



FINANCIAL STATEMENTS

From April 1, 2004

To March 31, 2005

Consolidated Subsidiaries

Domestic:

Makoto Industry Co., Ltd.

Edeclinsey System Co., Ltd.

Astro Co., Ltd.

Overseas:

Fuji America Corporation

Fuji Machine America Corporation

Fuji Machine Mfg. (Europe) GmbH

Fuji Machine Mfg. (Dalian) Co., Ltd.

Management Plan

1. Corporate Management Principle

Fuji Machinery Manufacturing Group is to provide customers throughout the world the state of the art technology and professional services, and endeavor to assist in furtherance of corporate values to the benefits of users, stockholders, trading partners and their employees. Our objective is also to promote business growth through profitability improvement of the existing businesses, and development and expansion of new business projects.

2. Dividend Policy

It is Fuji's policy to set dividend levels based on profitability, and while every attempt is made to maintain dividend levels, in view of the rapidly changing nature of our businesses, the dividend level must be set with an over-riding view to stabilizing the management base and strengthening the company's financial position.

Retained earnings are applied to the development of products focused on market needs, technology development, and effective investment in production facilities with a view towards strengthening our business structure that will ensure profits in the future for our shareholders.

3. Mid-term and long-term Marketing Strategy

As for the marketing environment, it is expected that economic recovery within Japan will be stagnant due to the price hike of the crude oil and rising costs of raw materials, and the negative effects from political tension in China will continue on the Chinese market that has had steadfast growth.

In the mid and long-range perspectives, it is expected that market needs for our products will continue to increase owing to versatile and added features of cellular phones and market increase for digital consumer electronics such as LCD TVs in Electronic Assembly sector and, increased application of electronic control system into automobiles.

In this market environment, it has become very important to launch new products with the process capabilities to meet much advanced technologies to manufacture more versatile and compact products. For this reason we will be focusing on development of "Only One Technology" to enhance Core Technology, Process Technology and Simulation Technology and application capabilities in digital consumer electronics and car electronics which can be applied in new market with "high-precision, high-speed Surface Mount Technology ,which is the nucleus of Fuji Machine Mfg.

Furthermore, along with market diversification, product life cycle has become shorter, which will necessitate us to be more sensitive and versatile in responding to market changes.

It has been our full recognition that it is our task to manufacture and deliver in a timely manner quality products which are demanded by the market, and with much tighter coordination of manufacturing, marketing and technology, we rigorously worked on shortening manufacturing lead time to promote quicker development process and reduction of production costs.

Moreover, we will be making concerted efforts in product development with more emphasis on software and service enhancement, aggressive global marketing, and promotion of customer service to expand market not only in further increase of marketing base in China but also in Brazil, India and Russia. It is also our intention to have a well-planned logistics of staffing, and manufacturing high quality products to outperform cost competition

4. Basic Policy of Corporate Governance

(1) Organization change and Internal Control System

Conditions of Company's Organizations

Our company adopts the audit systems.

Further to the regular monthly meeting of the board of directors, an additional meeting of the board may be held when necessary to oversee regulations established by law, important management decisions, and other executive duties. Current system holds 7 executives.

Three out of our 4 auditors are external auditors, who attend the regular monthly meeting of the board of directors, and at other times when necessary, to supervise the management and lawfulness of the execution of duties by our directors.

Report of executive operational duties and decision of policy are executed at regular management meeting and extra management meeting by introducing an executive board system in order to separate the decision making and executive function of management, to speed up the management decision making process, and to clarify responsibility by transferring authority and forcing executive officer to take responsibility for their operational duties. Currently there are 10 executives, of whom 4 hold the post of director. As of April 1, four operating officers have been appointed anew.

Group management meeting including representing director of group corporations is also held periodically to confirm management condition and to make effort to strength cooperate governance.

Internal Control System

Management and Business Planning Division is structured as the key internal audit unit to draw an annual audit plan at the beginning of a fiscal year and perform internal audit. Audit staff will be appointed to form this internal audit unit as determined necessary by President and formulate an annual audit plan, monitor audit issues, and report findings to President. Also President issues improvement plans to respective departments and monitor performance of the plans and ask for report on results. This is to assure that business activities are properly and effectively carried out.

(2) Conditions of Risk Management System

In this system, risk management staff is appointed and they evaluate various risk issues and put together preventive measures and responsibilities

(3) Remuneration for officers

Yearly remuneration for directors: 189 million yen (no outside directors)

Yearly remuneration for auditors: 27 million yen (16 million yen for outside auditors)

(4) Remuneration for auditors include

Compensation for audit reports as prescribed in the audit agreement: 24 million yen

No additional compensation other than this.

(5) Internal audit, audit monitor, financial audit

Company auditors and independent auditors work closely and cooperate together in order to exchange information and opinions, and share common knowledge of audit findings. This is intended to effectively improve audit quality.

Audit engagement has been agreed with ChuoAoyama Audit Corporation PricewaterhouseCoopers and they perform financial audit in accordance with regulations stipulated in the commercial code and Security Exchange Commission regulations. We assure to provide all records without restrictions to the audit firm in order for them to be able to issue an independent opinion.

Auditors for this fiscal year, years of audit, and assistants are listed below:

Principal auditors: Kaneyoshi Hasegawa (10 years), Chizuka Inakoshi (3 years), Masaru Yamakawa (6 years)

Assistants: Certified Public Accountants: 5, Assistants: 6

(6) Related party transactions

The Company has no outside directors. Three independent auditors in the engagement have no business interests and siblings relation which may impair auditor's independency.

5. Transaction with Parent company

There is no applicable matter as the Company has no parent company.

