2007

English Version

Business Report

FUJIMI

FUJIMI INCORPORATED

Since its founding in 1950, Fujimi Incorporated has continued to chart a course as a manufacturer of synthetic precision abrasives. Drawing on its accumulated expertise and extensive research and development (R&D) capabilities, the Company has expanded from abrasives for optical lenses to a variety of products that deliver the ultraprecise planarization sought by leading-edge high-tech industries.

Fujimi's lineup covers the complete spectrum from compounds for silicon wafers and other semiconductor substrates, to chemical mechanical planarization (CMP) products required for multilayered circuits on semiconductor chips, compounds for computer hard disks, and abrasives for slicing wafers for solar cells and quartz devices. Recently, the Company is cultivating new fields, commercializing products for cermet (ceramic-metallic composite) thermal spray materials with dramatically improved impact resistance.

Contents

01 Message from President
02 Fujimi's Management Directions
03 Fujimi's Business and Product Categories
05 Research and Development Activities
06 Fujimi's Global Network
07 Principal Products

08 Selected Financial Data (Consolidated)
11 Financial Statements
- 11 Consolidated Balance Sheets
- 13 Consolidated Statements of Income
- 14 Consolidated Statements of Changes in Shareholders' Equity
- 15 Consolidated Statements of Cash Flows
- 16 Non-Consolidated Financial Statements

17 Stock Information
18 Corporate Data

Message from President

On February 22, 2007, Fujimi listed on the First Section of the Tokyo and Nagoya stock exchanges. Rather than the achievement of a goal, we view this accomplishment as the start of a new chapter in our development. Going forward, we will continue to contribute to the evolution of advanced industrialized societies. Through these efforts, we will strive to achieve further growth and respond to the expectations of stakeholders.

In fiscal 2007, ended March 31, 2007, economic conditions remained robust despite persistently high crude oil prices and other potentially detrimental factors, supported by rising corporate profits, expanded capital investment and a moderate increase in personal consumption. Overseas, the U.S. economy remained stable, with a steady increase in employment and personal income although rising energy prices and a decline in housing investment prompted a slowdown in growth. Economic expansion was also seen in Asia, owing to sustained high growth in the Chinese economy. Reflecting growth in the global semiconductor market, we continued to benefit from market expansion as firm corporate profits and personal consumption supported increased demand from a wide range of industries, including personal computers (PCs), mobile phones, digital home electronics and automobiles.

Owing to rising demand for 300-millimeter (mm) wafers, sales of polishing compounds rose sharply in the period under review. In the area of polishing compounds for chemical mechanical planarization (CMP), used in the creation of wiring structures on semiconductor chips, we recorded increases in shipments of products for memory substrates and copper wiring materials. In polishing compounds for hard disks, sales of products for glass disks rose. Sales of lapping abrasives for wire-saw slicing, used in the slicing of silicon into wafers, were firm despite a global shortage of polycrystalline silicon for use in solar cells. Sales of thermal spray materials rose sharply, supported by assertive marketing efforts and the provision of technological support.

To ensure our ability to guarantee a stable supply of products sufficient to meet growing demand, we are currently focusing on expanding our production facilities and securing key human resources.

We are also undertaking decisive Companywide efforts aimed at achieving the quantitative targets of our current business strategic plan, formulated in fiscal 2006, namely, consolidated net sales of ¥50.0 billion and consolidated operating income of ¥8.5 billion by fiscal 2010. Regardless of market conditions, we will continue to offer superior planarization solutions that reflect the viewpoint of the customer and respond to the expectations of those who rely on us. In these and all our efforts, we ask for your continued support and understanding.

June 2007

A. Koshiyama

Akira Koshiyama
President

Fujimi's Management Directions

Basic Management Policies

Corporate Philosophy
Developing new technologies to meet the needs of high-tech industries.
Creating a flexible and assertive corporate culture.

Since our establishment, we have made unceasing efforts to ensure a stable supply of the highest-quality products. Going forward, we will continue striving to realize our corporate vision—to be a leading developer of powder technologies that support the evolution of advanced manufacturing processes—through the manufacture of synthetic precision abrasives.

As a company whose strengths lie in R&D, we are building an organization which will provide solutions that reflect the viewpoint of the customer. We believe that concerted efforts toward these goals will raise our corporate value.

In line with our corporate slogan, "Polishing our technologies and bringing people together," we will continue to assist manufacturers to improve product quality and customer satisfaction, thereby linking us with final consumers, suppliers, employees and others in a broad effort to enhance lifestyles worldwide.

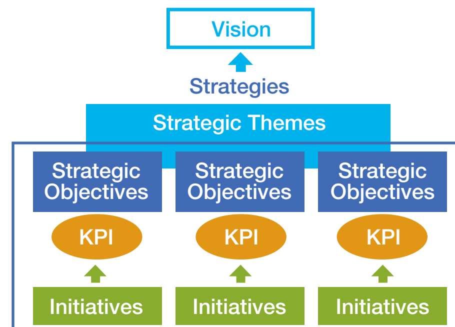
Business Strategic Plan

Based on the philosophy of the Balanced Scorecard (BSC), a management tool introduced in fiscal 2005, in March 2006 we formulated a new business strategic plan. This plan will guide our efforts through fiscal 2010, outlining both quantitative and qualitative targets.

Quantitative Targets
Consolidated net sales of ¥50.0 billion
Consolidated operating income of ¥8.5 billion

Qualitative Target
"Providing excellence in planar technology, always on your side."

In other words, over the four years between fiscal 2006 and fiscal 2010, this plan calls for us to increase consolidated net sales to ¥50.0 billion, from ¥32.1 billion, and consolidated operating income to ¥8.5 billion, from ¥4.7 billion. (In fiscal 2007, we achieved consolidated net sales of ¥38.1 billion and consolidated operating income of ¥6.0 billion.) To these ends, we will focus on personnel training and promote the forward-looking allocation of necessary management resources. This plan encompasses all businesses and is also given concrete form in specific strategic objectives and initiatives for each business. Progress is monitored on a quarterly basis using key performance indicators (KPIs), an approach that facilitates the implementation of strategies Companywide by ensuring a clear delineation of responsibility.



Compounds for Silicon Wafers

Target: Net sales of ¥17.2 billion
Capitalize on technologies to contribute to the advancement of the silicon wafer industry

Polishing Compounds for CMP

Targets: Net sales of ¥18.0 billion, global market share of 20%
Aim to become the premier provider of solutions to the semiconductor manufacturing industry that ensure the ultimate in smooth substrate surfaces

Compounds for Hard Disks

Target: Net sales of ¥4.8 billion
Secure the world's top technological and sales capabilities in this market and provide products that satisfy customers

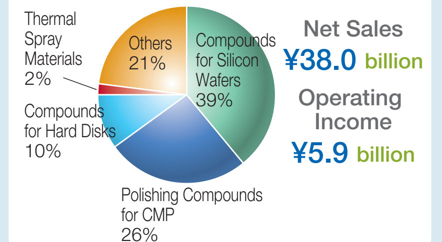
Thermal Spray Materials

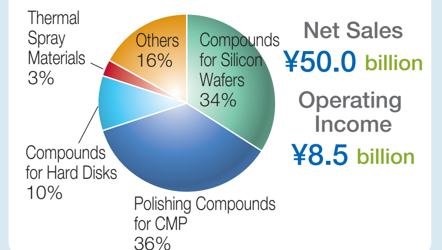
Targets: Net sales of ¥1.7 billion, profitability in terms of cumulative cash flow
Maximize outstanding R&D capabilities by performing globally competitive business

