

# Semiannual Report 2008

Six months ended September 30, 2008



Regeneration for

**Quality**

# » Consolidated Financial Highlights

Fujitec Co., Ltd. and Consolidated Subsidiaries  
Six-month periods ended September 30, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars	Percent change
	2008	2007	2008	2008/2007
<b>For each period:</b>				
Net sales .....	¥ 49,659	¥ 49,065	\$ 477,490	+1.2%
Domestic .....	20,043	20,347	192,721	-1.5%
Overseas .....	29,616	28,718	284,769	+3.1%
Operating income .....	1,534	1,751	14,750	-12.4%
Net income .....	493	1,157	4,740	-57.4%
<b>At the end of each period:</b>				
Total assets .....	¥ 110,718	¥ 118,093	\$ 1,064,596	-6.2%
Net assets .....	67,895	72,695	652,837	-6.6%
<b>Per share of common stock:</b>				
Net income .....	¥ 5.27	¥ 12.36	\$ 0.05	-57.4%
Interim cash dividends .....	5.00	5.00	0.05	—

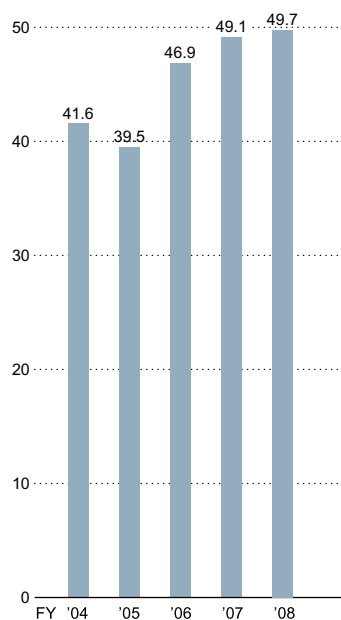
Notes: 1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥104 to US\$1.

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

3. The amounts of total assets and net assets in 2007 in the Consolidated Financial Highlights differ from those in the Consolidated Balance Sheets on pages 12 and 13, because the figures in the Consolidated Financial Highlights represent amounts as they stood as of September 30, 2007, while those in the Consolidated Balance Sheets are as of March 31, 2008.

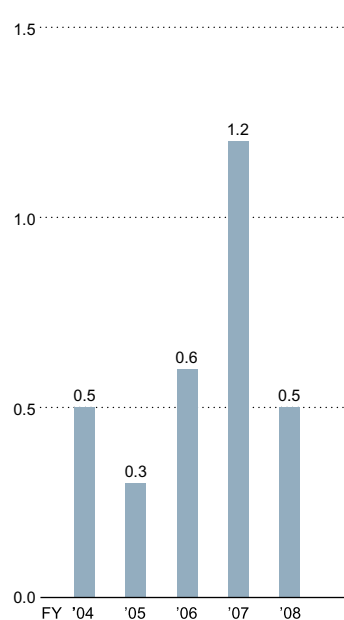
## Net sales

(Billion ¥)



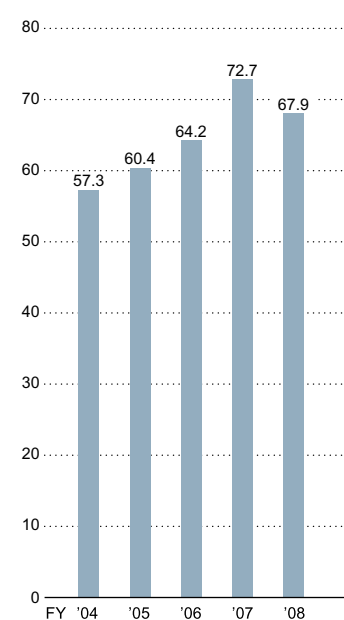
## Net income

(Billion ¥)



## Net assets

(Billion ¥)



Note: The amounts of net assets for 2004 and 2005 have been reclassified in order to correspond to the presentation of those after September 30, 2006.

(Six-month periods ended September 30)

# » To Our Shareholders

This report outlines our consolidated operating results for the six-month period ended September 30, 2008 (i.e., cumulative figures for the second quarter of our 62nd fiscal year).

This period saw a worsening of the economic slowdown that has affected developed countries, as economic stagnation continues in the U.S., and there were signs of a deceleration in the economies of the developing countries that had maintained rapid growth until recently. The Japanese economy was also in a difficult period with lackluster demand both internally and externally, and fears of a recession.

In the elevator and escalator industry, demand from the North American market decreased in the areas of apartment buildings, office buildings, and commercial facilities. On the other hand, demand from the Chinese market, centering mainly on apartment buildings, continued to increase, and in South Asia, particularly in Singapore, there was a healthy level of investment in the construction industry. In the Japanese market, the scaling back of public works projects continued, and in the private sector, there was a significant decrease in the provision of condominiums. In terms of profitability, the climate was quite harsh, with a continuation of fierce price competition that reflected the economic slowdown and increases in the prices of raw materials.

In this climate, we made every effort to expand sales of new products, promote modernization projects, and acquire contracts for large-scale properties. As a result, the total value of orders we received during this period was ¥62,366 million, up 12.9% from the same period of the previous year, and net sales were ¥49,659 million, up 1.2% from one year earlier.

In terms of profit for this period, operating income dropped 12.4% to ¥1,534 million, reflecting a drop in profits in the Japanese market. Reflecting a decrease in the net of financial income, foreign currency exchange loss, and loss from revaluation of inventories in special items, net



# » To Our Shareholders

income for the period was ¥493 million, representing a drop of 57.4% from one year earlier. The interim cash dividend for the period was the same as that one year earlier at ¥5 per share.

Uncertainty about the future of the global economy is increasing, with predictions that an expansion of the financial crisis that started in the U.S. will have substantial economic effects and that there will be a major economic slowdown centering on developed countries.

