

**B** U S I N E S S **R** E P O R T

2008

E n g l i s h V e r s i o n

**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.

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On April 1, 2008, I was appointed President of Fujimi. Although I had some management responsibility through my previous position as Senior General Manager of CMP Division, my new role requires me to ensure that the Fujimi Group maintains its leadership position and aim for continued growth of the Fujimi Group over the next 10 to 20 years.

Fujimi made a new start in 2007 when it moved from JASDAQ onto the First Section of the Tokyo and Nagoya stock exchanges. I aim to foster a management spirit that will face these challenges and satisfy our stakeholders by responding swiftly, nimbly and proactively.

During fiscal 2008, ended March 31, 2008, the Japanese economy was characterized by robust exports and improved corporate earnings and profits. During the first half, the economy gradually expanded, but in the second half the impact of sharply higher crude oil and raw material prices and the U.S. subprime loan issue threw worldwide financial markets into confusion. These factors, coupled with the sudden depreciation of the U.S. dollar, drove stock markets into the doldrums, and the economic outlook grew increasingly opaque. In this environment,

the semiconductor market grew at a solid pace, buoyed by firm sales of high-end personal computers, advanced mobile phones, portable music players, LCD televisions, and other digital home electronics.

At the same time, the Fujimi Group enjoyed strong growth in sales of compounds for silicon wafers, polishing compounds for chemical mechanical planarization (CMP) used in the creation of wiring structures on semiconductor chips, lapping abrasives for wire-saw slicing, and thermal spray materials. As a result, net sales for the Fujimi Group rose 12% compared with preceding fiscal year. In fiscal 2007, the Company responded to expanding global demand for 300-mm wafers by making its largest capital investments to date. The No. 2 Building of the Kakamihigashimachi Plant and the No. 5 Building of the Kakamigahara Plant are now complete and preparing to commence full-scale operation.

We have entered the third year of our current business strategic plan, which targets consolidated net sales of ¥50.0 billion and consolidated operating income of ¥8.5 billion by fiscal 2010. Such factors as sharply higher raw materials prices have effectively raised the bar above the level we set when formulating the plan, but we are mounting a concerted groupwide effort to achieve the plan's targets by reducing internal costs. At the same time, 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, 2008

Keishi Seki  
President

A handwritten signature in black ink, appearing to read 'Keishi Seki', written over a faint circular stamp.

# 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 that 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 2008, we achieved consolidated net sales of ¥42.6 billion and consolidated operating income of ¥5.2 billion.) To these ends, we



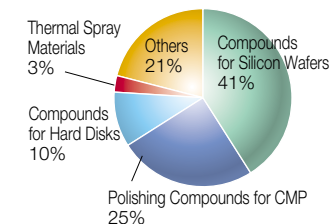
will focus on personnel training and promote the forward-looking allocation of necessary management resources. This plan encompasses all businesses and is also given concrete form in specific strategic objectives and initiatives for each business. Progress is monitored on a quarterly basis using key performance indicators (KPIs), an approach that facilitates the implementation of strategies companywide by ensuring a clear delineation of responsibility.

The second year after Fujimi introduced this plan, consolidated net sales reached a historic high, but the Company experienced higher-than-expected increases in raw material costs, as well as other changes in its operating environment. Consequently, although sales increased from the preceding fiscal year, profits declined. Internally, we are working to augment yields and curtail costs. Through these efforts, and with the understanding of our customers as we raise prices to offset sharply higher raw material costs, we are striving to achieve the targets outlined in our plan.

We expect the rate of change in our operating environment to accelerate, with competition growing more intense as globalization continues at a remarkable pace. During the fiscal year ending March 31, 2009, we will formulate a new long-term management plan, laying the foundations for stable and sustainable growth for the next 10 to 20 years. We intend to put this new plan into action in next fiscal year.