Others

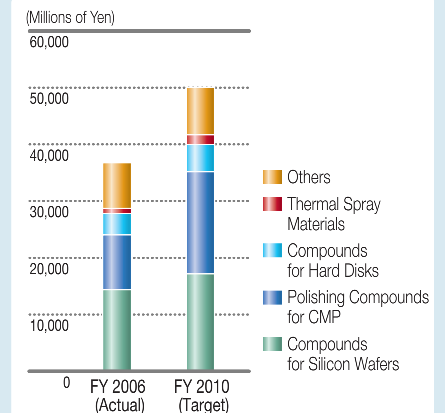
Target: Net sales of ¥8.3 billion (including advanced materials business)

Composition of Net Sales



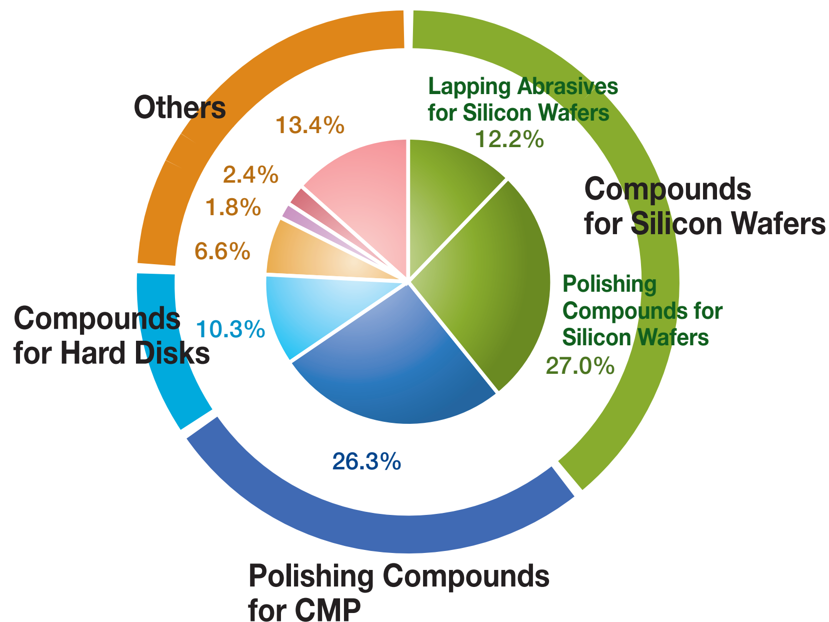


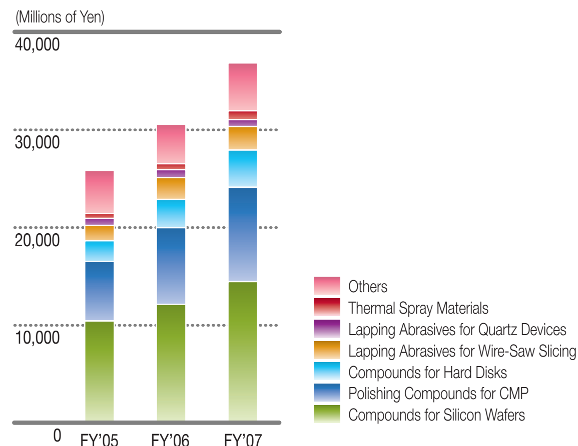
Net Sales by Business



Note: Fiscal years ended March 31.

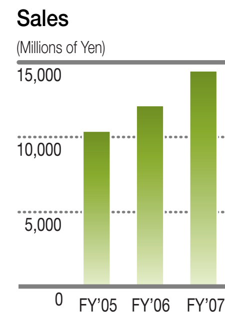
Fujimi's Business and Product Categories





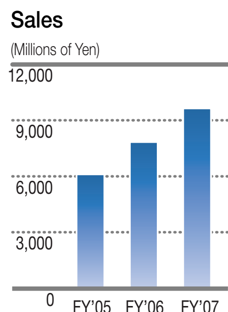
Note: Above graph does not include sales of machinery.
FY: Fiscal years ended March 31.

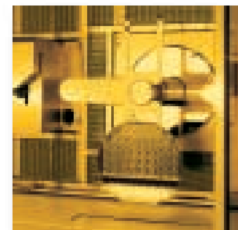
Compounds for Silicon Wafers



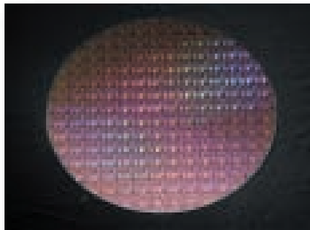
Silicon wafers form the base of semiconductors, integral to electronics- and IT-related equipment, including PCs, as well as office automation (OA) and audio-visual (AV) products. Semiconductors have electrical conductivity greater than insulators but less than conductors. One of the most common semiconductor materials is silicon. A silicon wafer is a slice of an ultrapure silicon ingot that is between 0.3 mm and 0.8 mm in thickness and up to 300 mm in diameter. The manufacture of semiconductors requires wafer production technology that can guarantee a level of precision to the nearest millionth of a millimeter. Accordingly, this is referred to as the primary step in the semiconductor manufacturing process. The secondary steps involve producing devices on the wafer. Electrical circuits are etched onto the wafer surface—which has been polished to submicron smoothness—at the nanolevel to produce advanced integrated circuits (ICs) known as large-scale integration (LSI) devices. The silicon wafers are then diced into squares a few millimeters across to create semiconductor chips. At the primary step, silicon wafer manufacturers rely on Fujimi's abrasives and polishing technologies to ensure ultrasmooth silicon wafer surfaces, thereby preventing scratches, waviness, haze and other fatal defects. In 2006, silicon wafer manufacturers worldwide operated at near-full capacity. In 2007, the global semiconductor market is expected to grow approximately 10%.

Polishing Compounds for CMP

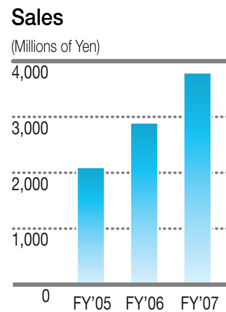




IC chips, a few millimeters in size, contain over one million semiconductor devices. To minimize the size of such high-performance, high-integration LSI-devices manufacturers use multilayered wiring with intervals of less than one micrometer (μm) to overlay several circuits. Imperfections on the wafer surface around wiring layers make it impossible to create highly intricate wiring structures. CMP is a polishing process that uses chemical slurries in mechanical abrasion processes to achieve extremely flat surfaces. With device manufacturers shifting to 300 mm wafers, the trend toward intricate circuitry is accelerating, prompting an increase in the use of copper wiring materials. This trend is expected to bolster the market on polishing compounds for CMP; Fujimi estimates that it will grow to approximately ¥810 million by 2010. As for the expansion on demand for high integrated and high-speed along with power-saving for on semiconductor devices, manufacturers worldwide are increasingly turning to Fujimi for outstanding polishing compounds for CMP, for use on a wide range of materials, including copper, tungsten, interlayer dielectric (ILD) and polysilicon.