Current Status of Business Operations

1. Operations results

(1) Performance of this fiscal year

During this fiscal year business conditions experienced favorable results owing to increased export to China as well as other Asian nations, and increase in private capital equipment. However, price hike of crude oil, price increases in raw steel and materials, and occurrence of natural disasters had caused uncertainty in economic projection.

In the electronics industry, especially digital electronics equipment, a new market was created. However, manufacturers went through radical production adjustment due to the previous experiences, which was more than expected. This caused much fluctuation in the demand for the equipment. Despite the facts, profitability of companies has improved and capital investment has been steadfast.

Under the conditions Company made special efforts to implement quicker and innovative changes to respond to diversifying market situation. We tackled with issues of innovation of technology and speed performance, and cost reduction to quickly meet customer demands with the nucleus of “high-precision, high-speed surface mount technology, high-precision process technology” Specific measures to accomplish this included further refinement of high-speed, high-precision technology, enhancement of application technology and core technology, and lateral coordination of respective divisions in trying to facilitate development process.

In promoting and innovating “manufacturing capabilities”, we were committed to promotion of high-precision manufacturing technology by integrating the Fuji Parts Machining group with affiliated companies, thus enabling us to manufacture products which are responsive to customer needs with more emphasis on manufacturing capabilities within the company to address quality and cost issues, and promoted staff training to accomplish it.

In improving production, a New Production Control System was created to promptly meet rapidly changing market conditions and diversifying end-user needs. We will continue to facilitate delivery of products by tighter work coordination among manufacturing, marketing and technology groups and improvement on lead time. Also a project group is engaged in improvement on turnaround lead time on parts supply and cost reduction.

In marketing and service area we concentrated our efforts to increase our market share in China by developing business activities which particularly suit the market characteristics to expect further market increase. We were also committed to increase the market share in Brazil and India by training and increase service resources, and improve service quality with the involvement of sales representatives.

Under the circumstances, we have achieved profitability for two years consecutively with orders of 73,516 million yen (21.6% increase from previous), sales of 70,096 million yen (14.8% increase from previous), operating profits of 2,894 million yen (149.2% increase from previous), and ordinary profits of 3,226 million yen (139.6% increase from previous).

Net profits of this fiscal year ended at 1,655 million yen

Business activities in segments:

PCB Assembly Machinery

In the midst of heated competition of technology and production costs with our competitors, NXT model (Modular type high-speed, multi-function chip shooter), a new product, which was launched into the market on a full-scale basis, and CP series, high-speed chip shooter, the prime products of Fuji Machine Mfg. and XP series, a medium-sized chip shooter, have had steadfast increase in sales to major EMS

(Electronic Manufacturing Service), and ODM (Original Design Manufacturers) in China and Taiwan. This favorable result is attributed to PC market recovery and increased demand for cellular phones and various other digital equipment. The market demand dipped in Autumn through end of January, but it rebounded since the Chinese New Year, and sales resulted in 46,961 million yen (20.6% increase from previous), and operating profits resulted in 3,552 million yen (95.8% increase from previous).

Machine Tools

Thriving business conditions of Automobile industry contributed toward massive demand, and global production logistics of major auto body manufacturers, their efficient operations and capital investment by those manufacturers on unit production continued for the same level as last year, which supported machine tool business, and the sales resulted in 16,921 million yen (3.4% decrease from previous) with operating profits of 1,207 million yen (2.3% increase from previous).

LCD Assembly Machinery

There was much increased demand for post-processing equipment to manufacture medium and small size LCD panels such as cellular phones, digital cameras, game machines, and car navigation systems. However, the second half had a significant drop in demand due to reduced demand for digital equipment, and inventory level adjustment of electronic components supply as a result, and crystal cycle (oversupply) caused significant decrease in demand for the machine equipment. As a result, sales ended at 5,102 million yen (45.1% increase from previous), but the operating loss resulted in 151 million yen (operating loss of the previous period was 225 million yen).

(2) Outlook for the Next Fiscal Year

For the prospects of business outlook for upcoming fiscal year, it is expected that economic recovery within Japan will be hampered by price hike of crude oil and raw materials, and negative effects from political tension on Chinese market will continue.

In PCB assembly machinery area, market demand is projected to increase due to diversified electronic devices with more digital application and multi-function, but it is expected to be a while before the market takes place fully.

It is also our projection that the first half of this year will have gradual recovery of market demand, and it will turn out to be full recovery in the second half. In Automobile industry, much aggressive marketing activities are expected both in and outside Japan in order to expand market share and production level, which should contribute toward continued and higher demand for machine tools.

In this business environment, we have initiated a new plan to establish profit generation business environment with the slogan of “Innovative mind to expand profitability”, and now with “Self-starter for model action to expand profitability”. In this plan increase of profitability and strengthening of financial environment are the underlying principles which are to promote business strategy to enable responsive management and action, which is geared toward secured market share and stable business activities.

In order to improve overall strength of development, production, and marketing, VA, VE activities with true-to-the-reality perspectives will be promoted with the emphasis on work coordination between R&D group to grasp market needs and keep manufacturing products to meet customer expectations, and through the integrated and effective work coordination with product development, manufacturing and marketing groups.

In manufacturing, efforts will be concentrated on quality assurance, cost reduction, improvement on lead time plus further development of high-added value products.

Speed-up and total elimination of “waste” is the main focus in improving operations in order to establish profitable environment.

Business projection for this fiscal year is that sales of 78 billion yen (11.3% increase from the previous) is estimated, operating profits of 5.6 billion yen (93.5% increase from the previous), ordinary profits of 5.6 billion yen (73.6% increase from the previous), and net profits of 5.2 billion yen (214.1% increase from the previous) are estimated respectively.

