



FINANCIAL STATEMENTS

From April 1, 2005

To March 31, 2006

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

The Fuji Machine Manufacturing Group is making a constant effort to create a higher corporate value for our customers, stockholders, and employees in accordance with the management principles of providing the best technologies and services to customers world-wide to repay their confidence in our group and under the basic management policy of “Promotion of Further Reforms toward Realization of a Highly Profitable Structure.”

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 improvement and strengthening our business structure that will ensure profits in the future for our shareholders.

3. Mid-term and long-term Marketing Strategy

For the prospects of the management environments, while exports stay firm backed by the expansion of overseas economy, the situation is predicted to remain distant from optimism, reflecting the effects of surge in oil and material prices or some other concerns.

The business climate for our group is expected to stay at a high level against the backdrop of a strong demand in automobiles and business expansion in emerging markets, which include cell phones whose demand is expanding, notebook PC’s which are expected to grow further at a steady pace, and digital home appliances which are ever-prevailing in a wider variety of product segments. At the same time, it is envisaged that the competitive battles in the market will be increasingly intensified, including escalation in technological innovation and price competition.

In the mid-and-long term run, it is estimated that the increased market needs for our products will continue in the electronic parts assembly industry and the automobile industry that we target our products at. Factors expected to spur such increases include the increased diffusion, sophistication, and multi-functionality of cell phones, the steady growth of notebook PC’s, a rise in demand for LCD TV’s and other digital home appliances, the expansion of car electronics including the progress of IT in automobiles, and the advancement of automobile designs in line with environmental and energy conservation.

In these market conditions, there is an increasing need to launch mounting, assembly, and processing equipment that incorporates such technologies as allow us to keep pace with the development race of new products in the market spurred by a rapid technological innovation toward further sophistication, multi-functionality, lightness, and compactness. To this end, we will be tackling the challenge of creating the one and only technology that can be widely applied to emerging segments expected to grow further, such as digital home appliances and car electronics. Specifically, we will set the Technological Development Center as the focal point and put our efforts into cultivating and reinforcing the elemental, processing, and simulation technologies based on our “high-precision and high-speed mounting technology and precision processing technology.”

In these environments, our group has set up the basic policy of “Promotion of Further

Reforms toward Realization of a Highly Profitable Structure”, and under this policy, we will be working to explore globally accepted products and reinforce the ability and system of material procurement and production increase to attain a larger market share and a stable business position.

4. 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

As for the economic conditions in Japan during this consolidated fiscal year, the nation's economy has remained firm, as corporate profits have improved against the backdrop of strong capital investments in overseas markets including China and the Southeast Asia, except concerns about the effects of a steep rise in oil and raw material prices are not yet out of the way. Of the industrial segments that we target our products at, the electronic parts assembly industry has seen a growth in the electronics markets including cell phones, notebook PC's, and digital home appliances, and the automobile industry has continued to mark a high level of capital investments centering on major domestic automobile manufacturers.

Under these conditions, our group has set up the basic policy of "Initiative Model Setting and Action Reform for Expansion of Profit Recovery" to firm up the foundation of profit creation for ready response to changes in market trends and survival in the market competition. At the same time, we have been making concerted efforts to reinforce the financial strength and promote business strategies that allow for speedy management and action while being constantly aware of the internal control system and business risks.

In the concrete terms, in order to precisely meet the market needs and constantly provide products that sure satisfy our customers, we have put our efforts into providing customer-focused solutions, each effectively improving development, production, and sales in an integral manner. In the aspect of development, we have been working on the cultivation of core technologies and the development of elemental technologies through collaboration between the Technological Development Center and individual business divisions, as well as on cost reduction through VA activities that are rooted in on-site, realistic conditions. In the aspect of manufacturing, we have focused our efforts on promoting the stabilization of quality through standardization of work and development of multi-skilled workers, propelling cost reduction through improvement of logistics and production efficiency, and fostering the processing technology through a proactive move toward an increase in in-house processing operations. As for improvement of operations, we have pursued our efforts to speed up operations and eliminate 'muda' (waste), and to develop human resources who are independent-minded in creating things.