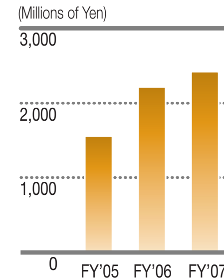


Compounds for Hard Disks



Hard disks are the magnetic disks in hard disk drives, the memory storage devices used in nearly all PCs. In recent years, hard disks have also become common components in digital home electronics products, including DVD recorders with built-in HDDs. In this sector, 3.5-inch aluminum hard disks are standard, and with the expansion of potential applications growth in this business is expected to remain firm. The market for hard disks for notebook PCs, mobile devices and new car navigation systems centers on 2.5-inch and smaller glass disks. With the development of perpendicular magnetic recording, production of high-capacity next-generation hard disks is expected to begin in the near future, spurring demand for polishing compounds that deliver higher quality and reliability than ever before. Accordingly, polishing compounds manufactured and supplied by Fujimi will continue to be essential to the manufacture of hard disks, which the surfaces are demanded to be even smoother than silicon wafers.

Others for
Wire-Saw Slicing
Quartz Devices
Thermal Spray Materials
Others

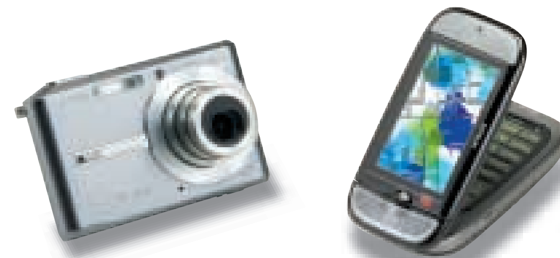


Wire-saw slicing of single-crystal ingots into wafers less than one millimeter in thickness is a key part of the semiconductor manufacturing process. The ability to do so cleanly and with an absolute minimum of waste influences both profitability and product quality. Here, Fujimi's abrasive powders for wire-saw slicing play an essential role. Fujimi's wire-saw abrasives are also used to slice wafers for use in solar cells. Despite a global shortage of polycrystalline silicon, the raw material used for solar cell wafers, the global solar cell market is expected to grow approximately 20% in 2007.

Fujimi's lapping abrasives for quartz devices are essential for the lapping of industrial-use quartz devices—supported by brisk conditions in new markets, notably the BRICs, and in the European and North American markets for mobile phones—as well as for quartz devices used in frequency control and selection components for digital cameras and information terminals.

The annual global market for thermal spray materials is currently estimated at approximately $500 million. These materials facilitate the formation of high-performance coatings. Going forward, applications are expected to expand for improving the impact-, heat- and abrasion-resistance of construction machinery parts, boilers, rollers and large screws for ships.

Fujimi also benefits from coatings for optical lenses and glass, abrasive cloth and paper, fine grinding machines and catalyst carriers.

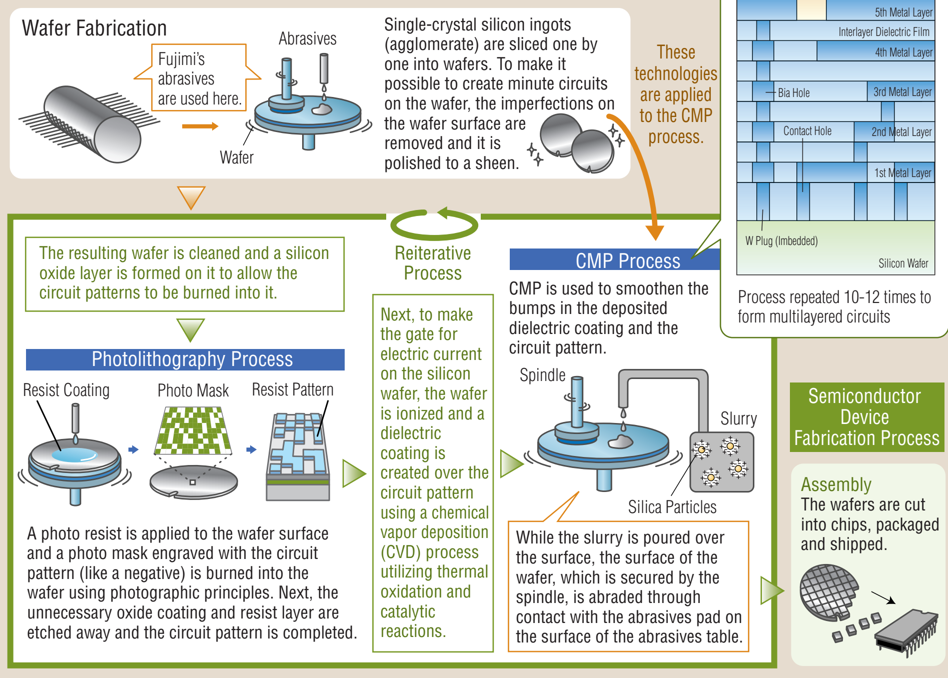


As a leading name in the field of synthetic precision abrasives, Fujimi strives constantly to enhance its technological capabilities with the aim of developing lapping abrasives, polishing compounds and processes that deliver superior finishes for silicon wafers, hard disks and a wide range of other products. Recognizing that it is also crucial to ensure our products are environment-friendly, we are striving to reduce environmental impact from the development stage.

Compounds for Silicon Wafers

With rising demand for 300 mm silicon wafers, higher-quality wafers that deliver a higher surface-to-weight ratio for use in high-performance devices are needed. As a consequence, semiconductor manufacturers are watching Fujimi to develop superior abrasive products.

In this environment, Fujimi is focusing on developing finer polishing abrasives and lapping abrasives for wire-saw slicing. In the area of polishing abrasives, Fujimi is responding to the shift toward larger-diameter silicon wafers and shrinking design rules by conducting research aimed at developing and commercializing products that produce flatter finishes, minimize scratches during processing and contamination from trace metals, and improve haze-prevention properties and cleaning performance.



Polishing Compounds for CMP

Technological advances are increasing in the use of copper wiring materials by device manufacturers. Today, devices carrying logic circuits have 10 to 12 wiring layers. Moreover, while 90 nanometer (nm) design rules continue to dominate, mass production of semiconductors with 65 nm design rules has already begun and mass production of semiconductors with 45 nm design rules is expected to commence in 2008. Responding promptly to the accelerating trend toward higher levels of integration and more sophisticated wiring, Fujimi is focusing on the development of polishing compounds for use in CMP processes for copper, barrier metal and polysilicon materials. Fujimi has also responded to shrinking design rules by investing in testing equipment and equipment for measuring surface roughness, and collaborating with its customers to promote forward-looking development with the aim of rapidly identifying user needs and developing customized products.

Compounds for Hard Disks

In this area, Fujimi's emphasis is on developing polishing compounds that satisfy the requirements of next-generation high-capacity hard disks. In addition to responding to the trends toward higher capacity and higher density, Fujimi is striving to respond to increasingly stringent customer requirements by collaborating with other manufacturers of polishing compounds and cleaning solution for hard disks, thereby improving the efficiency of development efforts and enhancing customer satisfaction.

Thermal Spray Materials

The market for thermal spray materials is growing rapidly as applications for thermal spraying expand. Fujimi is focusing on thermal spray materials used to form high-value-added coatings on, among others, high-purity ceramics used in electronics and semiconductor manufacturing equipment and rollers used in the steel industry. R&D is aimed at developing tungsten carbide (WC) cermet that delivers significantly improved impact resistance—a key issue with thermal spray materials—with the aim of cultivating applications in construction equipment. Fujimi is also emphasizing the development of spraying technologies for materials with ultrafine particles, thereby contributing to a significant reduction in costs associated with post-spray finishing processes.

Others

Fujmi continues to promote the development of abrasive compounds made from silicon carbide (SiC), alumina and other raw materials that offer a variety of unique features, as well as pellets used to polish optical lenses. Fujimi is also conducting R&D in the area of processing and assessment technologies for SiC and sapphire substrates as a participant in a program sponsored by the New Energy and Industrial Technology Development Organization (NEDO), among others.