2. Financial Condition

The total consolidated assets for this period, due to increases in cash on hand and in bank and accounts receivable, were 106,532 million yen, which was 6,769 million yen more than the previous consolidated fiscal period. Additionally, our consolidated liability for this fiscal year totaled 34,566 million yen, which was 4,765 million yen more than the previous consolidated fiscal period due to an increase in borrowings.

As for the cash flow, consolidated cash and cash equivalents for this fiscal year were 16,150 million yen, which was 2,821 million yen more than the previous consolidated fiscal period. This was attributable to the total of increased cash flow from business operations and financing activities exceeding decreased cash flow from investment activities.

As for cash flow from business operations, cash which was obtained as a result of operations was 4,522 million yen (the previous consolidated fiscal period 1,607 million yen). This was mainly attributable to positive factors such as increases in income before income taxes and minority interest and depreciation expenses exceeding negative factors such as increases in trade receivables.

As for cash flow from investing activities, cash which was used as a result of the activities was 4,062 million yen (the previous consolidated fiscal period 3,198 million yen). This was attributable mainly from expenditure such as tangible and intangible fixed assets.

As for cash flow from financing activities, cash which was obtained as a result of these activities was 2,222 million yen (the previous consolidated fiscal period 6,254 million yen). This was principally due to an increase in borrowings.

Furthermore, trends in the cash flow index were as follows:

	Consolidated Accounting Period (March 31 st 2001)	Consolidated Accounting Period (March 31 st 2002)	Consolidated Accounting Period (March 31 st 2003)	Consolidated Accounting Period (March 31 st 2004)	Consolidated Accounting Period (March 31 st 2005)
Shareholders' Equity Ratio (%)	76.7	85.0	79.7	70.1	67.6
Shareholder's Equity Ratio (based on market price) %	131.7	113.3	48.1	66.7	49.1
The number of years of debt redemption (Years)		1.4	0.8		3.7
Interest Coverage Ratio		129.2	122.8		32.7

Notes:

1. The indexes above are calculated using the following formulas:

Shareholders' Equity Ratio: shareholders' equity/total assets.

Shareholders' Equity Ratio (based on market price): total sum of the market price for stock/total assets.

The number of years of debt redemption: liabilities with interest/cash flow from operating activities.

Interest Coverage Ratio: cash flow from operating activities/interest payments

2. Each index is calculated according to the consolidated financial value.

3. The total sum of the market price for stock is calculated as the closing price of the end of term stocks × the number of stocks issued at the end of term (after deduction of treasury stocks).
4. “Cash flow from operating activities” refers to the cash flow from operating activities in the statement of consolidated cash flow. “Liabilities with interest” refers to all interest paying debts on the consolidated balance sheet. “Interest Payments” refers to the interest payments in the statement of consolidated cash flow. Moreover, because there was an outflow of cash from operating activities in the consolidated accounting period ending March 31st, 2001 and the previous consolidated fiscal period, the debt redemption and interest coverage ratio are omitted for that period.

3. Business Risk

At fiscal year end we considered and evaluated risk factors and listed below are the ones which may affect our business performance.

(1) Changes in market conditions

The market condition of PCB Assembly Machinery business, the prime business of Fuji Machine Mfg. and LCD Assembly Machinery business both are largely affected by market conditions of digital equipment. It is expected that market condition will steadily grow for PCs, cellular phones, DVD, LCD TVs, digital consumer electronics. However, as experienced in the past, IT business downturn, worsened lopsided supply and demand balance, had caused significantly decreased demand for PCB Assembly Machinery.

This factor could affect our business once again as we try to maintain and expand our sales revenues.

(2) Currency exchange rate fluctuation

Sales percentage in overseas market of Fuji Machine Mfg. is as high as 74.2% due to the fact that our customers relocated and concentrated their manufacturing facilities in Asian nations, especially China and Taiwan. In an effort to avoid currency exchange rate fluctuation, key currency for export is yen based, but transactions with the subsidiaries in the U.S, Germany and China are based on other than yen. Hedge for exchange rate fluctuation is being exercised. However, drastic exchange rate fluctuation could adversely affect costs and business operations.

(3) Effects from new technology development

Our group has remained in a dominant market position maintaining a major market share by grasping customer market needs with the state-of-the-art technology of “high-precision, high-speed surface mount technology, process technology and through aggressive investment for R&D, and continuous efforts for technology development. However, misjudgment in timing delivery of a new machine product to meet advanced technology because of product diversification could influence business performance.

(4) Quality effects

Our group has incorporated its superb, and unique technology into new machine products and launched them into market in a timely manner. Also, we have acquired ISO 9001 and established quality assurance program and customer service support system to meet customer requirements which has resulted in more users with our products.

However, the very fact that our products have the state-of-the-art technology incorporated could cause unexpected failures because unexplored areas of technology development.

(5) Effects from market expansion in China

Sales in the Chinese market by our group has increased as a result of manufactures of digital equipment are relocated and concentrated in China. We expect that this situation will continue to increase. We have been successful in expanding business activities owing to the much trusted business relationship which is backed by superb products with much sophisticated technology and higher customer satisfaction.

Also, Automobile manufactures have increase their production activities in China, and this is expected to contribute toward sales increase of machine tool business.

Despite the favorable expectations, tight money policy and political tension could negatively affect our business performance in China.

(6) Effects from material prices and product price competition

We have successfully expanded business activities by delivering products with a superior technology to outperform market competition. However, due to the recent market price competitions among set makers of electronics equipment, and product price competitions among primary materials for steel, cast iron, electrical component materials, and so forth could cause price increase which would affect business performance.