Regarding the Japanese economy, it is predicted that internal and external demand will remain stagnant and that, in the construction industry, the condition of the real estate market will worsen, with a major decrease in the construction of apartment buildings. Also in the elevator and escalator market, it is expected that global competition will intensify and that the business environment surrounding our group will continue to be unstable.

This is the second year of our “Regeneration for Quality” mid-term business plan, and we will continue to strive to increase profits by developing sales and business strategies, while utilizing the powerful global network of the Fujitec Group. Furthermore, as a new business project, we are working to expand the scope of our business through the construction of an escalator research and production base called “Big Step” and a field engineering base called “Big Fit.”

We ask you, our shareholders, for your continued support.

November 2008



**Takakazu Uchiyama**  
President and Chief Executive Officer

# » Outline of Major Activities

## North & South Americas

In the Western region of the U.S., we received an order for nine elevators, including high-speed models capable of traveling up to 300 m/min, for the world-famous Four Seasons Hotel and Tower in Denver, Colorado.

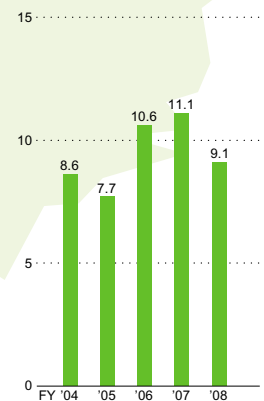
In Canada, construction of the Livingston Place Twin Towers, a top-grade office building complex situated in the center of Calgary, was completed. A total of 28 of our elevators and escalators are in use in these two, 22-story buildings.



Livingston Place Twin Towers

In Argentina, we have installed 23 escalators for the first phase of the construction of subway line H in Buenos Aires, and we recently received an order for 35 escalators for the second phase of construction. We also received an order for 20 elevators for the Madero Office being constructed in the Puerto Madero district.

Sales in North America  
(Billion ¥)



## East Asia

In China, we received a large order for 73 elevators for Sanlitun SOHO, a large-scale complex building in Beijing, and 15 of our high-grade elevators are in service in the 52-story, 5-star Skyway Landis Hotel in Shanghai.

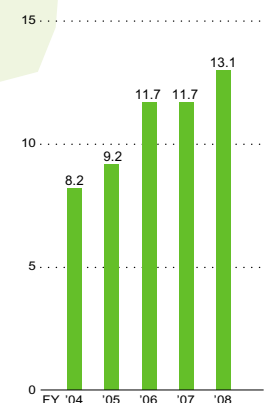
In Taiwan, we received an order for a total of 28 elevators and escalators for the world-famous Sheraton Hotel being built in Hsinchu City.

In Hong Kong, it was approved in September that a new Central Government Complex will be constructed in a prime location neighboring the business district of Hong Kong Island. We received a bulk order for a total of 83 elevators and escalators for this building.



Skyway Landis Hotel Shanghai

Sales in East Asia  
(Billion ¥)



# » Outline of Major Activities

## South Asia

In Singapore, subsequent to receipt of a mass order for a total of 153 elevators and escalators for “Resorts World at Sentosa,” a huge resort facility being constructed on the island of Sentosa, 27 of our elevators have been installed in

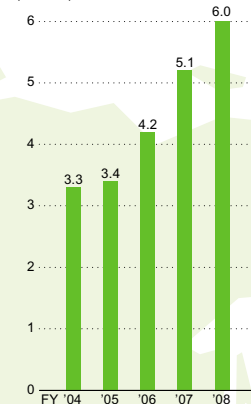


Rendering of Resorts World at Sentosa

St. Regis, a complex facility incorporating a luxury hotel and luxury homes.

In India, eight of our luxury elevators have been installed in the newly opened Four Seasons Hotel Mumbai which, with 32 stories, is the tallest building in Mumbai.

Sales in South Asia (Billion ₹)



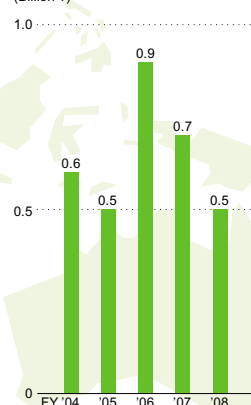
## Europe & The Middle East

In Germany, we delivered eight escalators to Möbel Kraft, the largest furniture superstore in Berlin. We received a large order for 98 moving walkways for the Dubai Metro, an urban railway project that is currently under construction in the U.A.E. In addition, a total of 56 of our elevators and escalators are to be delivered to a huge car park that is being constructed under a mosque in the city of Medina in Saudi Arabia.



Möbel Kraft

Sales in Europe (Billion ₹)



Rendering of Dubai Metro

# » Outline of Major Activities

## Japan



Yamada Denki Headquarters Building / LABI 1 Takasaki

We received a bulk order for a total of 41 elevators and escalators for the Sendai Trust Tower, which will be the Tohoku region's tallest skyscraper, once completed, and will form the core of a large-scale complex redevelopment project in the city of Sendai, Miyagi Prefecture.

In the city of Koshigaya, Saitama Prefecture, a total of 65 of our elevators and escalators are in operation at the newly opened AEON Laketown, one of the largest commercial facilities in Japan. Also, in the city of Takasaki, Gunma Prefecture, we delivered a total of 44 elevators and escalators to the newly completed Yamada Denki Headquarters Building / LABI 1 Takasaki, Japan's largest volume retailer of home appliances.

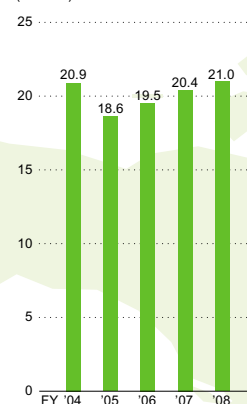
In Tokyo, 23 of our elevators are in use on the Tokyo Metro's Fukutoshin Line, which started operation in June of this year, and we received an order for 21 elevators for Tokyo International Airport's new passenger terminal building.

In Osaka, a total of 21 of our elevators and escalators have been installed in Keihan Railway's Nakanoshima Line, which started operation in October of this year.



