divided between the Osaka Plant, for custom-made elevators, and the Shiga Plant, for standard-type elevators; with the construction of our Second Plant, production will now be integrated at the Shiga site.

Our plants use the latest and most powerful production facilities and a LAN/WAN-based advanced computer-integrated manufacturing system to achieve maximum efficiency. By integrating rigorous measures to save energy and prevent pollution, we work to promote global environmental conservation, aiming to operate our 10 global production bases around the world as model plants. Both of the new facilities are due for completion toward the end of 2005, when the Shiga Plant will start a new life as a unitary production base integrating all processes from development through design to production.

Chinese Research and Development Base Opened in Shanghai

Rendering of R&D facilities at Fujitec Shanghai Technologies Co., Ltd.

In preparation for the hosting of the 2008 Olympic Games in Beijing and the Shanghai Expo 2010, China remains in the grip of a building boom. Against a background of strong demand, the market in elevators, escalators, and related products has shown sustained high levels of growth and is currently thought to be sized at around 80,000 units a year.

To set up within this growing Chinese market a base from which to undertake research and development into cutting-edge technology for elevators and escalators, we established Fujitec Shanghai Technologies Co., Ltd. in December 2003.

The new company is a joint-venture with capital provided 90 percent by Fujitec and 10 percent by a major Chinese general trading firm, the China National Textiles Import and Export Corporation.

The new company's facilities, now under construction in Shanghai's Song Jiang Industrial Zone, are due for completion in spring 2005 and will include offices, experimental facilities, and an elevator research tower.

The new company will promote joint research with renowned academic institutions such as Shanghai Jiao Tong University and advanced research bodies. This research will include elevator and escalator development and design carried out in partnership with Chinese technologists. In this way, the new company will allow us to assemble the industry's most powerful technology and product capabilities.

In the future, by promoting collaboration between the Product Development Center in Shiga and Fujitec Shanghai Technologies in China, we will create new products of high added value, core technologies, and core processes, as we seek to further enhance corporate value on the global market.

Unique Technologies Drive Major Project Commissions

Super scale observation elevators due for construction at Dubai International Airport

16 super scale observation elevators ordered for Dubai International Airport

Dubai International Airport, the largest of its kind in the Middle East, is the air gateway to the United Arab Emirates, a group of seven emirates including Abu Dhabi and Dubai situated on the Persian Gulf coast of the Arabian Peninsula. In the second phase of an expansion project for the airport costing US $2.5 billion, construction is planned of an exclusive terminal building and concourses for the Emirates airline, which is owned by the Dubai government.

Fujitec Co., Ltd. Dubai Representative Office has been contracted to supply 16 super scale observation elevators for the two concourses as part of the first phase of work on elevator and escalator systems.

These elevators, to be known as the SKYTRAIN, are the main people-moving system of the new airport facility. As the airport is served by the latest Airbus model A380 (555 seats) and is needed to transport large passenger volumes smoothly, the elevators will be among the largest observation elevators in the world, with a capacity for nine tons in load and 120 occupants. Each elevator car has two sets of landing doors at the front, bringing them closer still to the concept of a train.

The interior design of the elevator cars, which feature a three-dimensional luminous ceiling made of stainless steel and glass plate, a floor design blending Italian marble and crystal, and all-glass side panels and landing doors, represents the utmost in luxury throughout.

Attention has also been attracted by the Visual Information System display which is to be installed inside the elevator cars and in the landing lobbies to provide guide information on the airport. The second phase of the extension project is scheduled for completion in December 2007.

The Housing & Development Board of Singapore (HDB) places block order for 600 elevators for a super scale project

In the Term IV Modernization Project on which the HDB is currently engaged, residential elevators installed 20 years ago are to be completely replaced over a three-year period from 2004. In January 2003, 600 elevators had already been ordered for the Term III Modernization Project, bringing to 1,200 the total number of elevators ordered for the replacement work.

High-rise apartment blocks developed by the HDB

Rendering of
the New York Times Tower

Thirty-three elevators ordered for a new headquarters building for the New York Times

Fujitec America, Inc. has succeeded in securing a series of super scale project contracts. For the New York Times Tower which is to be its new headquarters, one of the leading U.S. newspapers, the New York Times, has placed an order for 33 elevators, including super high-speed models which travel at 480 meters a minute. The 52-story building, which will stand around 350 meters high and is set to become a new landmark for New York City, is the work of the same international architect, Renzo Piano, who designed the Kansai International Airport Passenger Terminal (Osaka, Japan), for which Fujitec supplied and installed a total of 61 elevators and escalators.

The elevators to be delivered for the project are fitted with Fujitec's independently developed Destination Floor Guidance System and include new-generation elevators that are the first in the world to feature the TALON™ drive system, making the new building a showcase for Fujitec's technological prowess.

Further confirmed projects involve the New York city subway, where 12 mass-transit escalators are to be provided as part of an escalator upgrade at the Herald Square station, and Federated Department Stores, Inc., which controls Macy's and other department stores, and has placed an order for 38 elevators to be installed in 19 department stores it plans to construct across the United States.

Rendering of redevelopment
area around Olympic Station

Order received for large-scale residential project in the vicinity of Hong Kong Olympic Station

A large-scale redevelopment project is underway in the area around Olympic Station in the Tai Kok Tsui district of Kowloon in Hong Kong. Five high-rise apartment blocks of 52 stories are to be built, for which Fujitec has been contracted to supply 26 high-speed elevators traveling up to 240 meters a minute and two escalators. The project is due for completion in spring 2005.

Escalators on
Seoul Subway Line 6

Block order for subway project from Daejeon, South Korea

Daejeon is a city in central South Korea that co-hosted the 2002 FIFA World Cup™. In order to ease traffic congestion and ensure trouble-free movement for residents, it has been decided to build the city's first subway line. For this project, Fujitec has received a block order for 68 escalators including 17 high-rise models exceeding 9.5 meters. Fujitec Korea Co., Ltd. has in the past delivered 73 escalators to the Seoul subway and 44 to the Pusan subway; this track record and our recognition for high quality were what helped win the order.

Fujitec – Creating a Worldwide Record of Achievement

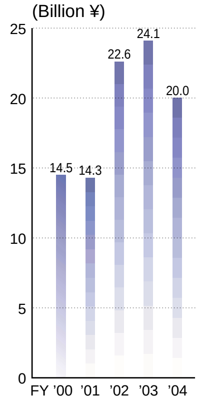
Washington Convention Center

The Americas

The U.S. economy enjoyed an accelerated pace of economic recovery, while South America also showed a trend toward increased political and economic stability.

In the United States, a 39-story state-of-the-art office building, the IDX Tower, was completed in the center of Seattle's business district. The building is served by 23 Fujitec elevators, including high-speed models traveling at 300 meters a minute, and four escalators. Meanwhile, we have received orders to supply 26 elevators, including super high-speed models traveling at 420 meters a minute, for the new office building of a major U.S. Bank, the Washington Mutual Bank, and the Seattle Art Museum.

Sales in the Americas
(Billion ¥)



Elsewhere, we are delivering products to noted buildings and stadiums, including the Washington Convention Center, an exhibition center in the federal capital; the New York City headquarters building of the major publishing company Random House, Inc.; and Soldier Field, which is the new home stadium of the Chicago Bears football team.