CONSOLIDATED BALANCE SHEETS

Fuji Machine Mfg. Co., Ltd. and subsidiaries
As of March 31, 2005 and 2004

ASSETS	Millions of yen	
	2005	2004
Current assets		
Cash on hand and in bank	16,414	13,692
Notes and accounts receivable – trade	21,619	19,087
Inventories	29,934	29,327
Deferred taxes	3,460	2,501
Other current assets	1,742	1,635
Less-allowance for doubtful receivable	10	136
Total current assets	73,160	66,108
Fixed assets		
Property, plant and equipment:		
Building and structures	9,122	9,540
Machinery/equipment and vehicles	4,090	4,482
Tools, furniture and fixtures	986	1,061
Land	3,915	3,840
Construction in progress	9	7
Total property, plant and equipment	18,124	18,932
Intangible assets:		
Software	5,701	5,554
Other intangible assets	20	21
Total intangible assets	5,721	5,575
Investments and other assets:		
Investment securities	8,656	6,451
Deferred taxes	9	1,801
Others	858	893
Total investments and other assets	9,524	9,145
Total fixed assets	33,371	33,654
Total assets	106,532	99,762

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen	
	2005	2004
Liabilities		
Current liabilities:		
Notes and accounts payable	9,671	9,107
Short-term borrowings	-	3,000
Current maturities long-term borrowings	1,150	-
Accrued expenses	2,736	2,487
Accrued warranty	781	686
Others	1,775	1,648
Total current liabilities	16,115	16,930
Long term liabilities:		
Long-term borrowings	15,652	10,812
Deferred tax liabilities	1,306	-
Accrued retirement benefits	1,482	2,027
Consolidation adjustments	10	31
Total long term liabilities	18,450	12,870
Total liabilities	34,566	29,801
Shareholders' equity		
Capital stock	5,878	5,878
Capital surplus	5,413	5,413
Earnings surplus	57,228	56,306
Unrealized gain on available for-sale securities, net of taxes	2,374	1,500
Translation adjustment	1,087	877
Treasury stock	17	13
Total shareholders' equity	71,965	69,961
Total liabilities and shareholders' equity	106,532	99,762

CONSOLIDATED INCOME STATEMENT

Fuji Machine Mfg. Co., Ltd. and subsidiaries
For the years ended March 31, 2005 and 2004

	Millions of yen	
	2005	2004
Net sales	70,096	61,081
Cost of sales	53,013	46,652
Selling, general and administrative expenses	14,188	13,267
Operating Income	2,894	1,161
Non-operating revenue:		
Interest and dividend income	219	124
Others	383	521
Non-operating expenses:		
Interest expense	140	87
Exchange loss	-	266
Others	130	105
Ordinary Income	3,226	1,346
Extraordinary gain	460	615
Extraordinary loss	116	172
Income before income taxes and minority interest	3,570	1,790
Income taxes:		
Corporate, inhabitant's and enterprise taxes	351	132
Adjustment for corporate taxes	1,563	4,083
Net Income	1,655	2,425
Notes:		
Depreciation expense	2,045	2,261
Amortization expense	2,205	1,729

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Fuji Machine Mfg. Co., Ltd. and subsidiaries
For the years ended March 31, 2005 and 2004

	Millions of yen	
	2005	2004
Capital surplus:		
Beginning balance of capital surplus	5,413	5,413
Ending balance of capital surplus	5,413	5,413
Earnings surplus:		
Beginning balance of earning surplus	56,306	59,464
Increase		
Net Income	1,655	-
Decrease		
Cash dividends	733	733
Net loss	-	2,425
Ending balance of earning surplus	57,228	56,306

CONSOLIDATED CASH FLOWS STATEMENT

Fuji Machine Mfg. Co., Ltd. and subsidiaries
For the years ended March 31, 2005 and 2004

	Millions of yen	
	2005	2004
Operating activities		
Income before income taxes and minority interest	3,570	1,790
Depreciation and amortization	4,250	3,990
Increase in accrued warranty	93	175
Increase or decrease in accrued retirement benefits	545	585
Interest and dividend income	219	124
Interest expense	140	87
Gain on disposition of fixed assets	23	41
Loss on disposition of fixed assets	103	75
Gain on sale of investment securities	316	647
Devaluation of investment securities	-	54
Increase in accounts receivable	2,459	6,399
Increase in inventories	528	4,106
Increase in trade payable	511	2,185
Others	448	95
Sub total	5,027	2,278
Interest and dividend received	183	124
Interest paid	138	83
Net income tax payment amount	550	-
Net income tax refund amount	-	629
Net cash (used in) provided by operating activities	4,522	1,607
Investing activities		
Additions of tangible and intangible fixed assets	3,920	3,976
Proceeds from sales of tangible and intangible fixed assets	239	664
Additions of investment securities	902	391
Proceeds from sales of investment securities	591	971
Investment in time deposit	244	257
Proceeds on maturity of time deposit	344	328
Expenditures for investment in subsidiaries	-	89
Expenditures for long term prepaid expenses	233	428
Others	62	18
Net cash used for investing activities	4,062	3,198
Financing activities		
Increase or decrease in short-term borrowings	3,000	2,568
Proceeds on long-term borrowings	6,000	4,421
Expenditures for return of long-term borrowings	40	-
Dividends paid	733	733
Others	3	2
Net cash (used in) provided by financing activities	2,222	6,254
Effect of exchange rate changes on cash and cash equivalents	138	966
Increase in cash and cash equivalents	2,821	481
Cash and cash equivalents at beginning of year	13,329	12,847
Cash and cash equivalents at end of the year	16,150	13,329

BASIS FOR PREPARATION OF CONSOLIDATED STATEMENTS

1. Consolidation range

Number of consolidated subsidiary companies: 7 companies

The names of consolidated subsidiary companies:

Makoto Industry Co., Ltd. Edeclinsey System Co., Ltd. Astro Co., Ltd.
Fuji America Corporation Fuji Machine America Corporation
Fuji Machine Mfg. (Europe) GmbH Fuji Machine Mfg. (Dalian) Co.,Ltd.