Fujimi's Global Network

FUJIMI EUROPE LIMITED
FUJIMI EUROPE GMBH

FUJIMI-MICRO TECHNOLOGY SDN. BHD.

Products manufactured
Compounds for hard disks

Kedah, Malaysia

FUJIMI CORPORATION

Products manufactured
Lapping abrasives for silicon wafers
Lapping abrasives for glass
Polishing compounds for CMP

Oregon, U.S.A.

FUJIMI INCORPORATED

- Biwajima Plant (Reorganization, April 2007)
- Inazawa Plant
- Kakamigahara Plant
- Kakamihigashimachi Plant
- Thermal Spray Materials Department (Reorganization, April 2007)
- Tokyo Sales Office
- Taiwan Office (support center)

Products manufactured
Lapping abrasives for silicon wafers
Lapping abrasives for quartz devices
Lapping abrasives for wire-saw slicing
Precision grinding wheels and pellets for lenses
Polishing compounds for silicon wafers
Polishing compounds for plastic lenses
Compounds for hard disks
Polishing compounds for CMP
Polishing compounds for optical devices
Thermal spray materials
Other abrasives and related products

INTER OPTEC CO., LTD.

Headquarters
(Aichi Prefecture, Japan)

Biwajima Plant
(Aichi Prefecture, Japan)

Inazawa Plant
(Aichi Prefecture, Japan)

Consolidated Sales by Region

(Millions of Yen)

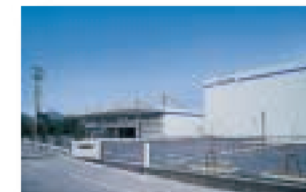
	FY 2006	FY 2007 ('06/4-'07/3)
Asia, Oceania	8,533	11,001
North America	4,307	4,966
Europe	2,674	3,153
Japan	16,612	18,938
Total	32,127	38,060

Kakamigahara Plant
(Gifu Prefecture, Japan)

Kakamihigashimachi Plant
(Gifu Prefecture, Japan)

No. 2 Kakamihigashimachi Plant
(Gifu Prefecture, Japan)

Thermal Spray Materials Department
(Gifu Prefecture, Japan)


Logistics Center
(Gifu Prefecture, Japan)

R&D Center
(Gifu Prefecture, Japan)

Principal Products

Lapping

FO
Fujimi Optical Emery

In producing semiconductor devices, the surface of the semiconductor wafer, most typically silicon, or a compound semiconductor, must be precisely lapped. The precision lapping abrasive FO, which capitalizes on the best of Fujimi's technology, is the optimal choice for such surface processing. FO is an alumina-based precision lapping powder, made using carefully selected materials, and a product of Fujimi's proprietary manufacturing processes that create a powder with unique particle shape and hardness. Produced under the strictest quality control, FO provides constant, stable lapping capability, with no scratching on the surface of the material being lapped.

GC
Green Silicon Carbide

Green silicon carbide (GC) is an extremely high-purity silicon carbide lapping abrasive, just beneath diamond in terms of hardness and with excellent chemical stability at room temperature. Owing to these qualities, GC has superior lapping and polishing capabilities; is not affected by chemicals; and can spontaneously generate sharp grinding edges through fragmentation. GC is well suited for use as a lapping powder in a wide range of applications, including the precision lapping and dicing of crystal and ferrite and the slicing of silicon ingots. In addition, GC possesses the electrical properties of a semiconductor, conducts heat well and is able to withstand high temperatures, making it useful as a heat sink, cooling device used to dissipate heat away from electronic components.

Polishing

GLANZOX
Silicon Polish

With the increasing integration of semiconductor devices and the larger size of wafers, it has become essential to produce silicon surfaces that are extremely flat, nanotopographically mirror-like and free from damage, haze and heavy metal contamination. Fujimi's GLANZOX series was developed to meet such requirements. GLANZOX polish consists of colloidal silica dispersed in a special solution and ensures an almost perfectly polished surface. In response to demand for reductions in the metal impurities that affect device characteristics, we provide higher grades of polish containing ultrapure colloidal silica.

PLANERLITE
CMP

The increasingly high density of ultralarge-scale integration (ULSI) devices is prompting manufacturers to use multilayered wiring. PLANERLITE polishing compounds are intended for use in CMP, an essential process in the fabrication of ULSI devices. The PLANERLITE-4000 series is designed for use on silicon dioxide (SiO_2) films employed in interlayer dielectric (ILD) and shallow trench isolation (STI) processes, and is based on ultrapure colloidal silica and fumed silica. The PLANERLITE-6000 series is for use with polysilicon and includes a rinsing agent, which keeps the post-polishing surface hydrophilic, and a variety of polishing compounds that combine special additives with an ultrapure colloidal silica base. The PLANERLITE-7000 series is designed specifically for use with copper (Cu) circuitry in the damascene process. Based on ultrapure colloidal silica, it delivers an optimal copper removal rate with excellent selectivity to substrate barrier metals. The PLANERLITE-8000 series is specifically for the barrier metals and comprises two varieties, one that polishes the ILD and one that does not.

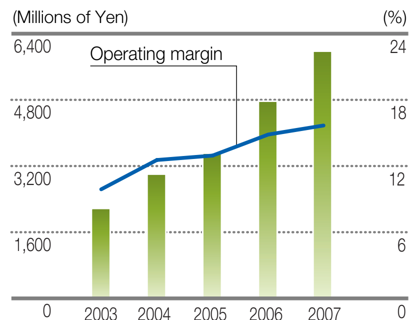
Other Products

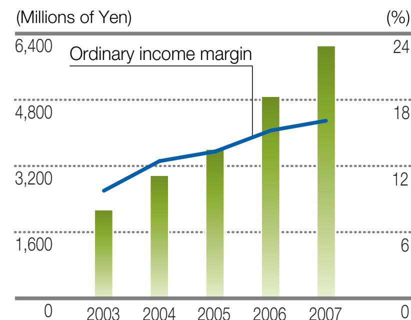
SURPREX
Thermal Spray Materials

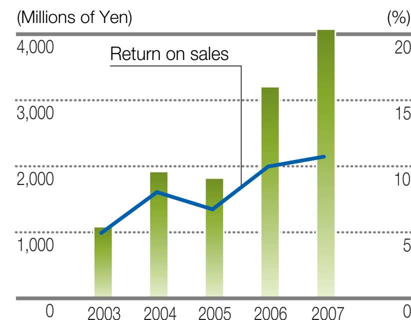
With expectations rising for the development of environment-friendly thermal spray materials, Fujimi developed and launched SUPREX cermet (ceramic–metallic composite) powders, a timely series made possible by Fujimi's highly sophisticated powder technology. Fujimi's thermal spray materials lineup, which centers on cermet powders, also includes a variety of ceramic and metallic powders. In addition to prolonging the useful life of consumables through the application of ultrahard coatings, Fujimi is developing anticorrosive materials with a unique composition. As well, Fujimi continues to develop and manufacture extremely pure ceramic powders for use in semiconductor and LSI manufacturing equipment.