## Composition of Net Sales

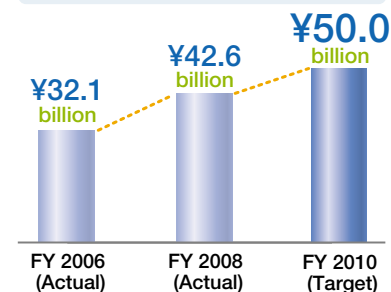
### Fiscal 2008 (Actual)



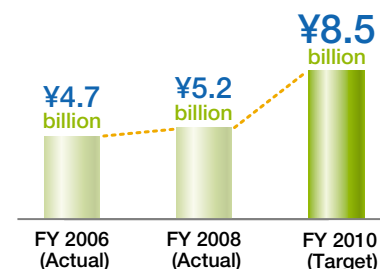
Net Sales **¥42.6 billion**    Operating Income **¥5.2 billion**

## Business Strategic Plan

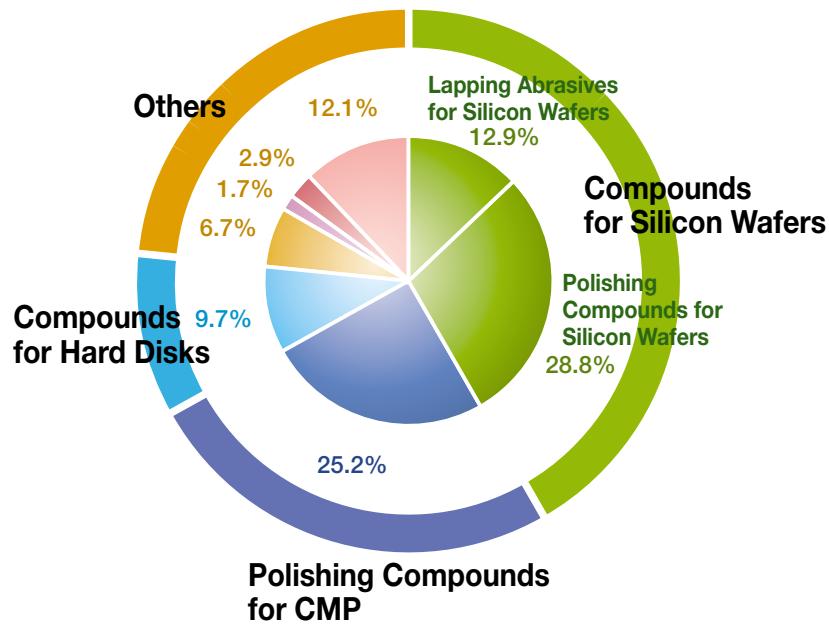
### Net Sales



### Operating Income

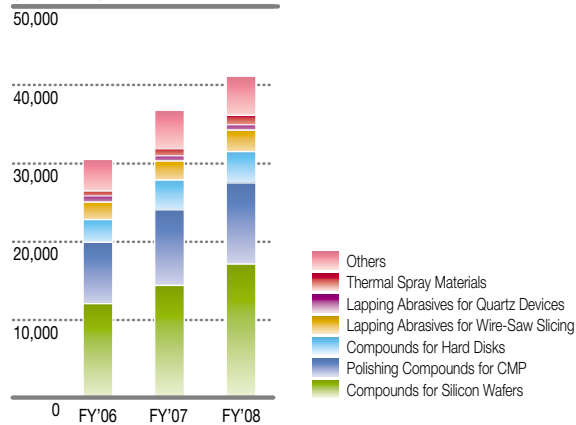


# Fujimi's Business and Product Categories



Consolidated Sales by Application

(Millions of Yen)



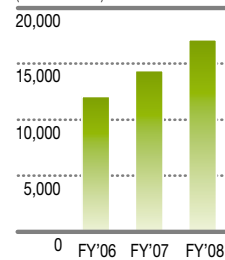
Note: Above graph does not include sales of machinery.  
FY: Fiscal years ended March 31.