Observation elevator at Calgary International Airport

In Canada, 38 elevators, escalators, and moving walkways were delivered to Calgary International Airport.

La Plata Cathedral

In La Plata, the capital city of Buenos Aires State, Argentina, work on the spire of the historic La Plata Cathedral is now complete. In the majestic interior of the cathedral, a Fujitec observation elevator for visitors is in operation. Meanwhile, a total of 21 high-speed elevators and escalators are to be provided for the headquarters building of the major Galicia Bank now under construction in Buenos Aires.

In Venezuela, as part of expansion work on Maiquetia International Airport, the air gateway to Caracas, 20 elevators and escalators were supplied. In addition, 14 Fujitec elevators and escalators are in operation in the Metrolimpo Supreme Court Building.

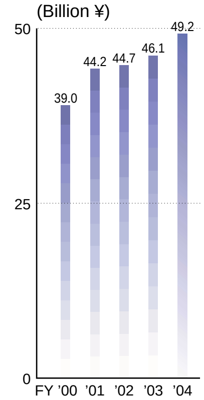
Nihonbashi 1-Chome Building

Japan

With the gradual recovery in domestic economic conditions, demand from the construction industry began to show signs of improvement.

In Tokyo, the Nihonbashi 1-Chome Building, a commercial and office complex built on the former site of the Tokyu Department Store at Nihonbashi, was completed. The building is served by a total of 41 Fujitec elevators and escalators. In Osaka, a total of 12 high-speed elevators and escalators were delivered to the Parks Tower office skyscraper in the Namba Parks redevelopment, while at western Japan's tallest apartment skyscraper, City Tower Osaka, eight high-speed elevators continue to provide an optimal service. Among project orders received recently are a total of 25 elevators and escalators for Japan's largest exhibition venue, the New National Museum of Art in Tokyo; and 25 elevators and escalators for the staging next year of Expo 2005 Aichi Japan, an international exposition at which over 100 countries from around the world will participate, presenting an unparalleled public-relations opportunity for Fujitec.

Sales in Japan
(Billion ¥)



Biopolis

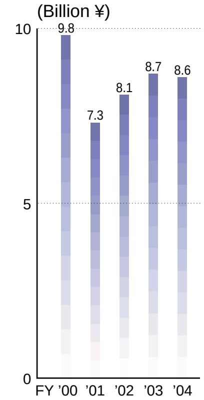
South Asia

While economic recession continued, there was an upswing in demand from government projects.

In Singapore, Biopolis, a government-financed research and development center for the biopharmaceuticals industry, was completed. A total of 53 Fujitec elevators and escalators are in operation on site. Additionally, an order for 86 elevators and escalators was received for Republic Polytechnic, a major public educational institution.

In Malaysia, at Putrajaya in the suburbs of Kuala Lumpur, a government-related facility was completed to which a total of 48 elevators and escalators have been delivered, while an order was received for a total of 49 elevators and escalators for the KLCC Convention Center, an international exhibition facility. A large number of facilities are also in operation in the Philippines, Indonesia, and Thailand.

Sales in South Asia
(Billion ¥)



Sorrento

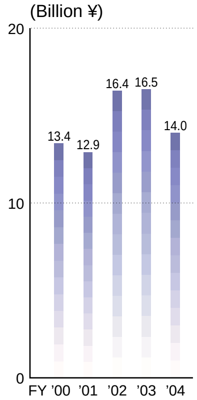
East Asia

This region saw a continuous succession of major redevelopment and commercial facility construction projects.

In Hong Kong, the Sorrento redevelopment project around Kowloon Station on the high-speed subway was completed, with a total of 47 Fujitec elevators and escalators transporting large numbers of passengers in safety day and night.

In the Chinese city of Shanghai, a total of 21 high-speed elevators and escalators were delivered for the high-grade office building Shanghai Tian An Center, and 25 elevators including super high-speed models were supplied to the HQ building of the Bank of Shanghai, a major financial institution.

Sales in East Asia
(Billion ¥)



In Taiwan, the upscale Shin Kong Mitsukoshi Department Store opened in Taipei's Hsinyi New Life Square, to which a total of 39 elevators and escalators were supplied, while at the Miramar Shopping Mall, a large-scale commercial facility due for completion in October 2004, a total of 56 Fujitec elevators and escalators are waiting to swing into action. In the city of Tainan, a total of 14 elevators and escalators were supplied to the five-star Evergreen Plaza Hotel.

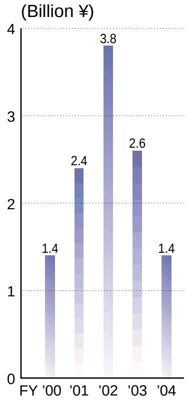
Europe

In the Eurozone, demand from the construction industry remained flat.

In Germany, the City Light office and commercial complex in Berlin was completed. In operation here are a total of eight Fujitec elevators and escalators, including the new-generation BELTA™, the first in the world to be fitted with the TALON™ drive system.

City Light

Sales in Europe
(Billion ¥)



Also in Berlin, an order was received for 16 elevators at the Deutsche Bundesbank Berlin-Brandenburg Regional Office.

In Britain, 30 elevators were delivered for a new station serving the Channel Tunnel rail link, while the Lion Plaza high-grade office building under construction in London is to be fitted with 16 elevators including observation models with a futuristic hexagonal design and walls of plate glass. At the Lakeside Shopping Centre, a major commercial facility in the London suburbs, three observation elevators are operating smoothly.

Environmental Conservation – a Corporate Responsibility

Fujitec Korea Plant

Fujitec Singapore Plant

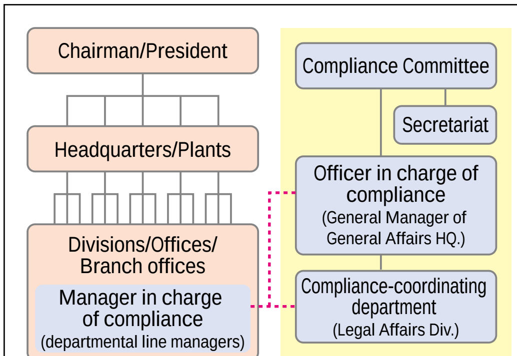
Fujitec, whose declared environmental policy is ‘‘symbiosis between business and the environment,’’ acquired certification under the ISO 14001 international standard for environmental management systems in July 1999. In the period since, we have progressed with environmental action in line with environmental management plans.

The fruits of this action have been clearly apparent at Fujitec Korea. For three days from September 1, 2003, a rigorous audit was carried out in both the elevator and escalator divisions by South Korea’s most authoritative certification body, KSA (Korean Standard Association), resulting in the acquisition of ISO 14001 certification in October. Certification constitutes recognition that the business activity and products of Fujitec Korea are considerate of the global environment and make efforts to protect the earth’s resources. Following Japan and Singapore, this is our third ISO 14001 certification.

Through product development and business activity that are friendly to the global environment, Fujitec is committed to continuing with vigorous action to conserve the environment.

Maximizing shareholder value

IIn the context of corporate governance, Fujitec regards maximization of shareholder value as one of the most important management tasks, and has appointed one external director and two external corporate auditors. Auditors are the mechanism for management audit and carry out regular inspections of internal affairs.