AEON Laketown

Sales in Japan  
(Billion ¥)



## Construction of the World's Largest Observation Elevators Completed at Dubai International Airport!

Dubai International Airport in the U.A.E. is set to become the largest international airport in the Middle East. The Phase two expansion project, funded by the Dubai government, involving the construction of a terminal and concourse specifically for use by Emirates Airline is underway, and Terminal 3, which boasts a total floor area of 515,000 m<sup>2</sup>, opened in October of this year.

In February 2004, we received an order from Dubai Airport Authority for 16 SKYTRAINS, giant observation elevators to be installed in two concourses. The installation of eight of these elevators is now complete.

These SKYTRAINS were installed to facilitate the smooth conveyance of large numbers of people, which will be necessary for boarding of the Airbus A380 (555 seats). With the capacity to handle a load of 9 tons and 120 occupants, the SKYTRAINS rank among the largest observation elevators in the world.

Each elevator has two sets of landing doors at the front, further increasing the resemblance to an actual train. In each elevator, there are three large displays, which provide a variety of images, information, and music to passengers. They are also equipped with anti-bacterial ion generators that clean the air. These elevators are receiving a great deal of attention for their ability to create a clean and comfortable environment.



SKYTRAINS



Dubai International Airport



## Removal of Elevator Research Tower and Reconstruction of Field Base!

As part of a new business project, we are currently disassembling the 150-meter elevator research tower that stands on the site of the old head office in the city of Ibaraki, Osaka Prefecture. Completed in September 1975, the tower was, at the time, one of the tallest and largest elevator research facilities in the world.

In April 2006, we moved our head office to the city of Hikone in Shiga Prefecture, and constructed a new, 170-meter, world-leading elevator research tower. In the 33 years since its construction, however, the old tower had become a well-known local landmark.

In 1976, the year after completion of the research tower, we developed the world's first ultrahigh-speed elevator capable of traveling at 600 m/min. After that, in addition to elevators controlled by microcomputers and inverters, we developed the world's first double-deck elevator capable of automatically regulating the distance between the upper and lower cars in 2001.

Through such achievements, we continued to bring numerous innovations to the elevator industry.

On September 21 of this year, we held a farewell ceremony for the elevator tower to which we invited representatives of Ibaraki City and the local area. In addition to praying for the safety of the disassembly work, we enjoyed the view from the top of the tower one last time.

After removal, a new, 5-story company

building will be constructed as “Big Fit,” a base for providing field services and responding to disasters affecting large areas. In addition to a field training center handling installation and maintenance and a technical research center, we will incorporate a parts center and a remote monitoring center.



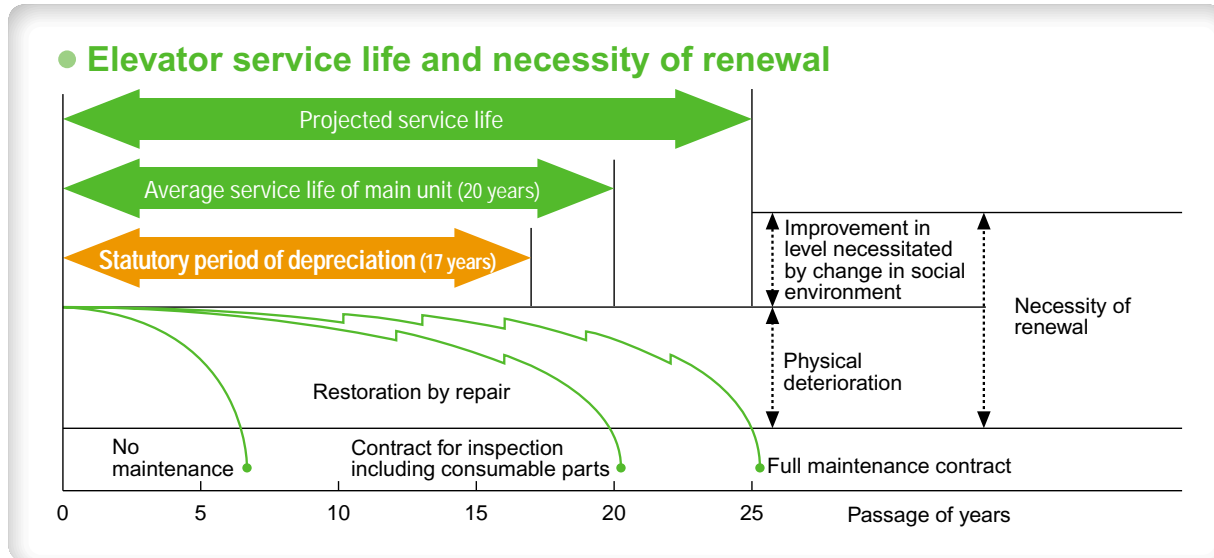
Elevator research tower currently being disassembled (Ibaraki)



Rendering of “Big Fit”

# » New Products

## Elevator Control Renewal for Improving Safety, Reliability, and Economy



In order to achieve greater safety and comfort, we have improved the “Control Renewal” menu that is used to renew the performance and functions of old elevators.

Although the actual service life may vary with the usage frequency and state of maintenance, the statutory period of depreciation (i.e., for tax purposes) of an elevator is specified at 17 years and the projected service life of an elevator based on the LCC (life cycle cost) evaluation guidelines of the Building and Equipment Life Cycle Association is specified at 25 years.

“Control renewal” involves the replacement of traction machine, control panels, in-hoistway equipment, door opening and closing units, and other items with the latest equipment. Not only does this ensure a smooth ride and improve comfort, it increases the landing precision and

eliminates the possibility of tripping between the car and the outside floor.

Furthermore, it also ensures excellent energy efficiency, reducing power consumption by as much as 30% to 50% (comparison based on existing Fujitec models). Elevators are also made more environment-friendly.

With a “Control Renewal Plan” designed to suit the customer’s budget and circumstances, and a “Car Pack Menu” for renewing the car design and the door sensors, we are responding precisely to customers’ needs.