## 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 2007, silicon wafer manufacturers worldwide operated at near-full capacity. In 2008, the global silicon wafer market is expected to grow approximately 12%.

Sales

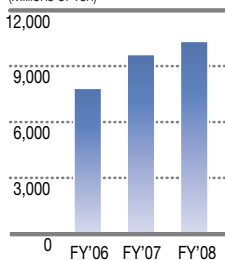
(Millions of Yen)



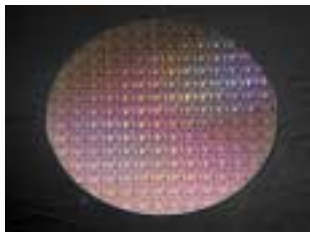
## Polishing Compounds for CMP

Sales

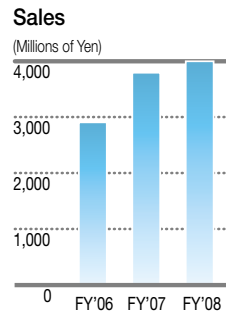
(Millions of Yen)



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 ( $\mu\text{m}$ ) 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 of demand for high integrated and highspeed along with power-saving for 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.



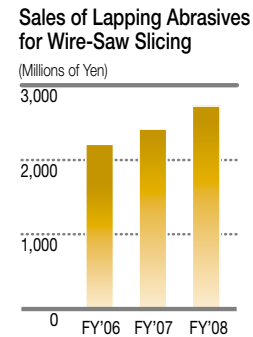
## Compounds for Hard Disks



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 must 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 2008.

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.

Thermal Spray is a surface modification technology widely used in many industries. It facilitates the formation of high-performance coatings and enhances the impact, heat, and abrasionresistance for 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.



# Research and Development Activities

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 expecting 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 65 nanometer (nm) design rules continue to dominate, mass production of semiconductors with 45 nm design rules has already begun and mass production of semiconductors with 32 nm design rules is expected to commence in 2010. 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.

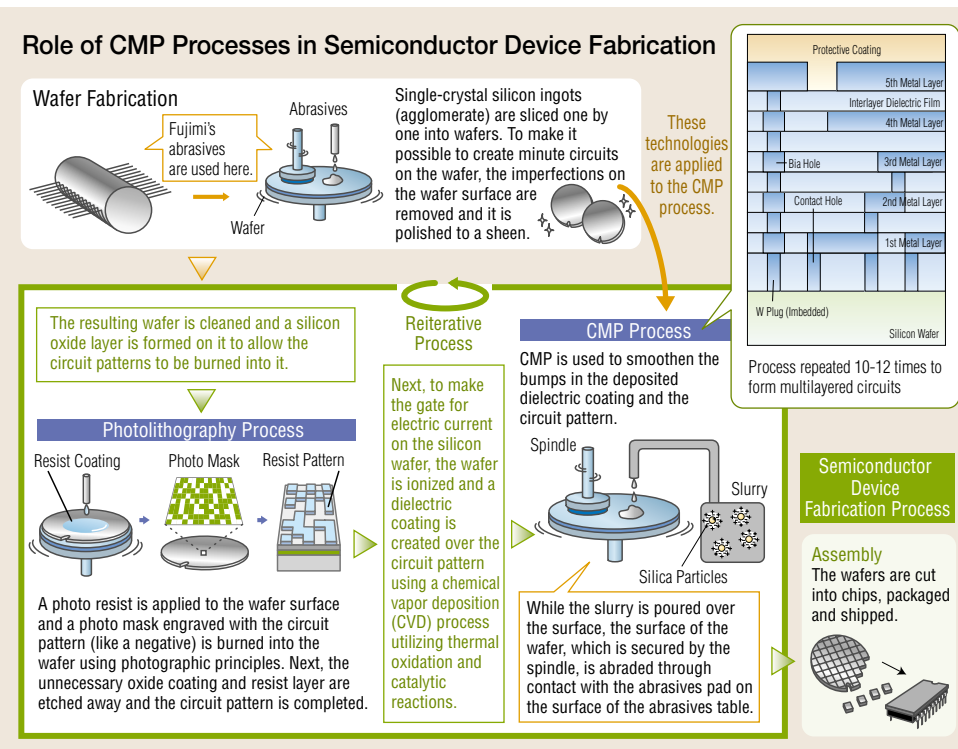
compounds and cleaning solutions for hard disks, thereby improving the efficiency of development efforts and enhancing customer satisfaction.