Fujitec Compliance Structure

In March 2003, in a further move to ensure consistent compliance with the laws and corporate ethics, we introduced the Fujitec Guiding Principles, under which the rigorous implementation of compliance is addressed proactively as a common group concern. We have also set up a dedicated department to deal with crisis management and legal affairs, with the aim of identifying issues at an early stage and taking early response measures.

In November 2003, a Compliance Committee consisting of senior management was set up. Its function is to support education and awareness in relation to the Guiding Principles, to adjudicate from a company-wide perspective on the order of priorities in problem-solving, and to engage in system-based risk management. The Committee is to have regular meetings twice a year and will also be convened at other times according to requirement.

In the future too, we will continue with efforts to further reinforce the compliance system and fulfill our corporate social responsibilities so as to consistently inspire the confidence of people around the world.

Consolidated Financial Review

Operating Results

During the fiscal year ended March 31, 2004, net sales amounted to ¥93,237 million (U.S. $880 million), a decline of 4.8 percent from the previous fiscal year. Broken down by geographical segment, in Japan, with the completion of major domestic projects, net sales increased by 6.6 percent to ¥49,156 million (U.S. $464 million). Meanwhile, in the Americas, a reduction in new installation projects resulted in a 16.8 percent decrease in net sales to ¥20,023 million (U.S. $189 million). In East Asia, a change in the fiscal closing date of the Hong Kong subsidiary resulted in an irregular nine-month accounting period and influenced the figure for net sales in the region, which fell by 14.9 percent to ¥14,039 million (U.S. $132 million). Net sales also contracted in South Asia, falling by 1.4 percent to ¥8,571 million (U.S. $81 million). Similarly in Europe, a reduced number of new installation projects impacted net sales, which fell by 43.6 percent to ¥1,448 million (U.S. $14 million).

As a result of these movements, the overseas market share in total net sales fell by 5.6 percentage points from 53.5 percent in the previous fiscal year to 47.9 percent.

In order to adapt to the increasingly fierce price competition, the Company worked to reduce raw material costs and to achieve cost savings in all industrial processes. Although a reduction of business losses in North American operations was achieved, operating income in East Asia declined. This was due to the influence of a change in the fiscal closing date of the Hong Kong subsidiary, a rise in steel prices in China, and other factors. With the added effect of the appreciation of the yen, operating income fell by 13.8 percent to ¥3,735 million (U.S. $35 million). As a proportion of net sales, operating income decreased by 0.4 percentage points to 4.0 percent.

In special gains and losses, while the stock market recovery reversed the write-down of investment securities incurred in the previous period, the burden of income taxes increased, so that net income fell by 25.7 percent to ¥1,385 million (U.S. $13 million).

Net income per share, at ¥14.26 (U.S. $0.13), also decreased from the ¥19.07 of the previous period.

Financial Position

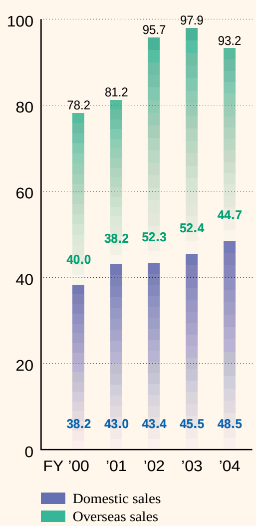
Consolidated total assets at the end of the fiscal year totaled ¥102,213 million (U.S. $964 million), a reduction of ¥4,407 million from the previous year end. Total current assets stood at ¥64,111 million (U.S. $605 million), a reduction of ¥8,728 million from the previous year end. The main factors in the reduction were decreases in cash and cash equivalents and in time deposits due to outgoings for advances and acquisitions of minority interest in the Singapore subsidiary and a decrease in trade notes and accounts receivable.

Investments and advances amounted to ¥10,862 million (U.S. $102 million), an increase of ¥6,473 million. The main contributory factors were an increase in advances and a growth in the valuation of investment securities due to the stock market recovery.

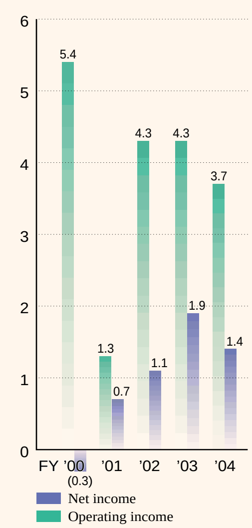
Total liabilities, at ¥44,651 million (U.S. $421 million), were reduced by ¥585 million from the previous year end.

Minority interest in consolidated subsidiaries stood at ¥3,696 million (U.S. $35 million), a decrease of ¥2,803 million from the previous year end. The main contributory factor was the acquisition of minority interest in the Singapore subsidiary.

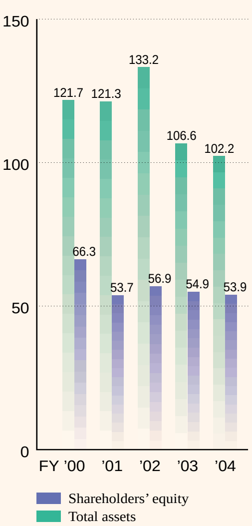
Domestic sales and overseas sales
(Billion ¥)



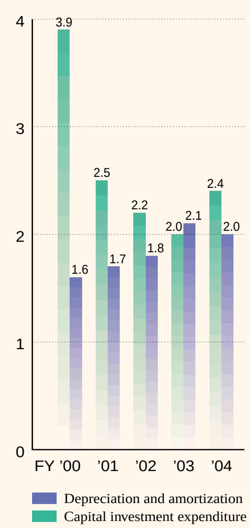
Operating income and net income (loss)
(Billion ¥)



Total assets and shareholders' equity
(Billion ¥)



Capital investment expenditure, depreciation and amortization
(Billion ¥)



Although the stock market recovery meant that revaluation of other securities produced unrealized gains rather than the previous loss, the appreciation of the yen increased the amount deducted for adjustment arising from translation of foreign subsidiaries' accounts. The result was to reduce shareholders' equity by ¥1,019 million to ¥53,866 million (U.S. $508 million). Similarly, shareholders' equity per share moved down ¥10.52 from the previous year end to ¥574.52 (U.S. $5.42). However, as minority interests decreased by ¥2,803 million, the equity ratio at the year end stood at 52.7 percent, an advance of 1.2 percentage points from one year earlier.

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 ¥9,745 million (U.S. $92 million). Long-term finance such as for capital investment is procured through long-term loans. The outstanding balance of long-term loans at the end of the period, including ¥12 million due within one year, was ¥2,927 million (U.S. $28 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.

The Company maintains a ¥10 billion Japanese shelf registration for straight bonds offering.

Cash Flows

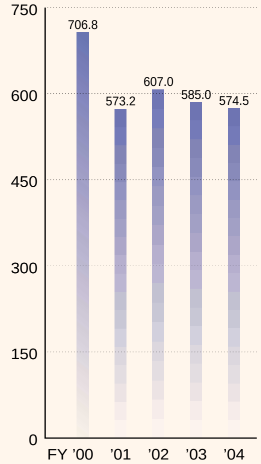
Cash flows from operating activities amounted to ¥4,848 million (U.S. $46 million), an increase of ¥510 million (11.8 percent) from the previous year. Income before income taxes and minority interest grew by ¥420 million or 13.5 percent to ¥3,522 million (U.S. $33 million). Depreciation and amortization decreased slightly to ¥1,992 million (U.S. $19 million), while payment of income taxes amounted to ¥801 million (U.S. $8 million).