In these circumstances, we have achieved orders of 97,069 million yen (32.0% increase from previous), sales of 90,792 million yen (29.5% increase from previous), operating profits of 11,473 million yen (296.4% increase from previous), and ordinary profits of 11,711 million yen (263.0% increase from previous), with the net profits for this period reaching 11,264 million yen(580.4% increase from previous).

Business results by segment

PCB Assembly Machinery

Whilst the technology race and cost competition with rivals in the same trade are increasingly intensified, the XP series mid-sized placers including our flagship model of the NXT (high-speed and multi-functional modular type placer) were holding steady in sales especially to major EMS's (Electronic Manufacturing Services) and ODM's (Original Design Manufacturers) with a backdrop of an increase in demand for cell phones, notebook PC's, and digital home appliances. As a result, sales amounted to 63,605 million yen (35.4% increase from previous). Operating profits reached 10,720 million yen (201.8% increase from previous), due in part to the effects of cost reduction through efficiency improvement in production.

Machine Tools

The customers' capital investments have been on the rise, backed by massive demand in a wide range of industries including the car industry. As a result, sales amounted to 23,383 million yen (38.2% increase from previous) with operating profits of 2,622 million yen (117.1% increase from previous).

LCD Assembly Machinery

Sales ended in 2,440 million yen (52.2% decrease from previous) with operating losses of 688 million yen (operating losses for the previous period: 151 million yen). This is because the demand for post-process manufacturing equipment for mid- and small-size LCD's had not only reached saturation but also weakened due to the intensified price-cutting competition. From the next period, this LCD-related business will be wound up, and the useful technologies etc. accumulated in this field will be succeeded by the electronic parts assembly machine business.

(2) Outlook for the Next Fiscal Year

For the prospects of the management environments, a strong demand is expected to prevail with a backdrop of a steady performance in the economy of Japan, the U.S., and Europe and a steep rise in economic growth in the BRIC countries, although some causes for concern may remain such as soaring oil and material prices and sharp fluctuations in foreign exchange rates.

In the electronic parts assembly industry, demand can be expected to expand, partly because cell phones, notebook PC's, and digital home appliances will become a leading force in the market, and partly because car electronics will progress further. Our LCD-related business has been reorganized into the High-Tec Business Division effective April 1, which is streamlined to flexibly respond to advances in technology and changes in demand in the electronic parts assembly industry by trimming itself down to only promising technologies and human resources who are really needed in the mounting field.

In the machine tools industry, it is predicted that demand will remain at a high level, supported by global expansion of business and associated wave of capital investments in the automobile industry.

In the environment marked by this, our group will put our efforts into exploring globally accepted products and reinforcing the ability and system of material procurement and production increase while following the basic policy of "Promotion of Further Reforms toward Realization of a Highly Profitable Structure."

In the aspect of development, we will be tackling the challenge of creating the one and only technology, aiming at such products as can be widely applied to a variety of production environments. To this end, we will focus our efforts on cultivating and reinforcing elemental, processing, and simulation technologies based on our "high-precision and high-speed mounting technology and precision processing technology."

As for production, we will not only continue to promote improvement activities ranging from procurement to production as part of the quality first policy, but will also aim to establish a production system that can swiftly respond to changes in demand by developing multi-skilled workers, improving logistics, and restructuring the production line.

As for sales, we will put our efforts into attracting and retaining customers through expansion of customer-focused service support, and on reinforcing and staffing overseas agents particularly in regions that are expected to grow further.

Business projection for this fiscal year is that sales of 106 billion yen (16.7% increase from the previous) is estimated, operating profits of 16.3 billion yen (42.1% increase from the previous), ordinary profits of 16 billion yen (36.6% increase from the

previous), and net profits of 8.8 billion yen (21.9% decrease 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 123,889 million yen, which was 17,356 million yen more than the previous consolidated fiscal period. Additionally, our consolidated liability for this fiscal year totaled 37,345 million yen, which was 2,778 million yen more than the previous consolidated fiscal period due to an increase in bonds.