### Advantages of control renewal

- Improved safety
- Improved comfort
- Energy savings
- Design renewal

# » Financial Section

## Consolidated Financial Review

### Operating Results

During the six-month period ended September 30, 2008, consolidated orders received rose 12.9% year-on-year to ¥62,366 million (US\$600 million). This was due to a 7.0% increase in domestic orders, resulting from increased sales of the new model of the standard elevator XIOR, and a rise in modernization work, and a 17.7% increase in overseas orders, reflecting an increase in condominiums in China and the acquisition of orders for large projects in South Asia and the Middle East. Consolidated net sales increased 1.2% year-on-year to ¥49,659 million (US\$477 million). Although domestic sales were down 1.5% at ¥20,043 million (US\$193 million), overseas sales rose 3.1% to ¥29,616 million (US\$285 million). Orders in hand at September 30, 2008 were ¥112,355 million (US\$1,080 million), increasing 7.9% from March 31, 2008. Operating income decreased 12.4% year-on-year to ¥1,534 million (US\$15 million), due to a drop in earnings in Japan. Income before income taxes and minority interests declined 44.1% year-on-year to ¥1,020 million (US\$10 million), mainly as a result of special losses due to loss from revaluation of inventories. Income taxes declined ¥249 million year-on-year, and net income decreased 57.4% year-on-year to ¥493 million (US\$5 million).

The operating results by geographical segment are as follows:

#### Japan

Net sales were ¥22,805 million (US\$219 million), up 2.8% year-on-year. Regarding profit and loss, we tried to increase orders of "XIOR", a new standard-type elevator designed for the domestic market, but due to stagnation in the real estate market, we fell short of the original targets, and capacity variance loss was incurred. We recorded a loss of ¥415 million (US\$4 million) from revaluation of inventories as cost of sales. As a result, operating results dropped ¥913 million year-on-year, giving an operating loss of ¥268 million (US\$3 million).

#### North America

Due to the influence of a revision made to construction safety standards for high-rise buildings in New York City, delays in building construction all over the city brought about delays in the construction of new elevators, and net sales were ¥9,171 million (US\$88 million), down 17.8% year-on-year. Due to an increase in maintenance-related profit, operating loss reduced by ¥27 million year-on-year to ¥57 million (US\$0.5 million).

#### Europe

We continued our policy of emphasizing profitability in new construction projects and maintenance. Net sales were ¥510 million (US\$5 million), down ¥162 million year-on-year. Due to a decrease in new contract sales, operating results went from the previous fiscal year's profit of ¥2 million to a loss of ¥16 million (US\$0.2 million).

#### South Asia

There was a healthy level of construction investment in housing and commercial facilities, and net sales related to both new construction and maintenance increased due to income from public housing and modernization work, reaching a figure of ¥6,106 million (US\$59 million), up 15.9% year-on-year. The profitability of new construction improved, and operating profit was ¥747 million (US\$7 million), up 52.2% year-on-year.

#### East Asia

Mainly in China, with its healthy demand for housing development, net sales increased and, due to increased sales of the "Excel GLVF-II" and exports of the "GS Type" escalators, reached a figure of ¥14,252 million (US\$137 million), up 16.1% year-on-year. This increase in net sales was accompanied by an operating profit of ¥1,125 million (US\$11 million), up 58.1% year-on-year.

## Financial Position

Total assets as of September 30, 2008 were ¥110,718 million (US\$1,065 million), a decrease of ¥1,325 million from March 31, 2008.

Current assets increased ¥829 million from the previous fiscal year-end. This was due to increases in inventories and other current assets that outweighed a decrease in trade notes and accounts receivable.

Property, plant and equipment declined ¥1,448 million year-on-year mainly due to the sale of property, plant and equipment accompanying the relocation of the offices and plant of a U.S. subsidiary.

Total liabilities as of September 30, 2008 were ¥42,823 million (US\$412 million), a decrease of ¥864 million from March 31, 2008. This was mainly because current liabilities were down ¥889 million from the previous fiscal year-end due to the repayment of short-term debt and a decrease in the accrued bonuses, which offset an increase in advances from customers.

Net assets were ¥67,895 million (US\$653 million), a decrease of ¥461 million from March 31, 2008. This reflected a drop in retained earnings due to a change in the accounting method of overseas consolidated subsidiaries.

The equity ratio, excluding minority interests, was 56.9%, up 0.5 points from March 31, 2008.

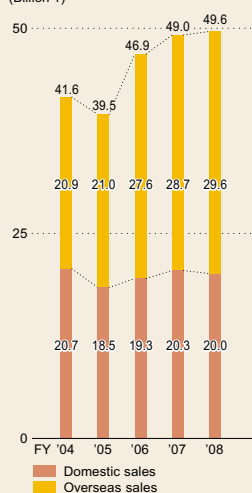
## Cash Flows

Net cash provided by operating activities was ¥3,056 million (US\$29 million). This mainly reflected income before income taxes and minority interests of ¥1,020 million (US\$10 million), depreciation and amortization of ¥1,185 million (US\$11 million), a decrease in trade notes and accounts receivable of ¥2,939 million (US\$28 million), an increase in advances from customers accompanying increased sales from the third quarter of ¥2,688 million (US\$26 million), an increase in inventories of ¥3,019 million (US\$29 million) and a decrease in the provision for bonuses.

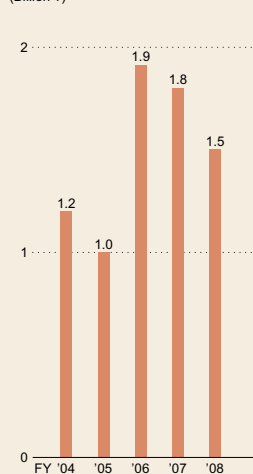
Net cash used in investing activities was ¥9,008 million (US\$87 million). The main uses of cash were ¥9,647 million (US\$93 million) for a net increase in time deposits (with a deposit term of over three months).