Cash flows from investing activities fell by ¥27,100 million from the positive balance of ¥21,899 million recorded in the previous year to show a negative figure of ¥5,201 million (U.S. $49 million), reflecting outgoings for property, plant and equipment, advances, and other items. The decrease is largely explained by the inflow of ¥20,851 million in the previous period following a reduction in operating assets (commercial papers) accompanying the termination of the U.S. fund management subsidiary Fujitec Capital Corporation (FCC).

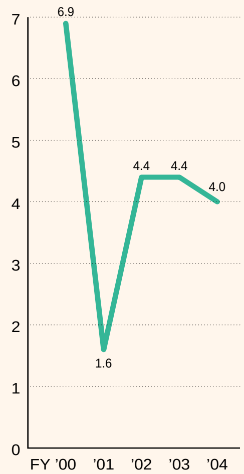
Cash used in financing activities totaled ¥3,810 million (U.S. $36 million), a decline of ¥20,524 million from the previous period, reflecting outflows for the acquisition of minority interests and other items. The decrease is attributable mainly to outgoings in the previous period of ¥18,875 million for the repayment of preferred stocks associated with the termination of FCC.

After accounting for these movements, cash and cash equivalents at the year end stood at ¥15,737 million (U.S. $148 million), ¥5,436 million lower than at the end of the previous year.

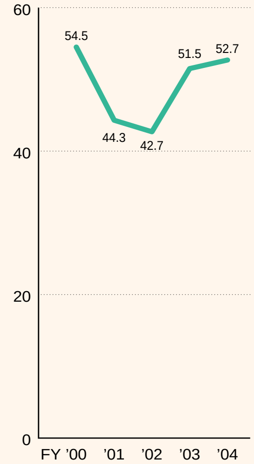
Shareholders' equity per share
(¥)



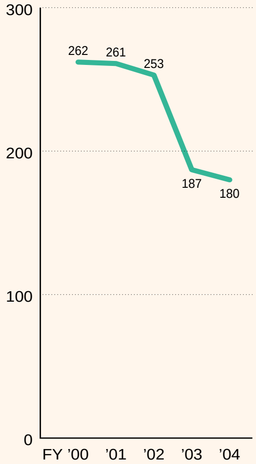
Operating income to net sales
(%)



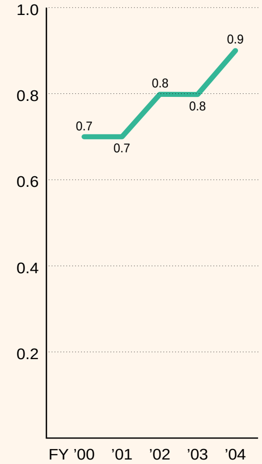
Equity ratio
(%)



Current ratio
(%)



Asset turnover
(Times)



Consolidated Balance Sheets

Fujitec Co., Ltd. and Consolidated Subsidiaries
March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2004**	2003	**2004**
Current assets:			
Cash and cash equivalents	**¥ 15,737**	¥ 21,173	**$ 148,462**
Time deposits	**4,407**	5,784	**41,575**
Trade notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	**187**	158	**1,764**
Other	**24,857**	26,642	**234,500**
Allowance for doubtful accounts	**(213)**	(207)	**(2,009)**
	24,831	26,593	**234,255**
Inventories (Note 4)	**17,064**	17,540	**160,981**
Deferred income taxes (Note 5)	**940**	1,006	**8,868**
Other current assets	**1,132**	743	**10,680**
Total current assets	**64,111**	72,839	**604,821**
Investments and advances:			
Unconsolidated subsidiaries and affiliates	**1,022**	893	**9,642**
Investment securities (Note 3)	**5,686**	3,425	**53,642**
Advances	**4,154**	71	**39,188**
	10,862	4,389	**102,472**
Property, plant and equipment, at cost (Note 6)**:**			
Buildings	**15,198**	15,564	**143,377**
Machinery and equipment	**17,017**	17,247	**160,538**
	32,215	32,811	**303,915**
Accumulated depreciation	**(19,412)**	(19,171)	**(183,132)**
	12,803	13,640	**120,783**
Land	**6,795**	5,814	**64,104**
Construction in progress	**97**	189	**915**
	19,695	19,643	**185,802**
Other assets:			
Deferred income taxes (Note 5)	**1,526**	2,968	**14,396**
Intangible assets	**3,644**	4,205	**34,377**
Other	**2,375**	2,576	**22,406**
	¥102,213	¥106,620	**$ 964,274**

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 1) 2004
Current liabilities:			
Short-term debt (Note 6)	¥ 9,745	¥ 7,634	$ 91,934
Current portion of long-term debt (Note 6)	12	5,113	113
Trade notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	58	59	547
Other	9,275	9,534	87,500
Advances from customers	7,456	7,696	70,340
Accrued income taxes (Note 5)	1,048	615	9,887
Accrued bonuses	1,443	1,387	13,614
Provision for losses on contracts	1,607	2,203	15,160
Other current liabilities	5,012	4,814	47,283
Total current liabilities	35,656	39,055	336,378
Long-term debt (Note 6)	2,915	41	27,500
Deferred income taxes (Note 5)	81	77	764
Accrued pension and severance payments (Note 11)	5,999	6,063	56,594
Total liabilities	44,651	45,236	421,236
Minority interest in consolidated subsidiaries	3,696	6,499	34,868
Contingent liabilities (Note 7)			
Shareholders' equity (Note 10)**:**			
Common stock, no par value: Authorized — 200,000,000 shares; Issued and outstanding — 93,767,317 shares at March 31, 2004 and 2003	12,534	12,534	118,245
Additional paid-in capital	14,566	14,566	137,415
Retained earnings	40,323	39,951	380,406
Net unrealized gains (losses) on securities	1,037	(491)	9,783
Adjustment arising from translation of foreign subsidiaries' accounts	(14,525)	(11,612)	(137,028)
	53,935	54,948	508,821
Treasury stock at cost: 94,795 shares at March 31, 2004 and 84,528 shares at March 31, 2003	(69)	(63)	(651)
Total shareholders' equity	53,866	54,885	508,170
	¥102,213	¥106,620	$ 964,274

Consolidated Balance Sheets

Consolidated Statements of Income

Fujitec Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
Net sales	**¥ 93,237**	¥ 97,938	**$ 879,594**
Cost and expenses:			
Cost of sales	**73,021**	77,064	**688,877**
Selling, general and administrative	**16,481**	16,539	**155,481**
	89,502	93,603	**844,358**
Operating income	**3,735**	4,335	**35,236**
Other income (expenses):			
Interest and dividend income	**307**	608	**2,896**
Interest expense	**(195)**	(291)	**(1,840)**
Foreign currency exchange (loss) gain	**(283)**	(319)	**(2,670)**
Other, net	**118**	118	**1,114**
	(53)	116	**(500)**
Special items:			
Gain on sales of property, plant and equipment	**13**	31	**123**
Loss on disposal and sales of property, plant and equipment	**(102)**	(121)	**(963)**
Gain on sales of investment securities	**66**	—	**623**
Write-down of investment securities	**—**	(1,007)	**—**
Loss on sales of investment securities in a consolidated subsidiary	**—**	(212)	**—**
Loss on redemption of an unconsolidated subsidiary's investment	**(47)**	—	**(444)**
Write-down of investment securities in an unconsolidated subsidiary	**—**	(35)	**—**
Other, net	**(90)**	(5)	**(849)**
	(160)	(1,349)	**(1,510)**
Income before income taxes and minority interest	**3,522**	3,102	**33,226**
Income taxes (Note 5)**:**			
Current	**1,297**	1,017	**12,235**
Deferred	**439**	(609)	**4,142**
	1,736	408	**16,377**
Income before minority interest	**1,786**	2,694	**16,849**
Minority interest in income of consolidated subsidiaries	**401**	831	**3,783**
Net income	**¥ 1,385**	¥ 1,863	**$ 13,066**