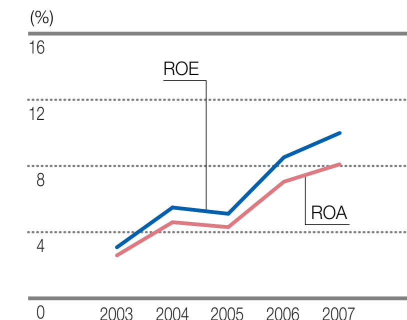
Selected Financial Data (Consolidated)

Profitability



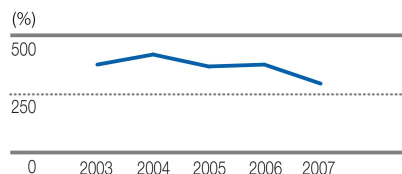


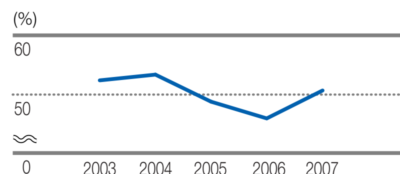


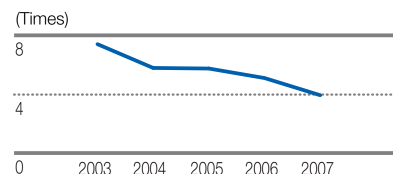


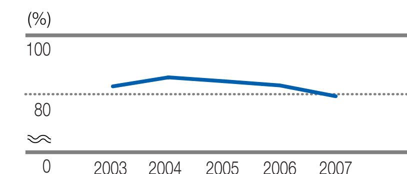
Fiscal years ended March 31		FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 ('06/4-'07/3)
Net sales	(millions of yen)	21,992	23,938	27,109	32,127	**38,060**
Operating income	(millions of yen)	2,177	3,007	3,514	4,772	**5,979**
Operating margin	(%)	9.9	12.6	13.0	14.9	**15.7**
Ordinary income	(millions of yen)	2,147	2,981	3,614	4,892	**6,122**
Ordinary income margin	(%)	9.8	12.5	13.3	15.2	**16.1**
Net income	(millions of yen)	1,086	1,922	1,823	3,207	**4,080**
Return on sales	(%)	4.9	8.0	6.7	10.0	**10.7**
ROE	(%)	3.1	5.5	5.1	8.5	**10.0**
ROA	(%)	2.6	4.6	4.3	7.1	**8.1**

Stability



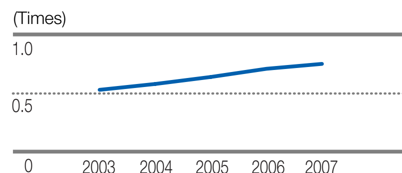


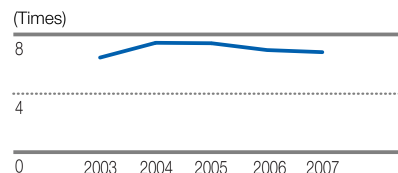


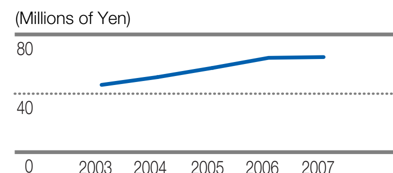


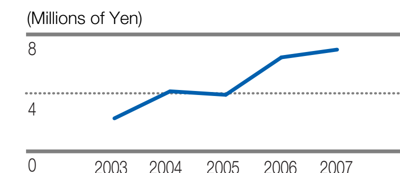
Fiscal years ended March 31		FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 ('06/4-'07/3)
Current ratio	(%)	375.4	417.6	366.9	373.7	**293.0**
Fixed asset ratio	(%)	52.4	53.4	48.8	45.9	**50.7**
Current (quick) ratio	(times)	7.4	5.8	5.7	5.1	**3.9**
Equity ratio	(%)	82.5	85.6	83.0	82.8	**79.1**

Productivity and Efficiency



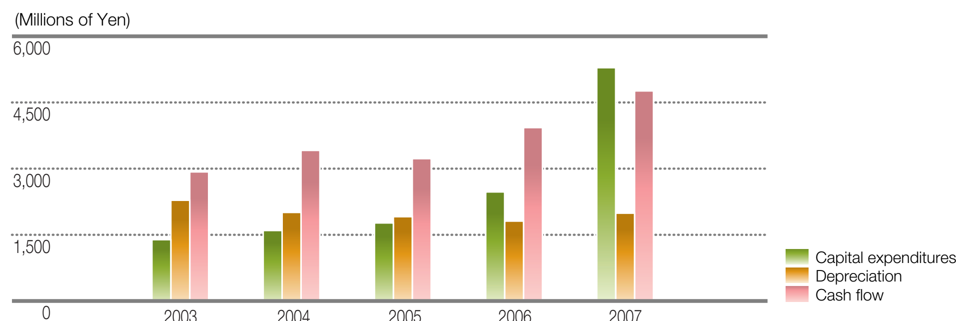


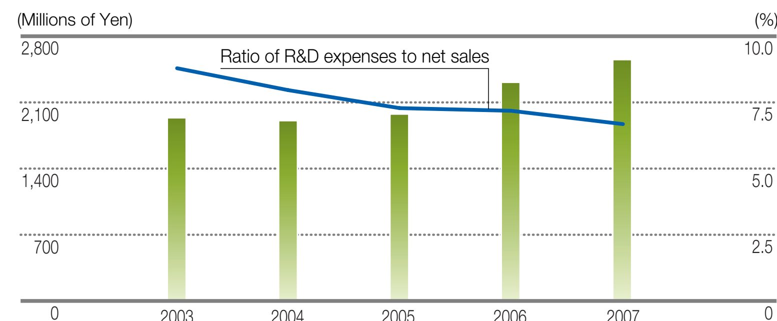




Fiscal years ended March 31		FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 ('06/4-'07/3)
Asset turnover	(times)	0.53	0.58	0.64	0.71	0.75
Inventory turnover	(times)	6.48	7.49	7.46	6.97	6.85
Net sales per employee	(millions of yen)	46.15	51.42	57.80	64.64	65.06
Net income per employee	(millions of yen)	2.28	4.13	3.89	6.45	6.98
Number of employees		467	464	474	520	650

Capital Expenditures and Research and Development



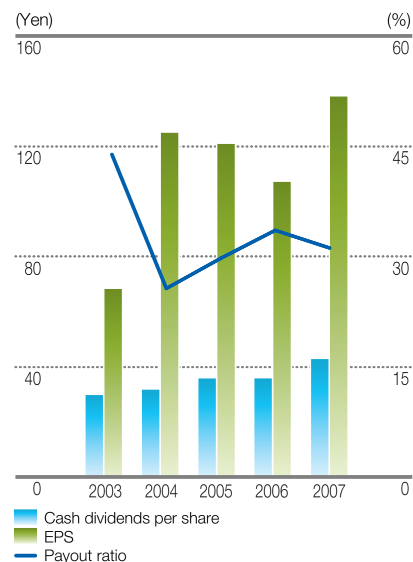


Fiscal years ended March 31		FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 ('06/4-'07/3)
Capital expenditures	(millions of yen)	1,407	1,609	1,782	2,486	5,299
Depreciation	(millions of yen)	2,297	2,020	1,925	1,824	2,004
Cash flow	(millions of yen)	2,940	3,426	3,237	3,945	4,778
R&D expenses	(millions of yen)	1,937	1,909	1,977	2,312	2,554
Ratio of R&D expenses to net sales	(%)	8.81	7.98	7.30	7.20	6.71

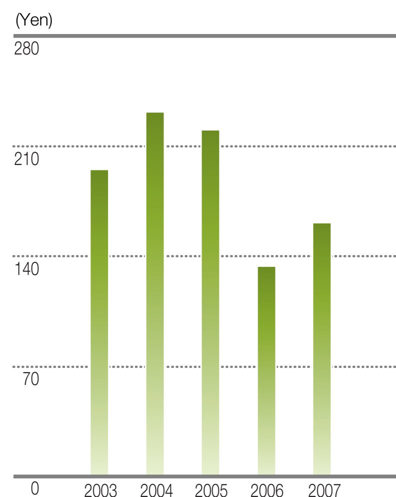
Note: Cash flow = (Net income + Depreciation) – (Dividends – Directors' bonuses)