Net cash used in financing activities was ¥3,920 million (US\$38 million). Cash was used mainly for a decrease of short-term debt of ¥2,912 million (US\$28 million), and the payment of interest, and cash dividends paid.

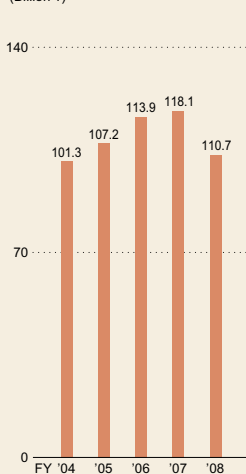
**Domestic sales and overseas sales**  
(Billion ¥)



**Operating income**  
(Billion ¥)



**Total assets**  
(Billion ¥)



# Consolidated Balance Sheets

Fujitec Co., Ltd. and Consolidated Subsidiaries  
September 30 and March 31, 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	September 30 2008	March 31 2008	September 30 2008
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents.....	¥ 7,436	¥ 16,866	\$ 71,500
Time deposits.....	10,504	795	101,000
Trade notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates.....	317	164	3,048
Other.....	27,111	29,885	260,683
Allowance for doubtful accounts.....	(351)	(377)	(3,375)
	<u>27,077</u>	<u>29,672</u>	<u>260,356</u>
Inventories.....	19,203	17,211	184,644
Deferred income taxes.....	1,304	981	12,538
Other current assets.....	2,287	1,457	21,991
Total current assets.....	<u>67,811</u>	<u>66,982</u>	<u>652,029</u>
<b>Investments and long-term loans:</b>			
Investments in Unconsolidated subsidiaries and affiliates.....	2,648	2,129	25,461
Investment securities.....	5,994	6,074	57,635
Advances.....	1,929	1,928	18,548
	<u>10,571</u>	<u>10,131</u>	<u>101,644</u>
<b>Property, plant and equipment, at cost:</b>			
Buildings.....	20,743	23,292	199,452
Machinery and equipment.....	15,883	16,891	152,721
	<u>36,626</u>	<u>40,183</u>	<u>352,173</u>
Accumulated depreciation.....	(17,256)	(19,107)	(165,923)
	<u>19,370</u>	<u>21,076</u>	<u>186,250</u>
Land.....	6,781	6,914	65,202
Construction in progress.....	805	414	7,740
	<u>26,956</u>	<u>28,404</u>	<u>259,192</u>
<b>Other assets:</b>			
Deferred income taxes.....	61	58	587
Goodwill.....	1,380	1,944	13,269
Intangible assets.....	1,869	1,872	17,971
Other.....	2,070	2,652	19,904
	<u>¥110,718</u>	<u>¥112,043</u>	<u>\$ 1,064,596</u>

The accompanying notes are an integral part of these statements.

# Consolidated Balance Sheets

Fujitec Co., Ltd. and Consolidated Subsidiaries  
September 30 and March 31, 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	September 30 2008	March 31 2008	September 30 2008
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Short-term debt .....	¥ 5,458	¥ 8,273	\$ 52,481
Current portion of long-term debt .....	933	800	8,971
Trade notes and accounts payable:			
Unconsolidated subsidiaries and affiliates .....	11	30	106
Other .....	11,249	11,657	108,164
Advances from customers .....	9,050	6,394	87,019
Accrued income taxes .....	803	486	7,721
Accrued bonuses .....	636	1,355	6,115
Provision for losses on contracts .....	1,184	909	11,385
Other current liabilities .....	5,805	6,114	55,817
Total current liabilities .....	35,129	36,018	337,779
<b>Long-term debt</b> .....	1,135	1,003	10,913
<b>Deferred income taxes</b> .....	1,362	1,781	13,096
<b>Accrued pension and severance payments</b> .....	4,791	4,450	46,067
<b>Retirement benefits for directors and corporate auditors</b> .....	406	406	3,904
<b>Other long-term liabilities</b> .....	—	29	—
Total liabilities .....	42,823	43,687	411,759
<b>Contingent liabilities</b> (Note 3)			
<b>Net assets:</b>			
<b>Shareholders' equity</b>			
Common stock, no par value;			
Authorized: 300,000,000 shares			
Issued and outstanding:			
93,767,317 shares .....	12,534	12,534	120,519
Additional paid-in capital .....	14,566	14,566	140,057
Retained earnings .....	47,773	48,710	459,356
Treasury stock at cost: 174,619 shares at September 30, 2008 and 166,824 shares at March 31, 2008 .....	(121)	(116)	(1,163)
Total shareholders' equity .....	74,752	75,694	718,769
<b>Valuation and translation adjustments</b>			
Net unrealized gains on securities .....	1,127	1,404	10,836
Deferred gain on hedge transactions .....	1	1	10
Foreign currency translation adjustments .....	(12,882)	(13,882)	(123,865)
Total valuation and translation adjustments .....	(11,754)	(12,477)	(113,019)
<b>Minority interests</b> .....	4,897	5,139	47,087
Total net assets .....	67,895	68,356	652,837
	¥110,718	¥112,043	\$1,064,596