## 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 cermet used in the steel industry. R&D is aimed at developing tungsten carbide (WC) cermet that delivers significantly improved impact resistance—a key factor for thermal spray materials to expand applications in construction equipment. Fujimi is also emphasizing the development of spraying technologies for novel materials, thereby contributing to high durability under specialized high-temperature conditions in the steel industry as well as high abrasive and corrosion resistance for marine vessel and hydraulic power generation.

## Others

Fujimi 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.



## 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

# Fujimi's Global Network

## FUJIMI EUROPE LIMITED FUJIMI EUROPE GMBH

- Sales offices
- Production facilities
- Support center
- Export countries



## 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
- Inazawa Plant
- Kakamigahara Plant
- Kakamihigashimachi Plant
- Thermal Spray Materials Department
- Tokyo Sales Office
- Taiwan Office (support center)
- Shanghai 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



Headquarters  
(Aichi Prefecture, Japan)



Biwajima Plant  
(Aichi Prefecture, Japan)



Inazawa Plant  
(Aichi Prefecture, Japan)

## INTER OPTEC CO., LTD.



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)

## Consolidated Sales by Region

(Millions of Yen)

	FY 2007	FY 2008 (4/07-3/08)
Asia, Oceania	11,001	13,169
North America	4,966	5,526
Europe	3,153	3,687
Japan	18,938	20,247
Total	38,060	42,630

# 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 Fujimi optical emery (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, which is a 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<sub>2</sub>) 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 SURPREX 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

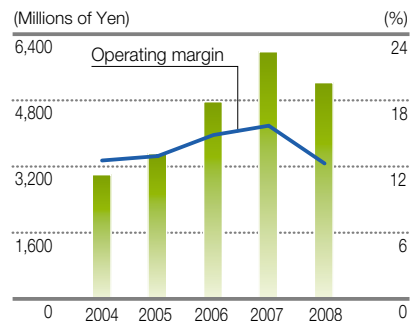
ceramic and metallic powders. In addition to prolonging the useful life of consumables through the application of ultrahard coatings, Fujimi is developing anticorrosive materials with a unique composition. As well, Fujimi continues to develop and manufacture extremely pure ceramic powders for use in semiconductor and LSI manufacturing equipment.



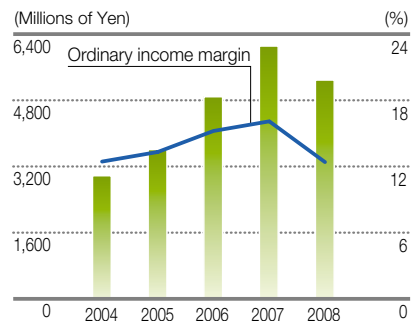
# Selected Financial Data (Consolidated)

## Profitability

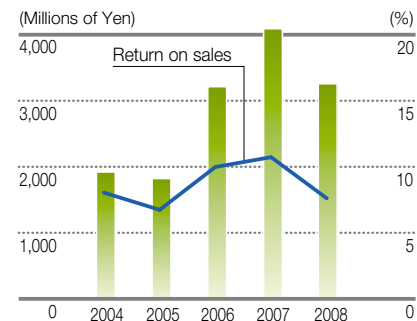
### Operating Income and Operating Margin