Per Share Data and Others

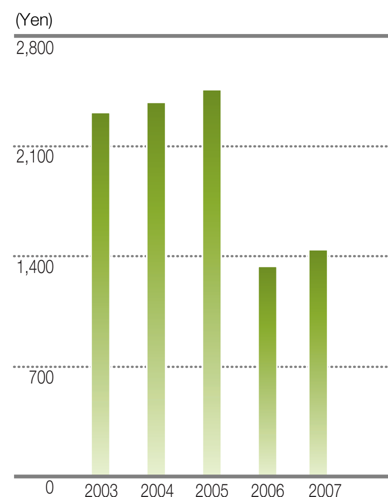
Cash Dividends per Share, Earnings per Share (EPS), Payout Ratio



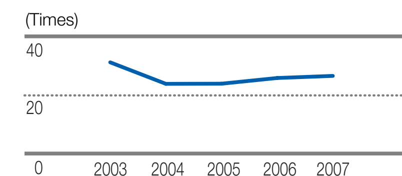
Cash Flow per Share



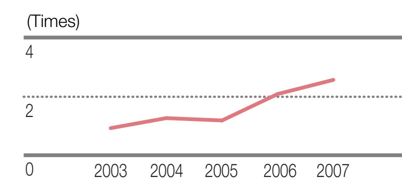
Shareholders' Equity per Share



Price-to-Earnings Ratio (PER)



Price-to-Book Value Ratio (PBR)



Note: On March 31, 2005, Fujimi implemented a 2-for-1 stock split.

Fiscal years ended March 31		FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 ('06/4-'07/3)
Cash dividends per share	(yen)	30.00	32.00	36.00	36.00	**43.00**
Payout ratio	(%)	43.8	25.6	29.7	33.5	**31.1**
EPS	(yen)	68.39	125.21	121.16	107.42	**138.45**
Cash flow per share	(yen)	195.39	232.02	220.53	133.93	**161.46**
Shareholders' equity per share	(yen)	2,307.60	2,371.68	2,452.69	1,329.68	**1,435.75**
PER	(times)	31.14	23.80	23.85	25.79	**26.51**
PBR	(times)	0.92	1.26	1.18	2.08	**2.56**

Note: Although Fujimi implemented a 2-for-1 stock split on March 31, 2005, PER and PBR for fiscal 2005 have been calculated using the value of each share before the stock split.

Consolidated Balance Sheets

(Thousands of Yen)

As of March 31	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Assets					
Current assets					
Cash on hand and in banks	13,291,207	10,869,864	12,594,996	12,058,287	**10,710,062**
Trade notes and accounts receivable	6,173,865	7,345,453	7,839,892	10,054,484	**12,781,342**
Marketable securities	274,090	615,918	374,692	1,537,544	**1,575,070**
Inventories	3,384,296	3,006,039	4,262,330	4,952,777	**6,151,897**
Deferred tax assets	638,908	342,050	626,691	615,632	**688,702**
Short-term loans receivable	1,812	1,382	1,360	1,551	**15,813**
Other current assets	213,592	108,355	199,683	149,388	**321,994**
Reserve for doubtful accounts	(33,000)	(16,000)	(25,000)	(28,000)	**(42,211)**
Total current assets	23,944,773	22,273,064	25,874,649	29,341,666	**32,202,672**
Fixed assets					
Tangible fixed assets					
Buildings	6,384,430	6,284,413	6,487,377	6,444,279	**7,931,005**
Machinery and/or transportation equipment	3,253,646	2,879,433	2,755,572	2,938,351	**3,868,246**
Land	3,985,934	3,949,434	3,528,938	3,430,563	**3,439,134**
Other tangible fixed assets	1,990,346	1,826,288	1,496,176	2,009,799	**2,992,349**
Total tangible fixed assets	15,614,358	14,939,570	14,268,064	14,822,993	**18,230,735**
Intangible fixed assets	484,399	417,592	366,185	295,350	**324,960**
Investments and other					
Investment securities	698,338	804,014	828,241	905,245	**530,471**
Long-term loans receivable	2,408	372,724	3,153	1,402	**2,517**
Deferred tax assets	407,960	264,055	149,679	43,561	**24,759**
Other investments and assets	1,055,261	1,949,191	1,987,469	1,938,602	**2,423,376**
Reserve for doubtful accounts	(39,525)	(29,500)	(29,200)	(8,600)	**(8,500)**
Total investments and other	2,124,443	3,360,485	2,939,344	2,880,212	**2,972,624**
Total fixed assets	18,223,201	18,717,648	17,573,595	17,998,555	**21,528,320**
Total assets	42,167,974	40,990,712	43,448,244	47,340,222	**53,730,993**

(Thousands of Yen)

As of March 31	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Liabilities					
Current liabilities					
Trade notes payable and accounts payable	2,629,935	3,110,052	3,641,550	4,276,363	**5,373,244**
Short-term borrowings	697,450	449,946	604,418	354,210	**340,507**
Corporate tax payable and others	1,155,000	137,393	1,052,121	859,949	**1,251,718**
Reserve for accrued bonuses	413,850	417,547	470,585	523,822	**531,071**
Other current liabilities	1,482,508	1,219,256	1,282,882	1,837,676	**3,493,852**
Total current liabilities	6,378,745	5,334,196	7,051,557	7,852,022	**10,990,394**
Long-term liabilities					
Long-term borrowings	–	–	–	–	**2,523**
Reserve for employees' retirement benefits	410,525	431,328	71,758	78,698	**89,569**
Deferred tax liabilities	42,931	6,887	18,458	–	**10,044**
Reserve for directors' retirement allowances	530,076	117,478	–	–	**–**
Long-term accounts payable	–	–	221,008	108,315	**–**
Total long-term liabilities	983,533	555,693	311,225	187,013	**102,137**
Total liabilities	7,362,278	5,889,889	7,362,783	8,039,036	**11,092,532**
Minority interest	29,997	32,708	36,364	84,071	**–**
Shareholders' equity					
Common stock	4,753,438	4,753,438	4,753,438	4,753,438	**–**
Retained earnings for capital surplus	5,038,501	5,038,501	5,040,075	5,045,677	**–**
Retained earnings	25,394,114	26,800,275	28,112,489	30,457,143	**–**
Gain or loss on revaluation of other securities	(21,269)	80,381	93,782	230,067	**–**
Foreign currency translation adjustment	378,761	(75,280)	(199,217)	361,373	**–**
Treasury stock	(767,847)	(1,529,202)	(1,751,472)	(1,630,584)	**–**
Total shareholders' equity	34,775,698	35,068,114	36,049,096	39,217,115	**–**
	42,167,974	40,990,712	43,448,244	47,340,222	**–**
Net assets					
Common stock	–	–	–	–	**4,753,438**
Capital surplus	–	–	–	–	**5,062,190**
Retained earnings	–	–	–	–	**33,368,244**
Treasury stock	–	–	–	–	**(1,445,632)**
Total shareholders' equity	–	–	–	–	**41,738,241**
Gain or loss on revaluation of other securities	–	–	–	–	**757,209**
Minority interest	–	–	–	–	**143,009**
Total net assets	–	–	–	–	**42,638,460**
Total liabilities and net assets	–	–	–	–	**53,730,993**