# Consolidated Statements of Income

Fujitec Co., Ltd. and Consolidated Subsidiaries  
Six-month periods ended September 30, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
<b>Net sales</b> .....	<b>¥ 49,659</b>	¥ 49,065	<b>\$ 477,490</b>
<b>Cost and expenses:</b>			
Cost of sales .....	<b>40,019</b>	39,591	<b>384,798</b>
Selling, general and administrative.....	<b>8,106</b>	7,723	<b>77,942</b>
	<b>48,125</b>	47,314	<b>462,740</b>
Operating income .....	<b>1,534</b>	1,751	<b>14,750</b>
<b>Other income (expenses):</b>			
Interest and dividend income.....	<b>480</b>	624	<b>4,615</b>
Interest expense.....	<b>(258)</b>	(256)	<b>(2,481)</b>
Foreign currency exchange (loss) gain.....	<b>(42)</b>	43	<b>(404)</b>
Other, net.....	<b>17</b>	55	<b>164</b>
	<b>197</b>	466	<b>1,894</b>
<b>Special items:</b>			
Gain on sales of property, plant and equipment .....	<b>720</b>	1	<b>6,923</b>
Loss on disposal and sales of property, plant and equipment.....	<b>(487)</b>	(6)	<b>(4,683)</b>
Loss from reinforcement work for products.....	<b>—</b>	(397)	<b>—</b>
Loss from revaluation of inventories .....	<b>(915)</b>	—	<b>(8,798)</b>
Other, net.....	<b>(29)</b>	8	<b>(278)</b>
	<b>(711)</b>	(394)	<b>(6,836)</b>
Income before income taxes and minority interests.....	<b>1,020</b>	1,823	<b>9,808</b>
<b>Income taxes:</b>			
Current .....	<b>612</b>	666	<b>5,885</b>
Deferred .....	<b>(377)</b>	(182)	<b>(3,625)</b>
	<b>235</b>	484	<b>2,260</b>
Income before minority interests.....	<b>785</b>	1,339	<b>7,548</b>
<b>Minority interests in net income of consolidated subsidiaries</b> .....	<b>292</b>	182	<b>2,808</b>
Net income.....	<b>¥ 493</b>	¥ 1,157	<b>\$ 4,740</b>
<b>Per share:</b>		Yen	U.S. Dollars (Note 1)
Net income, based on the weighted average number of shares outstanding .....	<b>¥ 5.27</b>	¥ 12.36	<b>\$ 0.05</b>
Interim cash dividends.....	<b>5.00</b>	5.00	<b>0.05</b>

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Cash Flows

Fujitec Co., Ltd. and Consolidated Subsidiaries  
Six-month periods ended September 30, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests.....	¥ 1,020	¥ 1,823	\$ 9,808
Depreciation and amortization.....	1,185	1,135	11,394
Decrease of accrued bonuses to employees.....	(750)	(904)	(7,212)
Increase of accrued pension and severance payments.....	415	318	3,990
Loss from revaluation of inventories.....	915	—	8,798
Gain on sales of property, plant and equipment.....	(720)	(1)	(6,923)
Loss on disposal and sales of property, plant and equipment.....	487	6	4,683
Interest and dividend income.....	(480)	(624)	(4,615)
Interest expense.....	258	256	2,481
Decrease in trade notes and accounts receivable.....	2,939	2,642	28,260
Increase in inventories.....	(3,019)	(4,038)	(29,029)
Decrease in trade notes and accounts payable.....	(399)	(420)	(3,837)
Increase in advances from customers.....	2,688	1,539	25,846
Other, net.....	(1,219)	(280)	(11,721)
Sub-total.....	3,320	1,452	31,923
Payment of income taxes.....	(264)	(575)	(2,538)
Net cash provided by operating activities.....	3,056	877	29,385
<b>Cash flows from investing activities:</b>			
Increase in time deposits, net.....	(9,647)	(2,287)	(92,760)
Acquisitions of property, plant and equipment.....	(1,188)	(1,914)	(11,423)
Proceeds from sale of property, plant and equipment.....	1,737	3,333	16,702
Payment for purchase of investment securities.....	(403)	(1)	(3,875)
Investment in unconsolidated subsidiaries.....	(519)	(248)	(4,990)
Proceeds from interest and dividend income.....	480	627	4,615
Other, net.....	532	(522)	5,115
Net cash used in investing activities.....	(9,008)	(1,012)	(86,616)
<b>Cash flows from financing activities:</b>			
Decrease in short-term debt, net.....	(2,912)	(5,297)	(28,000)
Proceeds from long-term debt.....	257	—	2,471
Payment of interest.....	(283)	(296)	(2,721)
Cash dividends paid.....	(655)	(655)	(6,298)
Cash dividends paid to minority shareholders.....	(322)	(370)	(3,096)
Other, net.....	(5)	(7)	(48)
Net cash used in financing activities.....	(3,920)	(6,625)	(37,692)
<b>Effect of exchange rate changes on cash and cash equivalents.....</b>	<b>442</b>	<b>409</b>	<b>4,250</b>
<b>Net decrease in cash and cash equivalents.....</b>	<b>(9,430)</b>	<b>(6,351)</b>	<b>(90,673)</b>
<b>Cash and cash equivalents at beginning of period.....</b>	<b>16,866</b>	<b>18,836</b>	<b>162,173</b>
<b>Cash and cash equivalents increased by a newly consolidated subsidiary....</b>	<b>—</b>	<b>17</b>	<b>—</b>
<b>Cash and cash equivalents at end of period.....</b>	<b>¥ 7,436</b>	<b>¥ 12,502</b>	<b>\$ 71,500</b>

The accompanying notes are an integral part of these statements.



# Notes to Consolidated Financial Statements

Fujitec Co., Ltd. and Consolidated Subsidiaries  
Six-month periods ended September 30, 2008 and 2007

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Fujitec Co., Ltd. (the "Company") and its consolidated subsidiaries have been prepared from the consolidated financial statements filed with the Director of the Kanto Local Finance Bureau, as required by the Financial Instruments and Exchange Law of Japan, in conformity with accounting principles and practices generally accepted in Japan.

For the purpose of this Semiannual Report, certain reclassifications have been made to the consolidated financial statements issued domestically, in order to present these statements in a form which is more familiar to readers of these statements outside Japan. However, such reclassifications have no effect on net income or retained earnings.

The United States dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating Japanese yen into United States dollars on a basis of ¥104=US\$1, the approximate effective rate of exchange at September 30, 2008. The inclusion of such United States dollar amounts is solely for convenience and is not intended to imply that Japanese yen, and assets and liabilities originating in Japanese yen, have been or could be readily converted, realized or settled in United States dollars at ¥104=US\$1 or at any other rate.