2. Applicability under the holdings law

The names of affiliated companies to which the equity method is not applied:

Fuji do Brasil Maquinas Industrials Ltda. Fuji Machine Philippines, Inc.

Reasons for not applying the equity method

The total amount of net profit/loss and reserves of the affiliated companies to which the equity method is not applied for this consolidated term, and the total amount equivalents for holdings were so insignificant as to have any affect on the net profit/loss and the reserves of the consolidated company during this term, and are therefore deemed not to be of consequence from the view of the entity as a whole. Therefore, the Holdings Law does not apply.

3. Consolidated Subsidiary Company Business Periods

The closing date for the financial report for Fuji Machine Mfg. (Dalian) Co.,Ltd is December 31. Financial report from subsidiary is based on pro forma statements at the time of consolidation, in order to report consolidated financial statements.

4. Standard Accounting Practices

(1) Evaluation standards and methods for important assets

Securities

Other securities

Securities with market value: The market value method based on the market price as of the date of account settlement (The difference in evaluation is fully treated according to the method to be directly incorporated in the capital and the sale cost is calculated by the moving average method.)

Securities without market value: Determined by the moving average method.

Inventories

Determined mainly by final purchase cost method and periodic average method.

(2) Depreciation methods for important assets

Tangible fixed assets are depreciated mainly using the declining balance method, except for buildings (excluding attached facilities) acquired in Japan subsequent to March 31, 1998 are depreciated according to the straight-line method.

Intangible fixed assets are depreciated using the straight-line method. However, as for software used for sales, the straight-line method is applied based on the estimated term of usefulness. As to software for our company uses, the straight-line method is based on the estimated usable term.

(3) Accounting standard for important allowances

Allowance for doubtful accounts: to prepare for loss on irrecoverable debts, the estimated irrecoverable amount is appropriated by the actual rate of dead loan as for general credit, and by estimation of possibility of recovery for individual cases for specific doubtful credits that have worries of dead loan.

Accrued warranty: to prepare for outlays for defects found in manufactured goods within the warranty period, the experience rate is computed based on past record, which is then multiplied by the sales for the current term.

Accrued retirement benefits: In preparation of payment of employee retirement benefits, the forecasted amount has be appropriated based on the estimated amount of the debt set aside for retirement benefit and pension assets at the end of the current consolidated annual accounting period. Calculational discrepancies are included in the consolidated fiscal accounting period's calculations as a lump-sum expense.

(4) Method of important hedge account

Hedge account method:

In regard to interest rate swap, we adopt special exemption as we meet the necessary conditions.

Hedge means and subject:

The hedge means: interest rate swap

The hedge subject: loan

Hedge policy:

To decrease the risk posed by interest rate fluctuation and improve the credit situation with regard to income and expenditure.

Method of evaluating hedge validity:

As we meet the necessary conditions for special exemption, judgement on the evaluation of the settlement date is omitted.

(5) Computation of consumption tax and other tax

Tax computed separately.

5. Subsidiary Company Assets and Loan Evaluation

The assets and loans of consolidated subsidiary companies are evaluated according to the market price method in all its aspects.

6. Amortization of Consolidated Adjustment Account

The consolidated adjustment account is depreciated evenly over two years.

7. Disposal of Profits

A consolidated surplus statement is issued based on the profit disposal having been confirmed during consolidated accounting period.

8. Capital Range of Consolidated Cash Flows Accounting Statement

The capital (cash and equivalents) in the Consolidated Cash Flows Statement consists of cash on hand, deposits receivable on demand and short-term investments with 3 month or less until due date after date of acquisition, with very little variance in value and/or can also be easily converted to cash.

NOTES :

(On consolidated balance sheet)

	March 31, 2005	(Millions of yen) March 31, 2004
1. Accumulated depreciation of tangible fixed assets	23,713	22,236
2. Balance of endorsed notes receivable	0	0

(On consolidated cash flow statement)

The relation between the term-end balance of cash and cash-equivalents, and the sums of the items listed on the consolidated balance sheet

	March 31, 2005	(Millions of yen) March 31, 2004
Cash and deposit accounts	16,414	13,692
Time deposits whose deposit terms exceed three months	263	362
Cash and cash equivalents at end of the period	16,150	13,329

(On consolidated marketable securities)

1. Other negotiable securities which currently have a market value

(Millions of yen)

Category	This consolidated accounting period (March 31, 2005)			Previous consolidated accounting period (March 31, 2004)		
	Acquisition Cost	Price on consolidated balance sheet	Net difference	Acquisition Cost	Price on consolidated balance sheet	Net difference
Items whose sums on the consolidated balance sheet exceed their acquisition costs						
Shares	4,133	8,079	3,946	3,592	6,073	2,481
Bonds	-	-	-	-	-	-
Other	211	228	16	211	227	16
Subtotal	4,344	8,307	3,962	3,804	6,301	2,497
Items whose sums on the consolidated balance sheet do not exceed their acquisition costs						
Shares	203	191	12	9	9	0
Bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Subtotal	203	191	12	9	9	0
Total	4,548	8,499	3,950	3,814	6,311	2,497

2. Contents of principal negotiable securities which lack a market value, and their sums on the consolidated balance sheet

(Millions of yen)

Category	This consolidated Accounting period (March 31, 2005)	Previous consolidated accounting period (March 31, 2004)
	Price on consolidated Balance sheet	Price on consolidated Balance sheet
Other marketable securities		
Unlisted stocks (excluding over-the-counter stocks)	116	115
Other	16	-
Total	132	115

(On retirement benefits)

1. Outline of our retirement benefits systems

We have adopted the tax-qualified pension system and the employees' pension fund system. Some of our domestic consolidated subsidiaries are equipped with the tax-qualified pension system, and some of our overseas consolidated subsidiaries are equipped with the defined contribution pension plan system.