Per share:	Yen		U.S. Dollars (Note 1)
Net income, based on the weighted average number of shares outstanding	**¥ 14.26**	¥ 19.07	**$ 0.13**
Cash dividends, applicable to the period	**10.00**	10.00	**0.09**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Fujitec Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2004 and 2003

	Thousands	Millions of Yen					
	Number of shares of common stock issued	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains (losses) on securities	Adjustment arising from translation of foreign subsidiaries' accounts	Treasury stock, at cost
Balance at April 1, 2002	93,767	¥ 12,534	¥ 14,566	¥ 38,948	¥ (198)	¥ (8,926)	¥ (40)
Net income	—	—	—	1,863	—	—	—
Cash dividends	—	—	—	(843)	—	—	—
Staff and workers' bonus and welfare fund	—	—	—	(17)	—	—	—
Change in adjustment arising from translation of foreign subsidiaries' accounts	—	—	—	—	—	(2,686)	—
Change in net unrealized losses on securities	—	—	—	—	(293)	—	—
Treasury stock acquired, net	—	—	—	—	—	—	(23)
Balance at March 31, 2003	93,767	12,534	14,566	39,951	(491)	(11,612)	(63)
Net income	—	—	—	1,385	—	—	—
Cash dividends	—	—	—	(936)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(71)	—	—	—
Staff and workers' bonus and welfare fund	—	—	—	(6)	—	—	—
Change in adjustment arising from translation of foreign subsidiaries' accounts	—	—	—	—	—	(2,913)	—
Change in net unrealized gains on securities	—	—	—	—	1,528	—	—
Treasury stock acquired, net	—	—	—	—	—	—	(6)
Balance at March 31, 2004	93,767	¥ 12,534	¥ 14,566	¥ 40,323	¥ 1,037	¥ (14,525)	¥ (69)

	Thousands	Thousands of U.S. Dollars (Note 1)					
	Number of shares of common stock issued	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains (losses) on securities	Adjustment arising from translation of foreign subsidiaries' accounts	Treasury stock, at cost
Balance at March 31, 2003	93,767	$118,245	$137,415	$376,897	$ (4,632)	$ (109,547)	$ (594)
Net income	—	—	—	13,066	—	—	—
Cash dividends	—	—	—	(8,830)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(670)	—	—	—
Staff and workers' bonus and welfare fund	—	—	—	(57)	—	—	—
Change in adjustment arising from translation of foreign subsidiaries' accounts	—	—	—	—	—	(27,481)	—
Change in net unrealized losses on securities	—	—	—	—	14,415	—	—
Treasury stock acquired, net	—	—	—	—	—	—	(57)
Balance at March 31, 2004	93,767	$118,245	$137,415	$380,406	$ 9,783	$ (137,028)	$ (651)

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, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Cash flows from operating activities:			
Income before income taxes and minority interest	¥ 3,522	¥ 3,102	$ 33,226
Depreciation and amortization	1,992	2,051	18,792
(Benefit) provision for allowance for doubtful accounts	(15)	17	(142)
Provision (benefit) for bonuses to employees	57	(353)	538
(Benefit) provision for losses on contracts	(394)	47	(3,717)
Interest and dividend income	(307)	(608)	(2,896)
Interest expense	195	291	1,840
Write-down of investment securities	—	1,007	—
Decrease (increase) in trade notes and accounts receivable	430	(426)	4,057
Increase in inventories	(56)	(250)	(528)
Increase (decrease) in trade notes and accounts payable	77	(983)	726
Increase in advances from customers	219	877	2,066
Bonuses paid to directors and corporate auditors	(71)	—	(670)
Other, net	—	211	—
Sub-total	5,649	4,983	53,292
Payment of income taxes	(801)	(645)	(7,556)
Net cash provided by operating activities	4,848	4,338	45,736
Cash flows from investing activities:			
Decrease in time deposits, net	858	3,039	8,094
Decrease in commercial papers	—	20,851	—
Acquisitions of property, plant and equipment	(2,432)	(2,047)	(22,943)
Proceeds from sale of property, plant and equipment	63	121	594
Payment for purchase of investment securities	(54)	(512)	(509)
Proceeds from sale of investment securities	413	—	3,896
Investment in unconsolidated subsidiary	(282)	—	(2,660)
Payment for long-term advances	(4,116)	—	(38,830)
Collections on long-term advances	25	—	236
Proceeds from interest and dividend income	317	624	2,990
Other, net	7	(177)	66
Net cash (used in) provided by investing activities	(5,201)	21,899	(49,066)
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	304	(3,173)	2,868
Repayment of long-term debt	(23)	(63)	(217)
Repayment of preferred stock	—	(18,875)	—
Purchase of minority shareholders' interest	(2,663)	—	(25,123)
Redemption of an unconsolidated subsidiary's investment	106	—	1,000
Payment of interest	(193)	(318)	(1,821)
Cash dividend paid	(936)	(843)	(8,830)
Cash dividend paid to minority shareholders	(400)	(972)	(3,773)
Other, net	(5)	(90)	(47)
Net cash used in financing activities	(3,810)	(24,334)	(35,943)
Effect of exchange rate changes on cash and cash equivalents	(1,273)	(1,121)	(12,010)
Cash and cash equivalents increased by a newly consolidated subsidiary	—	1,025	—
Net increase (decrease) in cash and cash equivalents	(5,436)	1,807	(51,283)
Cash and cash equivalents at beginning of year	21,173	19,366	199,745
Cash and cash equivalents at end of year	¥ 15,737	¥ 21,173	$ 148,462

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, 2004 and 2003

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 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 ¥106=U.S. $1, the approximate effective rate of exchange at March 31, 2004. 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 ¥106=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 twelve 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)
P.T. Fujitec Indonesia (Indonesia)
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)

As Fujitec Capital Corporation, a U.S. subsidiary of Fujitec America, Inc., was liquidated during August 2003, the account of Fujitec Capital Corporation was excluded from consolidation for the year ended March 31, 2003.

Fujitec (HK) Co., Ltd. and Rich Mark Engineering Limited, for which the closing date was originally March 31, changed their closing date from March 31 to December 31 in the fiscal year commenced April 1, 2003. Accordingly, their fiscal period for this year is only nine months from April 1 to December 31, 2003.

In preparing the consolidated financial statements, using consolidated subsidiaries' accounts, based on their own closing dates, the necessary adjustments were made for the 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 security is judged to be material, and other than temporary, the carrying value of the individual security is written down.

(B) Translation of foreign currency transactions

The Company adopted the Accounting Standards for Foreign Currency Transactions issued by the Business Accounting Deliberation Council. Under the method, every monetary asset and liability denominated in foreign currency is translated into 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 Deliberation 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 the balance sheet dates, and the items of shareholders' equity are translated at the historical rates at the dates of acquisition. Profit and loss accounts are translated into Japanese yen at the annual average rates.