Consolidated Statements of Income

(Thousands of Yen)

Fiscal years ended March 31	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 ('06/4-'07/3)
Ordinary income and expenses					
Operating income and expenses					
Net sales	21,992,159	23,938,874	27,109,070	32,127,825	**38,060,949**
Cost of sales	14,997,971	16,191,570	18,206,495	21,415,670	**24,974,459**
Gross profit	6,994,187	7,747,304	8,902,575	10,712,155	**13,086,490**
Selling, general and administrative (SG&A) expenses	4,816,414	4,739,852	5,388,328	5,939,582	**7,106,882**
Operating income	2,177,773	3,007,451	3,514,246	4,772,573	**5,979,608**
Nonoperating income and expenses					
Interest income	49,971	32,743	31,874	39,054	**79,868**
Dividend income	1,579	1,543	2,407	20,156	**3,552**
Other nonoperating income	36,596	56,467	99,355	101,340	**101,224**
Nonoperating income	88,149	90,754	133,637	160,551	**184,645**
Interest expenses	47,006	17,841	30,436	27,806	**10,743**
Other nonoperating expenses	71,319	98,453	3,204	12,481	**30,627**
Nonoperating expenses	118,326	116,295	33,640	40,288	**41,371**
Ordinary income	2,147,595	2,981,910	3,614,243	4,892,836	**6,122,882**
Extraordinary items					
Proceeds from sales of fixed assets	—	30,469	—	—	**446,095**
Subsidies for new businesses	—	—	—	49,238	**23,696**
Damage compensation	—	—	32,031	—	**—**
Proceeds from sales of investment securities	—	133,248	—	—	**—**
Other extraordinary income	8,285	5,682	12,196	2,655	**34,612**
Extraordinary income	8,285	169,399	44,227	51,893	**504,403**
Loss on disposal of fixed assets	56,115	46,307	27,681	103,937	**31,618**
Loss on revaluation of investment securities	95,171	—	—	—	**—**
Overdue sales taxes of overseas subsidiaries	—	—	—	—	**12,989**
Impairment loss	—	—	412,373	—	**—**
Other extraordinary losses	119,552	12,086	70,584	—	**10,405**
Extraordinary losses	270,838	58,393	510,638	103,937	**55,013**
Net income (loss) before tax and others	1,885,042	3,092,917	3,147,832	4,840,793	**6,572,273**
Corporate, local income and enterprise taxes	1,239,137	780,428	1,490,333	1,577,693	**2,518,876**
Income tax and other adjustments	444,232	383,359	(170,478)	16,227	**(30,132)**
Minority interest in earnings of consolidated subsidiaries	4,132	6,482	4,715	39,485	**3,023**
Net income	1,086,004	1,922,647	1,823,262	3,207,386	**4,080,505**

Consolidated Statements of Changes in Shareholders' Equity

(Thousands of Yen)

	Shareholders' equity					Gain or loss on revaluation and translation		Minority interest	Total assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Gain or loss on revaluation of other securities	Gain or loss on foreign currency translation		
Balance as of March 31, 2006	4,753,438	5,045,677	30,457,143	(1,630,584)	38,625,674	230,067	361,373	84,071	39,301,186
Changes during the period									
Dividend from surplus			(1,119,404)		(1,119,404)				(1,119,404)
Directors' bonuses			(50,000)		(50,000)				(50,000)
Net income			4,080,505		4,080,505				4,080,505
Acquisition of treasury stock				(2,723)	(2,723)				(2,723)
Disposal of treasury stock		16,513		187,676	204,190				204,190
Changes to items other than shareholders' equity during the period (net)						(19,366)	185,134	58,938	224,706
Total changes during the period		16,513	2,911,101	184,952	3,112,567	(19,366)	185,134	58,938	3,337,273
Balance as of March 31, 2007	4,753,438	5,062,190	33,368,244	(1,445,632)	41,738,241	210,701	546,507	143,009	42,638,460

Consolidated Statements of Cash Flows

(Thousands of Yen)

Fiscal years ended March 31	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 ('06/4-'07/3)
Cash flows from operating activities					
Net income (loss) before tax and others	1,885,042	3,092,917	3,147,832	4,840,793	**6,572,273**
Depreciation and amortization	2,297,490	2,020,681	1,925,555	1,824,820	**2,013,556**
Proceeds from sales of fixed assets	—	—	—	—	**(446,095)**
Loss on revaluation of investment securities	95,171	—	—	—	**—**
(Increase) decrease in receivables	(279,716)	(1,268,261)	(850,782)	(2,061,602)	**(2,602,441)**
Increase (decrease) in payables	414,799	571,555	697,975	489,756	**930,677**
(Increase) decrease in inventories	(105,328)	252,579	(1,101,526)	(248,666)	**(1,327,260)**
Others	1,692,073	(301,517)	376,709	163,372	**(20,390)**
Provision for bonuses to directors	—	(50,000)	(40,000)	(40,000)	**(50,000)**
Subtotal	5,999,533	4,317,954	4,155,763	4,968,474	**5,070,319**
Interest and dividends received	30,162	34,287	34,281	59,211	**77,804**
Income from new industry subsidies	—	—	—	—	**49,238**
Damage compensation	—	—	32,031	—	**—**
Interest paid	(47,006)	(17,841)	(30,436)	(27,806)	**(10,625)**
Corporate taxes and others	(111,136)	(1,843,872)	(607,063)	(1,748,785)	**(2,196,666)**
Net cash and cash equivalents provided by operating activities	5,871,553	2,490,527	3,584,577	3,251,093	**2,990,069**
Cash flows from investing activities					
Payments for additions to fixed deposits	—	—	—	—	**(1,000,000)**
Payments for purchase of marketable securities	(99,950)	—	—	(1,000,000)	**—**
Proceeds from sales of marketable securities	581,263	—	66,531	—	**1,000,000**
Purchase of tangible fixed assets	(706,028)	(1,872,416)	(1,738,071)	(1,923,461)	**(3,758,809)**
Purchase of shares in subsidiaries and affiliates	—	(937)	—	(345,000)	**—**
Others	(693,360)	(1,135,147)	(179,808)	456,522	**576,365**
Net cash and cash equivalents used in investing activities	(918,075)	(3,008,501)	(1,851,348)	(2,811,939)	**(3,182,444)**
Cash flows from financing activities					
Increase (decrease) in short-term borrowings	(572,600)	(185,728)	172,800	(309,204)	**(17,478)**
Expenses from repayment of long-term borrowings					**(1,044)**
Proceeds from sales of (payments for purchase of) treasury stock	(766,486)	(761,354)	(220,696)	126,488	**201,466**
Payment of dividends by the parent company	(443,167)	(466,486)	(471,048)	(822,732)	**(1,119,404)**
Net cash and cash equivalents used in financing activities	(1,782,253)	(1,413,568)	(518,944)	(1,005,447)	**(936,459)**
Adjustment for conversion of cash and cash equivalents	(82,152)	(139,890)	(20,833)	192,435	**113,042**
Increase (decrease) in cash and cash equivalents	3,089,071	(2,071,432)	1,193,450	(373,857)	**(1,015,791)**
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	—	356,451	—	**205,092**
Cash and cash equivalents at beginning of year	10,402,149	13,491,220	11,419,787	12,969,689	**12,595,832**
Cash and cash equivalents at end of year	13,491,220	11,419,787	12,969,689	12,595,832	**11,785,133**

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet

(Thousands of Yen)