As for the cash flow, consolidated cash and cash equivalents for this fiscal year were 23,074 million yen, which was 6,924 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 5,515 million yen (the previous consolidated fiscal period 4,522 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 2,398 million yen (the previous consolidated fiscal period 4,062 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 3,022 million yen (the previous consolidated fiscal period 2,222 million yen). This is mainly attributed to the issue of bonds.

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

	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)	Consolidated Accounting Period (March 31 st 2006)
Shareholders' Equity Ratio (%)	85.0	79.7	70.1	67.6	69.9
Shareholder's Equity Ratio (based on market price) %	113.3	48.1	66.7	49.1	85.6
The number of years of debt redemption (Years)	1.4	0.8		3.7	3.7
Interest Coverage Ratio	129.2	122.8		32.7	35.7

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, 2004, the debt redemption and interest

coverage ratio are omitted for that period.

3. Business Risk

Following are business risks which are considered to affect our financial position and business operations significantly.

(1) Market fluctuation

The market conditions for electronic component assembly and LCD related business which is the primary market for Fuji Machine Mfg. could be largely affected by sales conditions of digital equipment. It is expected that market conditions for cellular phones and notebook PC's will continue to be favorable. However, as experienced in IT industry recession, and imbalance of supply and demand which caused excessive loss of orders for electronic component assembly machinery, and as we heavily depend on EMS, ODM orders for our business, we could be significantly affected by the market conditions.

(2) Currency exchange rate fluctuation

As our customers progressively shifted their manufacturing sites to Asia, particularly China and Taiwan, 72.7% of our total sales is overseas market. The key currency for our export business is yen to avert exchange rate risk except for sales to our subsidiaries in the US, Germany and China. Although we hedge against currency fluctuation, a steep fluctuation of currency market could incur currency risk.

(3) Product price competition

We have been able to provide products manufactured with much refined technology in order to prevail in market competition, and successfully expanded sales. However, we anticipate that price competition will be further accelerated not only by technical advancement of cellular phones, notebook PC's, digital equipment with high-function, multi-function features, but also price deflation of electronics equipment. This could cause heated price competition with our competitors as our customers would try to reduce production costs and purchase machinery at lower costs.

(4) Technology advancement

We have been able to maintain a major market share in the electronic component assembly business (SMT) by incorporating customer requirements into our far advance technology, high-precision, high-speed, high precision assembly technology, and by active and continuous investment for technology advancement. However, as electronic products become further diversified and sophisticated, much advanced machines must be launched into the market timely. This market timing could affect our business performance.

(5) Product quality

We have actively incorporated superb proprietary technology and much advanced technology into new products and launched them into market timely. We have acquired ISO 9001 to establish quality assurance, and reinforced customer service/support program to assure customer satisfaction. As we incorporate far advanced technology into our products, however, we could anticipate unexpected technical troubles from unknown area of new technology.

(6) Market expansion in China

As manufacturing sites of digital equipment products have become concentrated in China, our sales to Chinese market expanded to a large extent. This condition, we anticipate, will continue. We have been able to increase sales primarily to EMS and ODM makers in china and Taiwan backed by a strong business alliance which has been

realized as a result of customer satisfaction with our superb technology products. It is also expected that automobile industry will continuously expand production volume, and machine tool business will be accelerated. The Chinese economy is expected to continue expanding, but the reevaluation of the yuan, the political tensions between China and our country, or the outbreak of infectious diseases could affect our operating showings.

(7) A steep rise of raw materials

We have applied VA, CD in order to evaluate and analyze customer requirements and provide high value products timely, but a steep price rise of crude oil and raw materials will cause price increase of steel, cast iron, electric components and so forth, which are main materials to manufacture our products. This could adversely affect our business.