Any resulting translation differences are stated as "Adjustment arising from translation of foreign subsidiaries' accounts" 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 Deliberation Council. In accordance with the standards, securities are classified into trading securities, held-to-maturity debt securities, equity investments in unconsolidated subsidiaries and affiliates, and other securities that are not classified in any of the above categories.

Held-to-maturity debt securities are stated at amortized cost adjusted for the amortization of premiums and the accretion of discounts to maturity. 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 shareholders' equity. The amortized cost of debt securities in this category is adjusted for the amortization of premiums and the accretion of discounts to maturity. 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 domestic companies 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) 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.

Effective January 1, 2002, Fujitec America, Inc., completed the process of valuing identifiable intangible assets related to service maintenance contracts and installation contract backlog acquired. The valuation amount of U.S. $4,100 thousand is transferred to intangible assets from goodwill and is amortized over their useful lives.

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) 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 accrues the unfunded retirement liability for a lump-sum benefit to directors and corporate auditors of the Company based on the established guidelines. Payment of such benefits is subject to approval at the shareholders' meeting.

(J) 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.

(K) Research and development costs

Research and development costs are charged against income as incurred.

(L) 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 Deliberation 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.

(M) Derivative and hedging activities

The Companies use derivative financial instruments to manage their exposure to foreign exchange and interest rate fluctuations. Foreign exchange forward 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 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 foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contract qualifies for hedge accounting.

Interest rate swaps are utilized to hedge interest rate exposure of long-term debt. The interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income as incurred.

(N) 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.

From the year ended March 31, 2003, the Company adopted Financial Accounting Standard No. 2, "Accounting Standard for Net Profit Per Share" and Guidance of Financial Accounting Standard No. 4, "Guidance for Appropriation of Accounting Standard for Net Profit Per Share." The standard requires that bonuses to directors and corporate auditors, which are not available to common stockholders, are deducted from net income for the calculation.

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.

(O) Cash and cash equivalents

The Companies consider all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

(P) Treasury stock and reduction of legal reserves

Effective for the year ended March 31, 2003, the Company adopted Financial Accounting Standard No.1, "Accounting Standard for Treasury Stock and Reduction of Legal Reserves." The effects of adopting the new standard were immaterial.

(Q) Consolidated balance sheets and consolidated statements of shareholders' equity

From the year ended March 31, 2003, the consolidated balance sheets and consolidated statements of shareholders' equity were prepared in accordance with regulations concerning consolidated financial statements as amended.

(R) Reclassification of accounts

Certain reclassifications have been made in the 2003 financial statement to conform to the presentation for 2004.

3. Marketable Securities and Investment Securities

At March 31, 2004 and 2003, other securities were as follows:

Other securities:

	Millions of Yen							
	2004				2003			
	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	¥ 3,260	¥ 1,850	¥ 99	¥ 5,011	¥ 3,502	¥ 45	¥ 842	¥ 2,705
Bonds and debentures	—	—	—	—	—	—	—	—
Other	26	—	1	25	101	—	19	82
	¥ 3,286	¥ 1,850	¥ 100	¥ 5,036	¥ 3,603	¥ 45	¥ 861	¥ 2,787

	Thousands of U.S. Dollars (Note 1)			
	2004			
	Cost	Gross unrealized gains	Gross unrealized losses	Book value (Estimated fair value)
Equity securities	$ 30,755	$ 17,453	$ 934	$ 47,274
Bonds and debentures	—	—	—	—
Other	245	—	9	236
	$ 31,000	$ 17,453	$ 943	$ 47,510

The carrying amounts of equity securities whose fair value is not readily determinable were ¥650 million (U.S. $6,132 thousand) and ¥638 million for the years ended March 31, 2004 and 2003.

4. Inventories

Inventories at March 31, 2004 and 2003 are comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Finished goods and semi-finished goods	¥ 4,725	¥ 5,318	$ 44,575
Work in process	7,713	7,779	72,764
Raw materials and supplies	4,626	4,443	43,642
	¥ 17,064	¥ 17,540	$ 160,981

5. 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 42.05% for the years ended March 31, 2004 and 2003.

Income of the consolidated foreign subsidiaries is taxed at the rate of corporate income taxes, ranging from 16% to 25% for the year ended March 31, 2004.

At March 31, 2004 and 2003, a reconciliation of the Company's statutory tax rate and the effective income tax rate is as follows:

	2004	2003
Statutory tax rate	42.05%	42.05%
Non-deductible expenses	1.07	1.14
Per capita inhabitant tax	3.24	3.61
Effect of foreign tax rate differences	(9.34)	(9.54)
Realized loss on sale of a consolidated subsidiary	—	(30.00)
Others	12.27	5.87
Effective tax rate	49.29%	13.13%

The tax effects of temporary differences that give rise to significant deferred tax assets and liabilities at March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Deferred tax assets:			
Accrued pension and severance payments	¥ 2,282	¥ 2,281	$ 21,528
Accrued bonuses	587	484	5,538
Provision for losses on contracts	279	346	2,632
Unrealized losses on securities	—	326	—
Write down of investment securities in a subsidiary	—	508	—
Others	384	270	3,623
Total deferred tax assets	3,532	4,215	33,321
Deferred tax liabilities:			
Unrealized losses on inventories	(134)	(14)	(1,264)
Depreciation	(76)	(77)	(717)
Unrealized gains on securities	(713)	—	(6,727)
Others	(224)	(227)	(2,113)
Total deferred tax liabilities	(1,147)	(318)	(10,821)
Net deferred tax assets	¥ 2,385	¥ 3,897	$ 22,500

6. Short-term Debt and Long-term Debt

Short-term debt represents notes payable to banks with an average interest rate of 1.39% per annum at March 31, 2004.

Long-term debt at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
With collateral:			
Loans, from O.D.F.C. in the United States, due through 2005 with interest rate at 2.0% per annum	**¥ 16**	¥ 32	**$ 151**
Other	**—**	9	**—**
Without collateral:			
Loans, from banks and insurance companies due through 2009 with average interest rate at 0.85% per annum	**2,900**	5,100	**27,358**
Other	**11**	13	**104**
	2,927	5,154	**27,613**
Less, portion due within one year	**12**	5,113	**113**
	¥ 2,915	¥ 41	**$ 27,500**

The aggregate annual maturities of long-term debt outstanding as of March 31, 2004 are as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 1)
2005	¥ 12	$ 113
2006	6	57
2007	202	1,906
2008	2	19
2009	2,702	25,490
2010 and thereafter	3	28
	¥ 2,927	$ 27,613

At March 31, 2004, the following assets are pledged as collateral for loans and construction contracts:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Property, plant and equipment (at net book value)	¥ 1,581	$ 14,915

In addition, all the assets of the Singapore subsidiary are pledged as collateral for its construction contracts, totaling 2,771 thousand Singapore dollars (U.S. $1,642 thousand) as of December 31, 2003.

7. Contingent Liabilities

At March 31, 2004 and 2003, contingent liabilities were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Guarantees of bank loans	¥ 53	¥ 5,342	$ 500
Trade notes receivable discounted	22	42	208
Total	¥ 75	¥ 5,384	$ 708

8. Derivative Financial Instruments

The Company enters into derivative financial instruments (“derivatives”), including foreign currency forward contracts and currency swaps, to hedge foreign currency exchange risk 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 Company’s 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 Company does not anticipate any losses arising from credit risk.