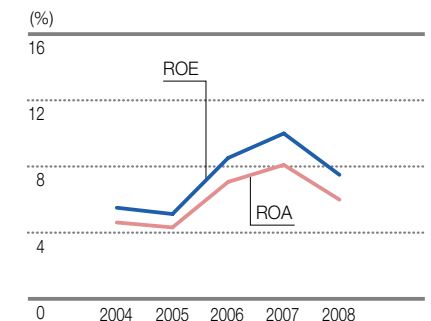
### Ordinary Income and Ordinary Income Margin



### Net Income and Return on Sales



### Return on Equity (ROE) and Return on Assets (ROA)

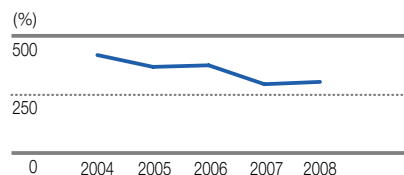


Fiscal years ended March 31

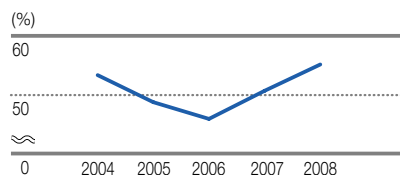
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008 (4/07-3/08)
Net sales (millions of yen)	23,938	27,109	32,127	38,060	42,630
Operating income (millions of yen)	3,007	3,514	4,772	5,979	5,226
Operating margin (%)	12.6	13.0	14.9	15.7	12.3
Ordinary income (millions of yen)	2,981	3,614	4,892	6,122	5,289
Ordinary income margin (%)	12.5	13.3	15.2	16.1	12.4
Net income (millions of yen)	1,922	1,823	3,207	4,080	3,249
Return on sales (%)	8.0	6.7	10.0	10.7	7.6
ROE (%)	5.5	5.1	8.5	10.0	7.5
ROA (%)	4.6	4.3	7.1	8.1	6.0

## Stability

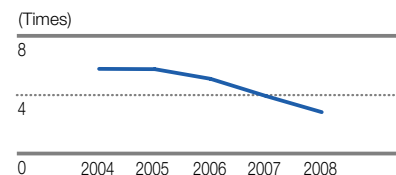
### Current Ratio



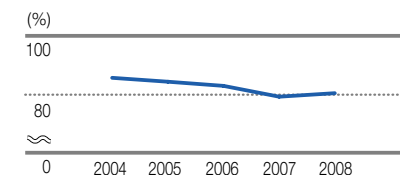
### Fixed Asset Ratio



### Current (Quick) Ratio



### Equity Ratio

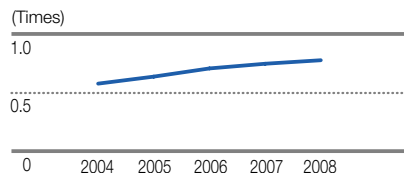


Fiscal years ended March 31

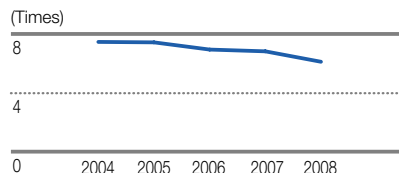
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008 (4/07-3/08)
Current ratio (%)	417.6	366.9	373.7	293.0	302.8
Fixed asset ratio (%)	53.4	48.8	45.9	50.7	55.2
Current (quick) ratio (times)	5.8	5.7	5.1	3.9	2.8
Equity ratio (%)	85.6	83.0	82.8	79.1	80.3