CONSOLIDATED BALANCE SHEETS

Fuji Machine Mfg. Co., Ltd. and subsidiaries
As of March 31, 2006 and 2005

ASSETS	Millions of yen	
	2006	2005
Current assets		
Cash on hand and in bank	23,423	16,414
Notes and accounts receivable – trade	32,110	21,619
Inventories	26,790	29,934
Deferred taxes	4,322	3,460
Other current assets	1,679	1,742
Less-allowance for doubtful receivable	29	10
Total current assets	88,297	73,160
Fixed assets		
Property, plant and equipment:		
Building and structures	8,768	9,122
Machinery/equipment and vehicles	3,522	4,090
Tools, furniture and fixtures	878	986
Land	3,938	3,915
Construction in progress	10	9
Total property, plant and equipment	17,117	18,124
Intangible assets:		
Software	4,463	5,701
Other intangible assets	21	20
Total intangible assets	4,484	5,721
Investments and other assets:		
Investment securities	13,335	8,656
Deferred taxes	5	9
Others	1,163	858
Less-allowance for doubtful receivable	514	-
Total investments and other assets	13,989	9,524
Total fixed assets	35,591	33,371
Total assets	123,889	106,532

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen	
	2006	2005
Liabilities		
Current liabilities:		
Notes and accounts payable	4,377	9,671
Current maturities long-term borrowings	5,453	1,150
Accrued expenses	3,698	2,736
Accrued warranty	1,570	781
Others	3,140	1,775
Total current liabilities	18,239	16,115
Long term liabilities:		
Bonds	5,000	-
Long-term borrowings	10,207	15,652
Deferred tax liabilities	2,752	1,306
Accrued retirement benefits	1,145	1,482
Consolidation adjustments	-	10
Total long term liabilities	19,105	18,450
Total liabilities	37,345	34,566
Shareholders' equity		
Capital stock	5,878	5,878
Capital surplus	5,413	5,413
Earnings surplus	67,759	57,228
Unrealized gain on available for-sale securities, net of taxes	5,284	2,374
Translation adjustment	2,229	1,087
Treasury stock	22	17
Total shareholders' equity	86,543	71,965
Total liabilities and shareholders' equity	123,889	106,532

CONSOLIDATED INCOME STATEMENT

Fuji Machine Mfg. Co., Ltd. and subsidiaries
For the years ended March 31, 2006 and 2005

	Millions of yen	
	2006	2005
Net sales	90,792	70,096
Cost of sales	63,121	53,013
Selling, general and administrative expenses	16,197	14,188
Operating Income	11,473	2,894
Non-operating revenue:		
Interest and dividend income	300	219
Exchange gain	186	5
Others	189	377
Non-operating expenses:		
Interest expense	171	140
Others	266	130
Ordinary Income	11,711	3,226
Extraordinary gain	517	460
Extraordinary loss	1,241	116
Income before income taxes and minority interest	10,987	3,570
Income taxes:		
Corporate, inhabitant's and enterprise taxes	944	351
Adjustment for corporate taxes	1,221	1,563
Net Income	11,264	1,655
Notes:		
Depreciation expense	1,683	2,045
Amortization expense	2,546	2,205

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Fuji Machine Mfg. Co., Ltd. and subsidiaries
For the years ended March 31, 2006 and 2005

	Millions of yen	
	2006	2005
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	57,228	56,306
Increase		
Net Income	11,264	1,655
Decrease		
Cash dividends	733	733
Ending balance of earning surplus	67,759	57,228

CONSOLIDATED CASH FLOWS STATEMENT

Fuji Machine Mfg. Co., Ltd. and subsidiaries
For the years ended March 31, 2006 and 2005