2. Items related to retirement benefits liabilities

	(Millions of yen)	
	March 31, 2005	March 31, 2004
Retirement benefits liabilities	7,317	7,198
Pension assets	5,949	5,438
Unreserved retirement benefits liabilities	1,368	1,760
Variances due to unrecognized calculative reasons	113	266
Accrued retirement benefits	1,482	2,027

Note: Some of the consolidated subsidiaries adopted a simplified calculation method to calculate retirement benefits liabilities.

3. Items related to retirement benefits expenses

	(Millions of yen)	
	March 31, 2005	March 31, 2004
Service costs	414	388
Interest costs	178	187
Expected investment returns	151	127
Disposed amount of variances due to calculative reasons	266	722
Expenses for retirement benefits	175	1,172

Note: The retirement benefits expenses of the consolidated subsidiaries which adopted a simplified method is added to the 'service costs'.

4. Basic information on the calculation of retirement benefits liabilities, etc.

	March 31, 2005	March 31, 2004
Allotment method of the estimated sum of retirement benefits for each period	Fixed amount standard	Fixed amount standard
Discount rate	2.5 %	2.5 %
Expected rate for investment profits	2.8 %	2.8 %
Number of years for the disposal of variances due to calculative reasons	A lump-sum expense disposal in the next, consolidated fiscal year.	A lump-sum expense disposal in the next, consolidated fiscal year.

(On tax effect accounting)

Breakdown of the main causes of deferred income tax on assets and liabilities

(Millions of yen)

	March 31, 2005	March 31, 2004
(Deferred tax assets)		
Carryforward of operating loss	5,991	7,297
Inventories	773	480
Accrued retirement benefits	591	808
Accrued expense	578	485
Investment securities	382	386
Accrued warranty	308	271
Others	124	93
Subtotal deferred tax assets	<u>8,750</u>	<u>9,823</u>
Sum of valuation allowance	<u>5,004</u>	<u>4,522</u>
Total deferred tax assets	<u>3,745</u>	<u>5,300</u>
(Deferred tax liabilities)		
Unrealized gain on available for-sale securities, net of taxes	1,579	995
Disposition of the allowance for doubtful debts resulting from the elimination of credits and debts	<u>1</u>	<u>2</u>
Total deferred tax liabilities	<u>1,581</u>	<u>998</u>
Net of deferred tax assets	<u>2,163</u>	<u>4,302</u>

(On consolidated segment information)**1. Business segment information**

This consolidated accounting period (April 1, 2004 to March 31, 2005)

(Millions of yen)

	PCB Assembly Machinery	Machine Tools	LCD Assembly Machinery	Others	Total	Elimination or all company	Consolidated
. Sales and operating expenses							
Sales							
1. Sales to third parties	46,961	16,921	5,102	1,112	70,096	-	70,096
2. Interarea sales or transfers	0	-	-	838	838	838	-
Total	46,961	16,921	5,102	1,950	70,935	838	70,096
Operating expenses	43,408	15,713	5,253	1,997	66,373	828	67,202
Operating income	3,552	1,207	151	46	4,561	1,667	2,894
. Asset, depreciation and capital expenditure							
Asset	65,679	20,384	5,846	2,040	93,950	12,581	106,532
Depreciation	3,245	428	327	119	4,121	129	4,250
Capital expenditure	2,862	316	623	75	3,878	32	3,910

Previous consolidated accounting period (April 1, 2003 to March 31, 2004)

(Millions of yen)

	PCB Assembly Machinery	Machine Tools	LCD Assembly Machinery	Others	Total	Elimination or all company	Consolidated
. Sales and operating expenses							
Sales							
1. Sales to third parties	38,924	17,508	3,517	1,131	61,081	-	61,081
2. Interarea sales or transfers	1	0	-	488	490	490	-
Total	38,925	17,508	3,517	1,619	61,571	490	61,081
Operating expenses	37,111	16,328	3,743	1,677	58,860	1,059	59,919
Operating loss	1,814	1,180	225	58	2,711	1,549	1,161
. Asset, depreciation and capital expenditure							
Asset	64,715	19,931	4,381	2,289	91,317	8,445	99,762
Depreciation	3,135	466	96	135	3,833	156	3,990
Capital expenditure	3,132	156	603	95	3,987	98	4,086

Notes: 1. Method of segmentation by type of business

Segmentation has been performed by the type and nature of the products.

2. Main products of each business unit.

(1) PCB Assembly Machinery: SMT assembly machines

(2) Machine tools: Automatic lathe, Special-purpose machines

(3) LCD Assembly Machinery : LCD related production equipment.