Under the Company’s guidelines, the execution and control of derivatives are controlled by the Finance Division. Each derivative transaction is reported to the General Manager of Finance Division, where evaluation and analysis of derivatives are made.

The fair value of the Companies’ derivative financial instruments at March 31, 2004 is as follows:

	Millions of Yen			Thousands of U.S. Dollars (Note 1)		
	2004			2004		
	Contract amount	Fair value	Unrealized gain/loss	Contract amount	Fair value	Unrealized gain/loss
Foreign currency swaps:						
Pay Japanese yen / Receive U.S. dollars	¥ 2,336	¥ 2,181	¥ (155)	$ 22,038	$ 20,575	$ (1,463)
Interest rate swaps:						
Pay fixed / Receive floating	¥ 2,000	¥ 1,999	¥ (1)	$ 18,868	$ 18,858	$ (10)

The above swap transactions were entered into for the purpose of minimizing foreign exchange and interest risks pertaining the U.S. dollar borrowing from the Company’s subsidiary.

Foreign currency forward contracts and interest rate swap which qualify for hedge accounting for the years ended March 31, 2004 and 2003, and such amounts which are assigned to the associated assets and liabilities and are recorded on the balance sheets at March 31, 2004 and 2003, and are excluded from market value information disclosure.

9. Leases

The Company and its consolidated subsidiaries lease certain machinery and equipment. Total lease payments under these leases were ¥147 million (U.S. $ 1,387 thousand) and ¥145 million for the years ended March 31, 2004 and 2003, 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, 2004 and 2003, is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
Machinery and equipment			
Acquisition costs	**¥ 1,348**	¥ 1,231	**$ 12,716**
Accumulated depreciation	**630**	514	**5,943**
Net leased property	**¥ 718**	¥ 717	**$ 6,773**

Future minimum lease payments under finance leases as of March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
Due within one year	**¥ 152**	¥ 133	**$ 1,433**
Due after one year	**566**	584	**5,340**
Total	**¥ 718**	¥ 717	**$ 6,773**

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 ¥147 million (U.S. $1,387 thousand) and ¥145 million for the years ended March 31, 2004 and 2003, respectively.

Obligations under non-cancelable operating leases as of March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
Due within one year	**¥ 17**	¥ 23	**$ 160**
Due after one year	**27**	51	**255**
Total	**¥ 44**	¥ 74	**$ 415**

10. Shareholders' Equity

On October 1, 2001, an amendment (the "Amendment") to the Commercial Code of Japan became effective.

The Amendment eliminates the stated par value of the Company's outstanding shares which results in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that shares issued after September 30, 2001 will have no par value. Before the Amendment, the Company's shares had a par value of ¥50 per share.

Under the Commercial Code, at least 50% of the newly issued share price is required to be designated as the stated capital. Accordingly, proceeds in excess of the amount designated as stated capital have been credited to a additional paid-in capital.

The Commercial Code of Japan provides that an amount equal to at least 10% of cash dividends and other distributions from retained earnings paid by the Company be appropriated as a legal reserve until an aggregated amount of additional paid-in capital and the legal reserve equals 25% of stated capital, and this legal reserve and additional paid-in capital exceeding 25% of stated capital may be reduced by resolution of the shareholders.

11. Severance Payments and Pension Plan

The following tables set forth the changes in benefit obligation, plan assets and funded status of the Company at March 31, 2004 and 2003.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
Projected benefit obligation	**¥ 11,502**	¥ 10,928	**$ 108,509**
Fair value of plan assets	**(4,829)**	(3,764)	**(45,556)**
Funded status:			
Benefit obligation in excess of plan assets	**6,673**	7,164	**62,953**
Unrecognized net transition obligation at date of adoption	**—**	—	**—**
Unrecognized prior service cost	**—**	—	**—**
Unrecognized actuarial differences	**(1,170)**	(1,675)	**(11,038)**
Accrued pension liability recognized in the consolidated balance sheets	**¥ 5,503**	¥ 5,489	**$ 51,915**

Severance and pension costs of the Company for the years ended March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
Service cost	**¥ 620**	¥ 603	**$ 5,849**
Interest cost	**266**	284	**2,509**
Expected return on plan assets	**(113)**	(112)	**(1,066)**
Amortization:			
Transition obligation at date of adoption	**—**	—	**—**
Prior service cost	**—**	—	**—**
Actuarial losses	**175**	50	**1,651**
Net periodic benefit cost	**¥ 948**	¥ 825	**$ 8,943**

Assumption used in the accounting for the defined benefit plans for the years ended March 31, 2004 and 2003 is as follows:

	2004	2003
Method of attributing benefit to periods of service	**straight-line basis**	straight-line basis
Discount rate	**2.5%**	2.5%
Long-term rate of return on plan assets	**2.5%**	3.0%
Amortization period for actuarial losses	**10 years**	10 years

Accrued severance payments to directors and corporate auditors of Japan amounting to ¥496 million (U.S. $4,679 thousand) as of March 31, 2004 and ¥574 million as of March 31, 2003 were included in “Accrued pension and severance payments” in the accompanying consolidated balance sheets.

12. Research and Development Costs

Research and development costs for the years ended March 31, 2004 and 2003 were ¥1,822 million (U.S. $17,189 thousand) and ¥2,211 million, respectively.

13. Segment Information

Information by geographical area for the years ended March 31, 2004 and 2003 is summarized as follows:

(A) Geographical segment information

(1) Operating income (loss):

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Japan			
Net sales: Customers	¥ 49,156	¥ 46,123	$ 463,736
Intersegment	4,569	4,388	43,103
	53,725	50,511	506,839
Operating expenses	51,950	48,682	490,094
Operating income	1,775	1,829	16,745
The Americas			
Net sales: Customers	20,023	24,058	188,896
Intersegment	6	10	57
	20,029	24,068	188,953
Operating expenses	20,492	24,937	193,321
Operating loss	(463)	(869)	(4,368)
Europe			
Net sales: Customers	1,448	2,568	13,660
Intersegment	10	18	94
	1,458	2,586	13,754
Operating expenses	1,933	3,030	18,236
Operating loss	(475)	(444)	(4,482)
South Asia			
Net sales: Customers	8,571	8,693	80,859
Intersegment	68	8	642
	8,639	8,701	81,501
Operating expenses	7,195	7,128	67,877
Operating income	1,444	1,573	13,624
East Asia			
Net sales: Customers	14,039	16,496	132,443
Intersegment	829	707	7,821
	14,868	17,203	140,264
Operating expenses	13,181	14,853	124,349
Operating income	1,687	2,350	15,915
Total			
Net sales: Customers	¥ 93,237	¥ 97,938	$ 879,594
Intersegment	5,482	5,131	51,717
	98,719	103,069	931,311
Elimination	(5,482)	(5,131)	(51,717)
Consolidated net sales	93,237	97,938	879,594
Operating expenses	94,751	98,630	893,877
Elimination	(5,249)	(5,027)	(49,519)
Consolidated operating expenses	89,502	93,603	844,358
Operating income	3,968	4,439	37,434
Elimination	(233)	(104)	(2,198)
Consolidated operating income	¥ 3,735	¥ 4,335	$ 35,236

Note: Each segment outside Japan represents the following nations and regions:

(1) The Americas...........U.S.A. and Canada (and Brazil in 2003)
(2) Europe ....United Kingdom and Germany
(3) South Asia ....Singapore and Indonesia
(4) East Asia.................Hong Kong, Taiwan, China and Korea

(2) Assets:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Japan	¥ 49,204	¥ 47,397	$ 464,189
The Americas	12,765	13,934	120,425
Europe	1,117	1,245	10,538
South Asia	8,091	11,165	76,330
East Asia	26,720	28,881	252,075
Sub-total	97,897	102,622	923,557
Net of elimination and common use assets	4,316	3,998	40,717
Total	¥ 102,213	¥ 106,620	$ 964,274

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 and unconsolidated subsidiaries and affiliates) maintained for general corporate purposes, totaling ¥8,826 million (U.S. $ 83,264 thousand) at March 31, 2004 and ¥6,762 million March 31, 2003.