	Millions of yen	
	2006	2005
Operating activities		
Income before income taxes and minority interest	10,987	3,570
Depreciation and amortization	4,229	4,250
Increase in accrued warranty	782	93
Decrease in accrued retirement benefits	336	545
Interest and dividend income	300	219
Interest expense	171	140
Gain on disposition of fixed assets	147	23
Loss on disposition of fixed assets	694	103
Gain on sale of investment securities	330	316
Increase in accounts receivable	10,245	2,459
Increase or decrease in inventories	3,388	528
Increase or decrease in trade payable	5,510	511
Others	2,472	448
Sub total	5,852	5,027
Interest and dividend received	336	183
Interest paid	154	138
Net income tax payment amount	519	550
Net cash (used in) provided by operating activities	5,515	4,522
Investing activities		
Additions of tangible and intangible fixed assets	3,404	3,920
Proceeds from sales of tangible and intangible fixed assets	690	239
Additions of investment securities	82	902
Proceeds from sales of investment securities	427	591
Investment in time deposit	243	244
Proceeds on maturity of time deposit	159	344
Expenditures for long term prepaid expenses	2	233
Others	57	62
Net cash used for investing activities	2,398	4,062
Financing activities		
Decrease in short-term borrowings	-	3,000
Proceeds on long-term borrowings	-	6,000
Expenditures for return of long-term borrowings	1,149	40
Proceeds from issue of bonds	4,911	-
Dividends paid	733	733
Others	5	3
Net cash (used in) provided by financing activities	3,022	2,222
Effect of exchange rate changes on cash and cash equivalents	785	138
Increase in cash and cash equivalents	6,924	2,821
Cash and cash equivalents at beginning of year	16,150	13,329
Cash and cash equivalents at end of the year	23,074	16,150

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.

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 treatment of deferred assets

Bond issue costs were fully accounted for as an expense when it became payable.

(4) 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 consolidated annual accounting period. Calculational discrepancies are included in the consolidated fiscal accounting period's calculations as a lump-sum expense.

(5) 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.

(6) 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, 2006	(Millions of yen) March 31, 2005
1. Accumulated depreciation of tangible fixed assets	23,042	23,713
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, 2006	(Millions of yen) March 31, 2005
Cash and deposit accounts	23,423	16,414
Time deposits whose deposit terms exceed three months	348	263
Cash and cash equivalents at end of the period	23,074	16,150

(On consolidated marketable securities)

1. Other negotiable securities which currently have a market value

(Millions of yen)

Category	This consolidated accounting period (March 31, 2006)			Previous consolidated accounting period (March 31, 2005)		
	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	4,340	12,920	8,579	4,133	8,079	3,946
Bonds	-	-	-	-	-	-
Other	211	334	122	211	228	16
Subtotal	4,552	13,254	8,702	4,344	8,307	3,962
Items whose sums on the consolidated balance sheet do not exceed their acquisition costs						
Shares	-	-	-	203	191	12
Bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Subtotal	-	-	-	203	191	12
Total	4,552	13,254	8,702	4,548	8,499	3,950

2. Principal negotiable securities which lack a market value

(Millions of yen)

Category	This consolidated Accounting period (March 31, 2006)	Previous consolidated accounting period (March 31, 2005)
	Price on consolidated Balance sheet	Price on consolidated Balance sheet
Other marketable securities		
Unlisted stocks (excluding over-the-counter stocks)	72	116
Equity interests in limited liability partnership	7	16
Total	80	132

(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, 2006	March 31, 2005
Retirement benefits liabilities	7,460	7,317
Pension assets	7,063	5,949
Unreserved retirement benefits liabilities	397	1,368
Variances due to unrecognized calculative reasons	747	113
Accrued retirement benefits	1,145	1,482

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, 2006	March 31, 2005
Service costs	412	414
Interest costs	181	178
Expected investment returns	165	151
Disposed amount of variances due to calculative reasons	113	266
Expenses for retirement benefits	314	175

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, 2006	March 31, 2005
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, 2006	March 31, 2005
(Deferred tax assets)		
Carryforward of operating loss	2,286	5,991
Accrued expense	704	578
Accrued warranty	630	308
Inventories	483	773
Accrued retirement benefits	464	591
Less-allowance for doubtful receivable	198	1
Investment securities	195	382
Deferred assets	180	-
Others	154	123
Subtotal deferred tax assets	<u>5,297</u>	<u>8,750</u>
Sum of valuation allowance	304	5,004
Total deferred tax assets	<u>4,993</u>	<u>3,745</u>
(Deferred tax liabilities)		
Unrealized gain on available for-sale securities, net of taxes	3,416	1,579
Disposition of the allowance for doubtful debts resulting from the elimination of credits and debts	0	1
Total deferred tax liabilities	<u>3,417</u>	<u>1,581</u>
Net of deferred tax assets	<u>1,575</u>	<u>2,163</u>