(4) Others : Control hardware, PCB Contract Manufacturing, Software development, Insurance brokerage

2. Geographical segment information

This consolidated accounting period (April 1, 2004 to March 31, 2005)

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Elimination or all company	Consolidated
. Sales and operating expenses							
Sales							
1. Sales to third parties	58,099	9,671	2,272	53	70,096	-	70,096
2. Interarea sales or transfers	7,710	12	26	-	7,748	7,748	-
Total	65,809	9,684	2,298	53	77,845	7,748	70,096
Operating expenses	61,380	9,484	2,294	57	73,217	6,014	67,202
Operating income	4,429	200	3	4	4,628	1,733	2,894
. Asset	81,058	14,142	1,390	135	96,726	9,805	106,532

Previous consolidated accounting period (April 1, 2003 to March 31, 2004)

(Millions of yen)

	Japan	North America	Europe	Total	Elimination or all company	Consolidated
. Sales and operating expenses						
Sales						
1. Sales to third parties	51,533	8,598	949	61,081	-	61,081
2. Interarea sales or transfers	5,773	25	14	5,814	5,814	-
Total	57,307	8,624	964	66,895	5,814	61,081
Operating expenses	54,314	8,607	952	63,874	3,954	59,919
Operating income	2,993	16	11	3,021	1,860	1,161
. Asset	78,680	13,952	1,151	93,784	5,978	99,762

Notes:

1. Division by country or region based on geographical proximity.
2. Major countries or regions in each division
 - (1)North America: The United States of America
 - (2)Europe: Germany
 - (3)Asia: China

3. Overseas sales

This consolidated accounting period (April 1 2004 to March 31, 2005)

(Millions of yen)

	North America	Europe	Asia	Others	Total
. Overseas sales	10,202	4,978	34,207	2,627	52,015
. Consolidated sales					70,096
. Ratio of overseas sales to consolidated sales(%)	14.6	7.1	48.8	3.7	74.2

Previous consolidated accounting period (April 1 2003 to March 31, 2004)

(Millions of yen)

	North America	Europe	Asia	Others	Total
. Overseas sales	9,135	3,422	29,882	1,324	43,765
. Consolidated sales					61,081
. Ratio of overseas sales to consolidated sales(%)	15.0	5.6	48.9	2.2	71.7

Notes:

1. Division by country or region based on geographical proximity.
2. Major countries or regions in each division
 - (1) North America: The United States of America, Canada, etc
 - (2) Europe: Germany, Finland, etc
 - (3) Asia: China, Taiwan, etc
 - (4) Other: Brazil etc
3. Overseas sales is the aggregation of sales outside of Japan by the parent company and its consolidated subsidiaries.

(Negotiation with the relevant parties)

No items fall under this category.

CONSOLIDATED ORDER RECEPTION AND SALES SITUATION

Fuji Machine Mfg. Co., Ltd. and subsidiaries

This period (April 1, 2004 to March 31, 2005)

(Millions of yen)

Business divided into Market segment type	Sales orders (%)	Sales (%)	Back orders (%)
PCB Assembly Machinery	48,988 (66.6)	46,961 (67.0)	6,835 (45.5)
Machine tools	19,163 (26.1)	16,921 (24.1)	7,634 (50.8)
LCD Assembly Machinery	4,232 (5.8)	5,102 (7.3)	457 (3.1)
Others	1,132 (1.5)	1,112 (1.6)	94 (0.6)
Total	73,516 (100.0)	70,096 (100.0)	15,022 (100.0)

Previous period (April 1, 2003 to March 31, 2004)

(Millions of yen)

Business divided into Market segment type	Sales orders (%)	Sales (%)	Back orders (%)
PCB Assembly Machinery	38,339 (63.4)	38,924 (63.7)	4,808 (41.4)
Machine tools	17,313 (28.6)	17,508 (28.7)	5,393 (46.5)
LCD Assembly Machinery	3,646 (6.0)	3,517 (5.8)	1,326 (11.4)
Others	1,173 (2.0)	1,131 (1.8)	74 (0.7)
Total	60,472 (100.0)	61,081 (100.0)	11,603 (100.0)

BALANCE SHEETS

Fuji Machine Mfg. Co., Ltd.
As of March 31, 2005 and 2004

ASSETS	Millions of yen	
	2005	2004
Current assets		
Cash on hand and in bank	5,427	4,333
Notes receivable	2,034	4,244
Accounts receivable	19,384	13,954
Finished goods and work in process	10,813	13,324
Raw material and supplies	16,080	12,689
Deferred taxes	3,154	2,155
Other current assets	1,439	1,514
Allowance for doubtful receivable	-	35
Total current assets	58,334	52,181
Fixed assets		
Property, plant and equipment:		
Building and structures	7,311	7,732
Machinery and equipment	3,768	4,211
Vehicles	68	56
Tools, furniture and fixtures	899	981
Land	3,211	3,211
Construction in progress	9	7
Total property, plant and equipment	15,269	16,201
Intangible assets:		
Software	5,685	5,532
Other intangible assets	17	18
Total intangible assets	5,703	5,550
Investments, etc.:		
Investment securities	8,529	6,296
Investment in related parties	1,140	1,140
Sundry investments	52	112
Sundry investments in related parties	372	287
Deferred taxes	-	1,776
Other investments	575	555
Total investments	10,671	10,168
Total fixed assets	31,644	31,920
Total assets	89,978	84,101

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen	
	2005	2004
Liabilities		
Current liabilities:		
Notes payable	5,902	6,452
Accounts payable-trade	3,855	3,033
Short-term borrowings	-	3,000
Current maturities of long-term borrowings	1,050	-
Accounts payable-other	192	287
Accrued expenses	2,028	1,854
Accrued warranty	689	622
Equipment notes payable	107	63
Other current liabilities	930	604
Total current liabilities	14,756	15,917
Long term liabilities:		
Long-term borrowings	15,350	10,400
Deferred tax liabilities	1,306	-
Accrued retirement benefits	1,473	2,020
Others	15	15
Total long term liabilities	18,144	12,435
Total liabilities	32,901	28,353
Shareholders' equity		
Capital stock	5,878	5,878
Capital surplus	5,413	5,413
Legal reserve	1,450	1,450
Earnings surplus:		
General reserves	39,400	39,400
Unappropriated retained earnings	2,572	2,132
Unrealized gain on available for-sale securities, net of taxes	2,379	1,486
Treasury stock	17	13
Total shareholders' equity	57,077	55,747
Total liabilities and shareholders' equity	89,978	84,101