(B) Overseas sales

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
The Americas	¥ 20,149	¥ 24,176	$ 190,085
South Asia	8,658	8,750	81,679
East Asia	14,019	16,471	132,255
Other areas	1,875	3,034	17,689
Total	¥ 44,701	¥ 52,431	$ 421,708
Percentage of overseas sales to net sales	47.9%	53.5%	

Notes: 1. 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.
2. Each segment outside Japan represents the following nations and regions:
(1) The Americas .....U.S.A., Canada and Argentina (and Brazil in 2003)
(2) South Asia..........Singapore, Philippines and Malaysia
(3) East Asia ....Hong Kong, Taiwan, China and Korea
(4) Other areas ....United Kingdom, Germany and Middle East

14. Subsequent Event

The following appropriation of retained earnings at March 31, 2004 was approved at the general meeting of shareholders held on June 25, 2004:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Cash dividends	¥ 468	$ 4,415
Bonuses to directors and corporate auditors	44	415

Report of Independent Certified Public Accountants

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, 2004 and 2003, and the related consolidated statements of income, shareholders' equity 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, 2004 and 2003, 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 25, 2004

Yukoh Audit Corporation

YUKOH AUDIT CORPORATION
Certified Public Accountants

Consolidated 5-Year Summary

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

	Millions of Yen					Thousands of U.S. Dollars
	2004	2003	2002	2001	2000	**2004**
For the fiscal period:						
Net sales	**¥ 93,237**	¥ 97,938	¥ 95,657	¥ 81,173	¥ 78,169	**$ 879,594**
Domestic	**48,536**	45,507	43,352	43,018	38,139	**457,886**
Overseas	**44,701**	52,431	52,305	38,155	40,030	**421,708**
Operating income	**3,735**	4,335	4,255	1,324	5,362	**35,236**
Net income (loss)	**1,385**	1,863	1,059	718	(343)	**13,066**
Depreciation and amortization	**1,992**	2,051	1,839	1,733	1,639	**18,792**
Acquisition of property, plant and equipment	**2,432**	2,047	2,239	2,525	3,866	**22,943**
At the fiscal year-end:						
Total assets	**¥102,213**	¥106,620	¥133,227	¥121,317	¥121,693	**$ 964,274**
Shareholders' equity	**53,866**	54,885	56,884	53,730	66,265	**508,170**

	Yen					U.S. Dollars
Per share amount:						
Net income (loss)	**¥ 14.26**	¥ 19.07	¥ 11.30	¥ 7.66	¥ (3.66)	**$ 0.13**
Cash dividends	**10.00**	10.00	8.00	10.50	11.00	**0.09**
Shareholders' equity	**574.52**	585.04	606.95	573.21	706.82	**5.42**

Notes: 1. During fiscal 2003, the accounts of Shanghai Huasheng Fujitec Escalator Co., Ltd. were newly included in consolidation.
2. During fiscal 2003, the company sold all quotas of Fujitec Brasil Ltda., of which accounts had been included in consolidation from fiscal 2000. Accordingly, the account of Fujitec Brasil Ltda. was excluded from consolidation in fiscal 2003.
3. From fiscal 2001, "Adjustment arising from translation of foreign subsidiaries' accounts", which had been previously classified as an asset in the consolidated balance sheets has been reclassified to be included within "Shareholders' equity" and reflected in "Minority interest in consolidated subsidiaries" in the consolidated balance sheets, according to the revised Accounting Standards for Foreign Currency Transactions.
4. Net income (loss) per share amounts are computed based on the weighted average number of shares outstanding during each year. From fiscal 2003, the Company adopted a new accounting standard for computation of per share amount. The new standard requires that bonuses to directors and corporate auditors are to be deducted from net income for purposes of the calculation.
5. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥106 to U.S. $1.

Global Network

North America

United States
Fujitec America, Inc.
R&D, manufacturing, marketing, installation and maintenance

Canada
Fujitec Canada, Inc.
Marketing, installation and maintenance

Guam
Fujitec Pacific, Inc.
Marketing, installation and maintenance

South America

Venezuela
Fujitec Venezuela C.A.
Marketing, installation and maintenance

Argentina
Fujitec Argentina S.A.
Marketing, installation and maintenance

Overseas Liaison Offices

Beijing, Bangkok, Jakarta, Pune, Dubai, and Montevideo

Japan

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

South Asia

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

Philippines
Fujitec, Inc.
Marketing, installation and maintenance

Malaysia
Fujitec (Malaysia) Sdn. Bhd.
Marketing, installation and maintenance

Indonesia
P. T. Fujitec Indonesia
Manufacturing, installation and maintenance

East Asia

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

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

Europe

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
Kuniyasu Takeda

*Representative director

Corporate Auditors
Tomozo Taya
Tomihisa Kuroishi
Susumu Monma

(As of June 25, 2004)

Shareholders' Information

Fujitec Co., Ltd.
28-10, Shoh 1-chome, Ibaraki,
Osaka 567-8510, Japan
Telephone: +81-72-622-8151
Facsimile: +81-72-622-1654

Date of Establishment
February 9, 1948

Paid-in Capital
¥12,533,933,095

Common Stock
Authorized: 200,000,000 shares
Issued: 93,767,317 shares
Number of shareholders: 7,031

Major Shareholders

	Number of shares held (Thousands)	Percentage of total number of shares in issue (%)
Uchiyama International, Limited	9,056	9.7%
Mellon Bank Treaty Clients Omnibus	7,536	8.0%
Fuji Electric Holdings Co., Ltd.	5,089	5.4%
The Master Trust Bank of Japan, Ltd.	4,734	5.0%
Japan Trustee Services Bank, Ltd.	4,364	4.7%
Resona Bank, Ltd.	4,203	4.5%
Mizuho Corporate Bank, Ltd.	3,978	4.2%
Matsushita Electric Industrial Co., Ltd.	2,867	3.1%
Aozora Bank, Ltd.	2,388	2.5%
UFJ Bank Limited	1,663	1.8%

Annual Meeting of Shareholders
The annual meeting of shareholders of the Company is normally held in June each year in Ibaraki, Osaka, Japan.

Stock Exchange Listings
Japan: Tokyo and Osaka stock exchanges
Overseas: Luxembourg and Singapore 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
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Auditors
Yukoh Audit Corporation

(As of March 31, 2004)

FUJITEC CO., LTD.

http://www.fujitec.com

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