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

This consolidated accounting period (April 1, 2005 to March 31, 2006)

(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	63,605	23,383	2,440	1,363	90,792	-	90,792
2. Interarea sales or transfers	0	-	-	1,031	1,031	1,031	-
Total	63,605	23,383	2,440	2,394	91,823	1,031	90,792
Operating expenses	52,885	20,761	3,129	2,278	79,054	264	79,318
Operating income	10,720	2,622	688	115	12,769	1,295	11,473
. Asset, depreciation and capital expenditure							
Asset	72,252	23,479	3,554	2,265	101,551	22,337	123,889
Depreciation	3,169	444	429	98	4,141	87	4,229
Capital expenditure	2,714	418	328	35	3,497	27	3,524

Previous 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 loss	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

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, 2005 to March 31, 2006)

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Elimination or all company	Consolidated
. Sales and operating expenses							
Sales							
1. Sales to third parties	73,383	12,673	4,510	224	90,792	-	90,792
2. Interarea sales or transfers	12,044	17	14	6	12,082	12,082	-
Total	85,427	12,690	4,525	231	102,874	12,082	90,792
Operating expenses	73,250	11,984	4,270	249	89,755	10,436	79,318
Operating income	12,176	706	254	18	13,119	1,645	11,473
. Asset	86,479	17,332	2,427	141	106,381	17,508	123,889

Previous 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

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 2005 to March 31, 2006)

(Millions of yen)

	North America	Europe	Asia	Others	Total
. Overseas sales	14,086	6,810	43,486	1,624	66,008
. Consolidated sales					90,792
. Ratio of overseas sales to consolidated sales(%)	15.5	7.5	47.9	1.8	72.7

Previous 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

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, Mexico, etc.
 - (2) Europe: Germany, Poland, etc.
 - (3) Asia: China, Malaysia, 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, 2005 to March 31, 2006)

(Millions of yen)

Business divided into Market segment type	Sales orders (%)	Sales (%)	Back orders (%)
PCB Assembly Machinery	68,404 (70.5)	63,605 (70.1)	11,635 (54.6)
Machine tools	24,722 (25.5)	23,383 (25.7)	8,973 (42.1)
LCD Assembly Machinery	2,566 (2.6)	2,440 (2.7)	582 (2.8)
Others	1,376 (1.4)	1,363 (1.5)	108 (0.5)
Total	97,069 (100.0)	90,792 (100.0)	21,299 (100.0)

Previous 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)

BALANCE SHEETS

Fuji Machine Mfg. Co., Ltd.
As of March 31, 2006 and 2005

ASSETS	Millions of yen	
	2006	2005
Current assets		
Cash on hand and in bank	11,668	5,427
Notes receivable	2,780	2,034
Accounts receivable	27,805	19,384
Finished goods and work in process	9,317	10,813
Raw material and supplies	14,578	16,080
Deferred taxes	3,758	3,154
Other current assets	1,293	1,439
Total current assets	71,202	58,334
Fixed assets		
Property, plant and equipment:		
Building and structures	6,912	7,311
Machinery and equipment	3,083	3,768
Vehicles	84	68
Tools, furniture and fixtures	752	899
Land	3,211	3,211
Construction in progress	10	9
Total property, plant and equipment	14,055	15,269
Intangible assets:		
Software	4,440	5,685
Other intangible assets	18	17
Total intangible assets	4,458	5,703
Investments, etc.:		
Investment securities	13,201	8,529
Investment in related parties	1,115	1,140
Sundry investments	40	52
Sundry investments in related parties	372	372
Other investments	383	575
Total investments	15,113	10,671
Total fixed assets	33,627	31,644
Total assets	104,829	89,978