## 2. Summary of Significant Accounting Policies

### (A) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and the following seventeen significant subsidiaries (together the "Companies").

Fujitec America, Inc. (U.S.A.)  
Fujitec Canada, Inc. (Canada)  
Fujitec UK Ltd. (United Kingdom)  
Fujitec Deutschland GmbH (Germany)  
Fujitec Singapore Corpn. Ltd. (Singapore)  
FSP Pte. Ltd. (Singapore)  
P.T. Fujitec Indonesia (Indonesia)  
Fujitec (Malaysia) Sdn. Bhd. (Malaysia)  
Fujitec India Private Ltd. (India)  
Fujitec Vietnam Co., Ltd. (Vietnam)  
Fujitec, Inc. (Philippines)  
Huasheng Fujitec Elevator Co., Ltd. (China)  
Shanghai Huasheng Fujitec Escalator Co., Ltd. (China)  
Fujitec (HK) Co., Ltd. (Hong Kong)  
Rich Mark Engineering Limited (Hong Kong)  
Fujitec Taiwan Co., Ltd. (Taiwan)  
Fujitec Korea Co., Ltd. (Korea)

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

In preparing the consolidated financial statements, using consolidated subsidiaries' accounts, based on their own interim closing dates, the necessary adjustments were made for the significant intercompany transactions incurred from the consolidated subsidiaries' interim closing date to the consolidated balance sheet date.

All significant intercompany transactions and accounts have been eliminated. Investments in unconsolidated subsidiaries (more than 50% owned) and affiliates (20% to 50% owned) are carried at cost due to their immateriality as a whole. If a decline in value below the cost of an individual security is judged to be material, and other than temporary, the carrying value of the individual security is written down.

**(B) Accounting principles**

The semiannual consolidated financial statements are prepared in accordance with the same accounting principles as those listed in the Notes to Consolidated Financial Statements for the fiscal year ended March 31, 2008, except for the followings:

**(1) Change in accounting policies****(a) Adoption of "Accounting Standard for Measurement of Inventories"**

Previously 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. Effective from the first quarter, however, the Company has adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006). Accordingly, inventories are stated at cost determined primarily by the specific identification method or the average method, which writes off the book value of balance sheet amounts based on decreases in profitability. As a result of this adoption, compared with the previous method, operating income decreased by ¥415 million (US\$3,990 thousand) and income before income taxes and minority interests decreased by ¥1,330 million (US\$12,788 thousand), respectively.

**(b) Application of "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"**

Starting from the first quarter, the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18, May 17, 2006) has been applied and necessary modifications have been made for consolidation. As a result of this application, compared with the previous method, operating income and income before income taxes and minority interests decreased by ¥49 million (US\$471 thousand).

**(2) Simplified accounting procedure - Depreciation of property, plant and equipment**

For property, plant and equipment depreciated using the declining balance method, planned depreciation expenses, which are applicable to the fiscal year according to a reasonable budget of property, plant and equipment, are allocated to this period on a pro-rata basis.

**(3) Supplemental information - Useful life of machinery**

The Company has changed the length of useful life for a portion of machinery in accordance with the revised Corporate Tax Law from the first quarter. As a result of this change, compared with the previous method, operating income and income before income taxes and minority interests decreased by ¥32 million (US\$308 thousand).

**3. Contingent Liabilities**

At September 30, 2008, contingent liabilities were as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Guarantees of bank loans .....	¥ 15	\$ 144

**4. Subsequent Event**

On November 5, 2008, the Board of Directors of the Company declared interim cash dividends of ¥468 million (U.S. \$4,500 thousand), or ¥5 (U.S. \$0.05) per share, to be paid on December 1, 2008, to shareholders.

## 5. Segment Information

Information by geographical area for the six-month periods ended September 30, 2008 and 2007 is summarized as follows:

### (A) Geographical segment information

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
<b>Japan</b>			
Net sales: Customers .....	¥ 20,977	¥ 20,412	\$ 201,702
Intersegment .....	1,828	1,768	17,577
	<b>22,805</b>	22,180	<b>219,279</b>
Operating expenses.....	23,073	21,535	221,856
Operating (loss) income .....	<b>(268)</b>	645	<b>(2,577)</b>
<b>North America</b>			
Net sales: Customers .....	9,137	11,137	87,855
Intersegment .....	34	15	327
	<b>9,171</b>	11,152	<b>88,182</b>
Operating expenses.....	9,228	11,236	88,730
Operating loss .....	<b>(57)</b>	(84)	<b>(548)</b>
<b>Europe</b>			
Net sales: Customers .....	500	665	4,808
Intersegment .....	10	7	96
	<b>510</b>	672	<b>4,904</b>
Operating expenses.....	526	670	5,058
Operating (loss) income .....	<b>(16)</b>	2	<b>(154)</b>
<b>South Asia</b>			
Net sales: Customers .....	5,977	5,140	57,471
Intersegment .....	129	128	1,241
	<b>6,106</b>	5,268	<b>58,712</b>
Operating expenses.....	5,359	4,777	51,529
Operating income .....	<b>747</b>	491	<b>7,183</b>
<b>East Asia</b>			
Net sales: Customers .....	13,068	11,711	125,654
Intersegment .....	1,184	561	11,384
	<b>14,252</b>	12,272	<b>137,038</b>
Operating expenses.....	13,127	11,561	126,221
Operating income .....	<b>1,125</b>	711	<b>10,817</b>
<b>Total</b>			
Net sales: Customers .....	¥ 49,659	¥ 49,065	\$ 477,490
Intersegment .....	3,185	2,479	30,625
	<b>52,844</b>	51,544	<b>508,115</b>
Elimination .....	(3,185)	(2,479)	(30,625)
Consolidated net sales.....	<b>49,659</b>	49,065	<b>477,490</b>
Operating expenses.....	51,313	49,779	493,394
Elimination .....	(3,188)	(2,465)	(30,654)
Consolidated operating expenses .....	<b>48,125</b>	47,314	<b>462,740</b>
Operating income .....	1,531	1,765	14,721
Elimination .....	3	(14)	29
Consolidated operating income.....	<b>¥ 1,534</b>	¥ 1,751	<b>\$ 14,750</b>