INCOME STATEMENT

Fuji Machine Mfg. Co., Ltd.
For the years ended March 31, 2005 and 2004

	Millions of yen	
	2005	2004
Net sales	64,963	56,408
Cost of sales	51,585	45,213
Selling, general and administrative expenses	11,117	10,179
Operating Income	2,261	1,015
Non-operating revenue:		
Interest and dividend income	192	41
Others	197	308
Non-operating expenses:		
Interest expense	120	87
Exchange loss	3	159
Others	105	103
Ordinary Income	2,422	1,014
Extraordinary gain	365	621
Extraordinary loss	101	161
Income before income taxes	2,686	1,474
Income taxes:		
Corporate, inhabitant's and enterprise taxes	20	18
Adjustment for corporate taxes	1,492	3,951
Net income	1,173	2,494
Retained earnings brought forward	1,765	4,994
Interim dividend	366	366
Unappropriated retained earnings	2,572	2,132
Notes:		
Depreciation expense	1,840	1,984
Amortization expense	2,195	1,711

STATEMENT OF PROPOSED APPROPRIATION OF RETAINED EARNINGS

Fuji Machine Mfg. Co., Ltd.
For the year ended March 31, 2005 and 2004

	Millions of yen	
	2005	2004
Unappropriated retained earnings	2,572	2,132
Proposed to be appropriated as follows:		
Cash dividends	366	366
Accumulated profits	2,206	1,765

ACCOUNTING POLICY

1. Evaluation standards and methods for assets

Appraisal method of negotiable securities

Shares of subsidiaries and affiliated companies

Determined by the moving average method.

Other securities

Securities with market value: The market value method based on the market price as of the date of account settlement (The difference in evaluation is fully treated according to the method to be directly incorporated in the capital and the sale cost is calculated by the moving average method.)

Appraisal method of inventories

Finished goods and work in process valued by average cost method.

Raw material and stores valued by last-in cost method.

2. Depreciation methods for assets

Tangible fixed assets are depreciated using the declining balance method, except for buildings (excluding attached facilities) acquired in Japan subsequent to March 31, 1998 are depreciated according to the straight-line method.

Intangible fixed assets are depreciated using the straight-line method. However, as for software used for sales, the straight-line method is applied based on the estimated term of usefulness. As to software for our company uses, the straight-line method is based on the estimated usable term.

3. Accounting standard for allowances

Allowance for doubtful accounts: to prepare for loss on irrecoverable debts, the estimated irrecoverable amount is appropriated by the actual rate of dead loan as for general credit, and by estimation of possibility of recovery for individual cases for specific doubtful credits that have worries of dead loan.

Accrued warranty: to prepare for outlays for defects found in manufactured goods within the warranty period, the experience rate is computed based on past record, which is then multiplied by the sales for the current term.

Accrued retirement benefits: In order to prepare for payment of employee retirement benefit, we have appropriated the amount that based on the estimated amount of the debt for payment of the retirement benefit liabilities and pension assets at the end of the current accounting period. Computational discrepancies are included in the fiscal accounting period's calculations as a lump-sum expense.

4. Method of important hedge account

Hedge account method:

In regard to interest rate swap, we adopt special exemption as we meet the necessary conditions.

Hedge means and subject:

The hedge means: interest rate swap

The hedge subject: loan

Hedge policy:

To decrease the risk posed by interest rate fluctuation and improve the credit situation with regard to income and expenditure.

Method of evaluating hedge validity:

As we meet the necessary conditions for special exemption, judgement on the evaluation of the settlement date is omitted.

5. Fundamental standards for making other consolidated financial statements.

Computation of consumption tax and other tax

Tax computed separately.

NOTES:

(Millions of yen)

(On balance sheet)

	March 31, 2005	March 31, 2004
1. Accumulated depreciation of tangible fixed assets	21,977	20,630
2. Guarantee obligation	402	412

(On marketable securities)

For both the previous and current period, there are no current values for the stock of any affiliated companies or subsidiaries.

(On tax effect accounting)

Breakdown of the main causes of deferred income tax on assets and liabilities

(Millions of yen)

(Deferred tax assets)	March 31, 2005	March 31, 2004
Carryforward of operating loss	5,950	7,210
Accrued retirement benefits	587	806
Inventories	557	245
Accrued expense	529	445
Investment securities	382	386
Accrued warranty	274	248
Others	69	48
Subtotal deferred tax assets	8,352	9,391
Sum of valuation allowance	4,925	4,472
Total deferred tax assets	3,427	4,919
(Deferred tax liabilities)		
Unrealized gain on available for-sale securities, net of taxes	1,578	986
Total deferred tax liabilities	1,578	986
Net of deferred tax assets	1,848	3,932

EXECUTIVE CHANGES

- (1) Auditor Nomination and Candidacy (June 29, 2005)

Masamichi Matsubara: Currently President of Matsubara Building
(part-time)

Note: Mr Masamichi Matsubara, the candidate for a new corporate auditor subject to Paragraph 1, Clause 18, the Law for special Exceptions to the Commercial Code.

- (2) Auditor Scheduled for Retirement (June 29, 2005)

Nobuo Atsuta: Currently part time auditor