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen	
	2006	2005
Liabilities		
Current liabilities:		
Notes payable	1	5,902
Accounts payable-trade	4,307	3,855
Current maturities of long-term borrowings	5,350	1,050
Accounts payable-other	241	192
Accrued expenses	2,419	2,028
Accrued warranty	1,496	689
Equipment notes payable	109	107
Other current liabilities	1,509	930
Total current liabilities	15,434	14,756
Long term liabilities:		
Bonds	5,000	-
Long-term borrowings	10,000	15,350
Deferred tax liabilities	2,749	1,306
Accrued retirement benefits	1,133	1,473
Others	15	15
Total long term liabilities	18,898	18,144
Total liabilities	34,333	32,901
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	13,099	2,572
Unrealized gain on available for-sale securities, net of taxes	5,276	2,379
Treasury stock	22	17
Total shareholders' equity	70,496	57,077
Total liabilities and shareholders' equity	104,829	89,978

INCOME STATEMENT

Fuji Machine Mfg. Co., Ltd.
For the years ended March 31, 2006 and 2005

	Millions of yen	
	2006	2005
Net sales	84,344	64,963
Cost of sales	61,411	51,585
Selling, general and administrative expenses	12,485	11,117
Operating Income	10,447	2,261
Non-operating revenue:		
Interest and dividend income	170	192
Exchange gain	176	-
Others	151	197
Non-operating expenses:		
Interest expense	154	120
Others	191	108
Ordinary Income	10,599	2,422
Extraordinary gain	516	365
Extraordinary loss	736	101
Income before income taxes	10,380	2,686
Income taxes:		
Corporate, inhabitant's and enterprise taxes	112	20
Adjustment for corporate taxes	992	1,492
Net income	11,260	1,173
Retained earnings brought forward	2,206	1,765
Interim dividend	366	366
Unappropriated retained earnings	13,099	2,572
Notes:		
Depreciation expense	1,462	1,840
Amortization expense	2,537	2,195

**STATEMENT OF PROPOSED APPROPRIATION
OF RETAINED EARNINGS**

Fuji Machine Mfg. Co., Ltd.
For the year ended March 31, 2006 and 2005

	Millions of yen	
	2006	2005
Unappropriated retained earnings	13,099	2,572
Proposed to be appropriated as follows:		
Cash dividends	488	366
Directors' and statutory auditors' bonuses	60	-
General reserves	7,550	-
Accumulated profits	5,000	2,206

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.)

Securities without market value: Determined 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 treatment of deferred assets

Bond issue costs were fully accounted for as an expense when it became payable.

4. 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.

5. 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.

6. 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, 2006	March 31, 2005
1. Accumulated depreciation of tangible fixed assets	21,096	21,977
2. Guarantee obligation	310	402

(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, 2006	March 31, 2005
Carryforward of operating loss	2,273	5,950
Accrued expense	631	529
Accrued warranty	607	274
Accrued retirement benefits	459	587
Inventories	215	557
Investment securities	195	382
Deferred assets	180	-
Others	100	69
Subtotal deferred tax assets	4,663	8,352
Sum of valuation allowance	243	4,925
Total deferred tax assets	4,419	3,427
(Deferred tax liabilities)		
Unrealized gain on available for-sale securities, net of taxes	3,411	1,578
Total deferred tax liabilities	3,411	1,578
Net of deferred tax assets	1,008	1,848

EXECUTIVE CHANGES

Assignment of a new officer was decided unofficially at the board of directors meeting held on May, 18th, 2006. This new assignment will become official at the shareholders meeting which is scheduled to be held on June 29th.

Directors

(1) Board Members Nomination

Msaki Kato : Director

(Currently : Officer, Manager of Finance Division)

(2) Board Members Scheduled for Retirement

Ryoyu Asai : Chairman

(Title after Retirement : Expected to assume the position of "Corporate Advisor")