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

- (1) North America .... U.S.A. and Canada
- (2) Europe..... United Kingdom and Germany
- (3) South Asia ..... Singapore, Indonesia and Malaysia
- (4) East Asia ..... China, Hong Kong, Taiwan and Korea

**(B) Overseas sales**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
The Americas.....	¥ 9,375	¥ 11,388	\$ 90,144
South Asia .....	5,977	5,140	57,471
East Asia .....	12,283	10,644	118,106
Other areas .....	1,981	1,546	19,048
Total .....	¥ 29,616	¥ 28,718	\$284,769
Percentage of overseas sales to net sales .....	59.6%	58.5%	

## Notes:

- Overseas sales are the sum of export sales of the Company and net sales of consolidated subsidiaries to each segment after elimination of all intercompany transactions.
- Each segment outside Japan represents the following nations and regions:
  - The Americas ..... U.S.A., Canada, Argentina and Venezuela
  - South Asia ..... Singapore, Philippines and Malaysia
  - East Asia ..... China , Hong Kong, Taiwan and Korea
  - Other areas ..... Europe and Middle East

# Global Network

## The Americas

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### United States

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

### Canada

Fujitec Canada, Inc.  
Marketing, installation and  
maintenance

### Venezuela

Fujitec Venezuela C.A.  
Marketing, installation and  
maintenance

### Argentina

Fujitec Argentina S.A.  
Marketing, installation and  
maintenance

### Guam

Fujitec Pacific, Inc.  
Marketing, installation and  
maintenance

## Overseas Offices

Beijing, Dubai and Montevideo

## Japan

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

## South Asia

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### Singapore

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

FSP Pte. Ltd.

installation and maintenance

### Malaysia

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

### Indonesia

P.T. Fujitec Indonesia  
Manufacturing, installation and  
maintenance

### Vietnam

Fujitec Vietnam Co., Ltd.  
Marketing, installation and  
maintenance

### Philippines

Fujitec, Inc.  
Marketing, installation and  
maintenance

### India

Fujitec India Private Ltd.  
Marketing, installation and  
maintenance

## East Asia

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### China

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

Shanghai Huasheng Fujitec  
Escalator Co., Ltd.

Manufacturing, marketing,  
installation and maintenance

Fujitec Shanghai Technologies Co., Ltd.  
Research and development

Fujitec Shanghai Sourcing Center Co., Ltd.  
Procurement and Manufacturing

### Hong Kong

Fujitec (HK) Co., Ltd.  
Manufacturing, marketing,  
installation and maintenance

### Taiwan

Fujitec Taiwan Co., Ltd.  
Manufacturing, marketing,  
installation and maintenance

### Korea

Fujitec Korea Co., Ltd.  
Manufacturing, marketing,  
installation and maintenance

## Europe and Middle East

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### Germany

Fujitec Deutschland GmbH  
Marketing, installation and  
maintenance

### United Kingdom

Fujitec UK Ltd.  
Marketing, installation and  
maintenance

### Saudi Arabia

Fujitec Saudi Arabia Co., Ltd.  
Marketing, installation and  
maintenance

### Egypt

Fujitec Egypt Co., Ltd.  
Marketing, installation and  
maintenance

## Board of Directors

**Chairman** Kenji Otani

**President and Chief Executive Officer**  
Takakazu Uchiyama\*

**Directors** Akira Sumimoto  
Iwataro Sekiguchi  
Katsuhiko Harada  
Toshiyuki Matsubara  
Kunihiko Sawa  
Yasuo Hanakawa  
Kazuo Inaba

\*Representative director

### Corporate Auditors

Masakazu Kawai  
Susumu Monma  
Masanobu Nakano

(As of September 30, 2008)

## Shareholders' Information

### Fujitec Co., Ltd.

Big Wing, Hikone,  
Shiga 522-8588, Japan  
Telephone: +81-749-30-6650  
Facsimile: +81-749-30-7057

### Date of Establishment

February 9, 1948

### Paid-in Capital

¥12,533,933,095

### Common Stock

Authorized: 300,000,000 shares  
Issued: 93,767,317 shares  
Number of shareholders: 3,584

### Major Shareholders

	Number of shares held (Thousands)	Share holding ratio
Citigroup Global Markets INC.	10,577	11.28%
Uchiyama International, Limited	10,025	10.69%
Mellon Bank Treaty Clients Omnibus	5,737	6.11%
Fuji Electric Holdings Co., Ltd.	5,089	5.42%
Credit Suisse Zurich	4,651	4.96%
The Master Trust Bank of Japan, Ltd.(Trust Account)	4,297	4.58%
Resona Bank, Ltd.	4,203	4.48%
Japan Trustee Services Bank, Ltd.(Trust Account No.4)	3,162	3.37%
Japan Trustee Services Bank, Ltd.(Trust Account No.4G)	2,834	3.02%
Japan Trustee Services Bank, Ltd.(Trust Account)	2,014	2.14%

### Annual Meeting of Shareholders

The annual meeting of shareholders of the Company is normally held in June each year in Hikone, Shiga, Japan.

### Stock Exchange Listings

Tokyo and Osaka stock exchanges

### Transfer Agent

The Chuo Mitsui Trust and Banking Company, Limited  
Stock Transfer Agency Department  
33-1, Shiba 3-chome, Minato-ku,  
Tokyo 105-8574, Japan

#### Business office:

The Chuo Mitsui Trust and Banking Company, Limited  
Osaka Branch  
Stock Transfer Agency Department  
2-21, Kitahama 2-chome, Chuo-ku,  
Osaka 541-0041, Japan  
Telephone: +81-6-6202-7361

### Auditors

Osaka Audit Corporation

(As of September 30, 2008)