As of March 31	FY 2006	FY 2007
Assets		
Current assets	25,868,895	27,324,495
Fixed assets	18,741,150	22,327,717
Total assets	44,610,045	49,652,212
Liabilities and net assets		
Current liabilities	6,985,948	9,838,108
Long-term liabilities	187,013	89,569
Total liabilities	7,172,962	9,927,678
Shareholders' equity	4,753,438	4,753,438
Common stock	5,045,677	5,062,190
Retained earnings	29,038,485	31,143,835
Treasury stock	(1,630,584)	(1,445,632)
Gain or loss on revaluation of other securities	230,067	210,701
Total shareholders' equity	37,437,083	—
Total liabilities and shareholders' equity	44,610,045	—
Net assets	—	39,724,534
Total liabilities and net assets	—	49,652,212

Non-Consolidated Statements of Income and Retained Earnings

(Thousands of Yen)

As of March 31	FY 2006	FY 2007
Net sales	27,064,320	32,140,916
Cost of sales	18,428,181	21,584,313
Gross profit	8,636,138	10,556,603
Selling, general and administrative expenses	4,835,323	5,642,913
Operating income	3,800,814	4,913,689
Nonoperating income	297,612	293,749
Nonoperating expenses	11,864	28,954
Ordinary income	4,086,562	5,178,485
Extraordinary income	51,893	36,744
Extraordinary losses	103,937	42,023
Net income before tax	4,034,519	5,173,205
Corporate, local income and enterprise taxes	1,370,926	1,902,244
Income tax and other adjustments	23,110	(3,792)
Net income	2,640,482	3,274,754
Retained earnings brought forward	2,564,510	—
Interim dividends paid	529,102	—
Unappropriated retained earnings	4,675,889	—

Stock Information

Common Stock Issues

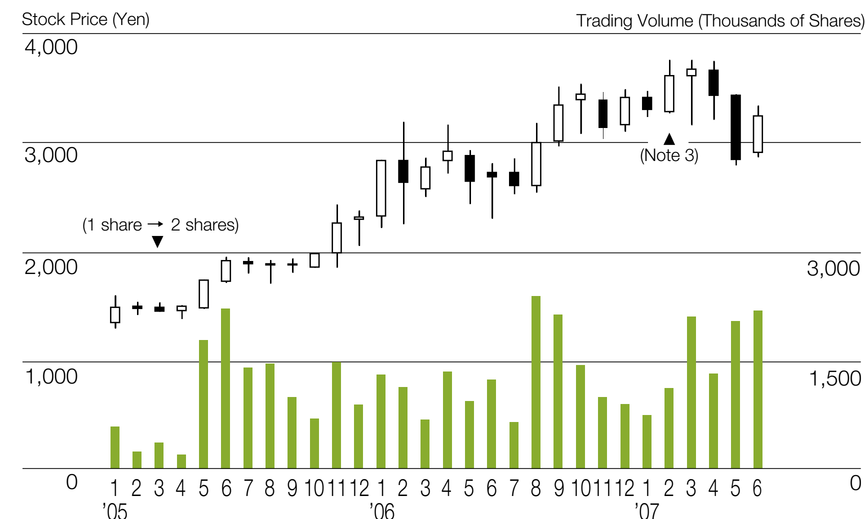
Type of issue		Shares outstanding after issue
February 1, 1992	Allotment of new shares to third parties	245,877
November 20, 1992	2-for-1 stock split	491,754
September 27, 1993	Exercise of warrants	509,754
May 20, 1994	2-for-1 stock split	1,019,508
August 4, 1994	Exchange of 10 stocks with par value ¥50 for 1 stock with par value ¥500	10,195,080
April 18, 1995	Public offering of common stock	10,995,080
May 20, 1996	1.1-for-1 stock split	12,094,588
October 1, 1996	Public offering of common stock	12,894,588
May 20, 1997	1.1-for-1 stock split	14,184,046
May 20, 1998	1.1-for-1 stock split	15,602,450
November 22, 2001	Treasury stock purchased and retired	15,349,750
May 20, 2005	2-for-1 stock split	30,699,500

Leading Shareholders (as of March 31, 2007)

Name of shareholder	Number of shares owned	Percentage of total
Isamu Koshiyama	3,302,310	10.8
Sumitaka Noda	2,520,000	8.2
Koma Co., Ltd.	1,638,360	5.3
Japan Trustee Services Bank, Ltd. (Trust Account)	1,546,700	5.0
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,546,300	5.0
Akira Koshiyama	1,141,400	3.7
Fujimi Incorporated (Treasury Stock)*	1,101,331	3.6
The Bank of Tokyo–Mitsubishi UFJ, Ltd.	971,490	3.2
State Street Bank and Trust Company 505019	831,300	2.7
Nippon Life Insurance Co.	779,880	2.5

* Excludes 6,000 shares of treasury stock included in the shareholders' registry which were transferred to the Japan Securities Depository Center, Inc., but for which settlement had not been completed as of March 31, 2007.

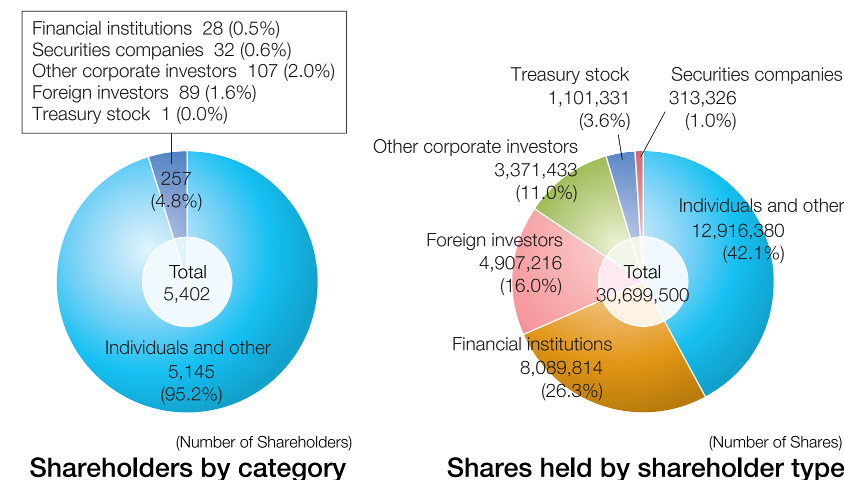
Stock Price and Trading Volume



Notes: 1. Share values have been retroactively adjusted for stock splits in previous years.
2. On March 31, 2005, Fujimi implemented a 2-for-1 stock split.
3. On February 22, 2007, Fujimi listed on the First Section of the Tokyo and Nagoya stock exchanges.

Composition of Shareholders by Category

(as of March 31, 2007)



Shareholders by category

Shares held by shareholder type

Corporate Data

Corporate Information (As of March 31, 2007)

Name	FUJIMI INCORPORATED
Date of foundation	March 20, 1953
Paid-in capital	¥4,753,438,500
Securities traded	Tokyo Stock Exchange Nagoya Stock Exchange
Code	5384
Number of employees	650 (Non-Consolidated 459)

Board of Directors (As of March 31, 2007)

President	Akira Koshiyama
Managing Director	Tadashi Nagatoshi
Director	Masaaki Kubo
Director	Hitoshi Kodama
Director	Hiroyuki Nakagawa
Director	Nobuo Matsushima
Director	Keishi Seki
Standing Corporate Auditor	Toshiyuki Fujimoto
Standing Corporate Auditor	Sumitaka Noda
Corporate Auditor	Tashun Aizawa
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