## Productivity and Efficiency

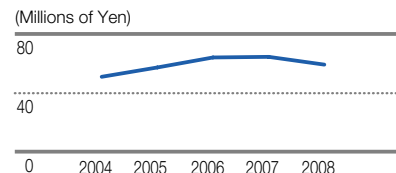
### Asset Turnover



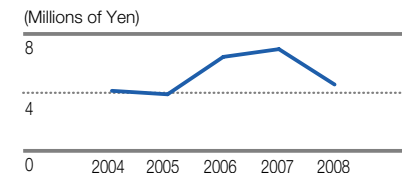
### Inventory Turnover



### Net Sales per Employee



### Net Income per Employee

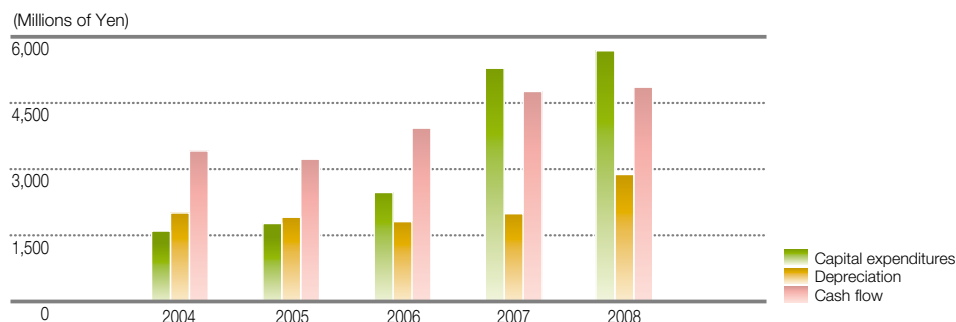


Fiscal years ended March 31

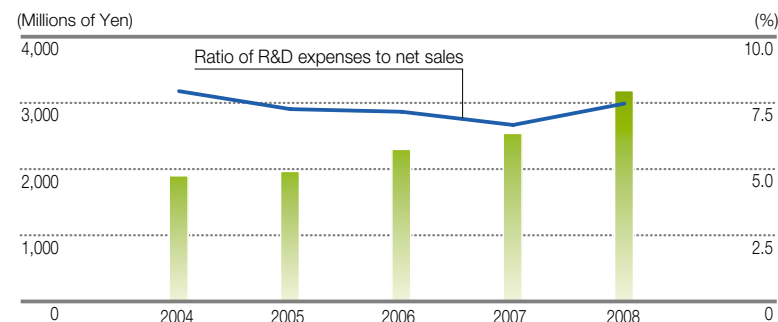
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008 (4/07-3/08)
Asset turnover (times)	0.58	0.64	0.71	0.75	0.78
Inventory turnover (times)	7.49	7.46	6.97	6.85	6.14
Net sales per employee (millions of yen)	51.42	57.80	64.64	65.06	59.79
Net income per employee (millions of yen)	4.13	3.89	6.45	6.98	4.56
Number of employees	464	474	520	650	776

## Capital Expenditures and Research and Development

### Capital Expenditures, Depreciation and Cash Flow



### R&D Expenses and Ratio of R&D Expenses to Net Sales



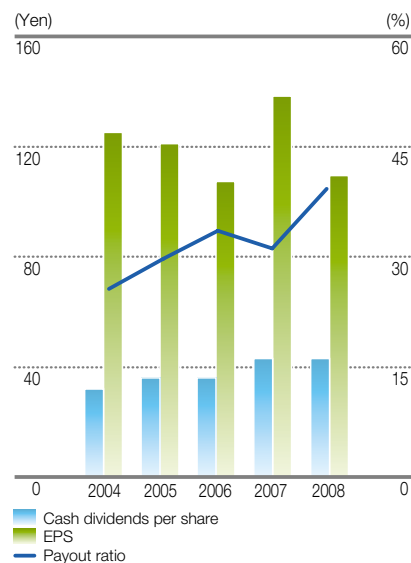
Fiscal years ended March 31

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008 (4/07-3/08)
Capital expenditures (millions of yen)	1,609	1,782	2,486	5,299	5,694
Depreciation (millions of yen)	2,020	1,925	1,824	2,004	2,899
Cash flow (millions of yen)	3,426	3,237	3,945	4,778	4,873
R&D expenses (millions of yen)	1,909	1,977	2,312	2,554	3,201
Ratio of R&D expenses to net sales (%)	7.98	7.30	7.20	6.71	7.51

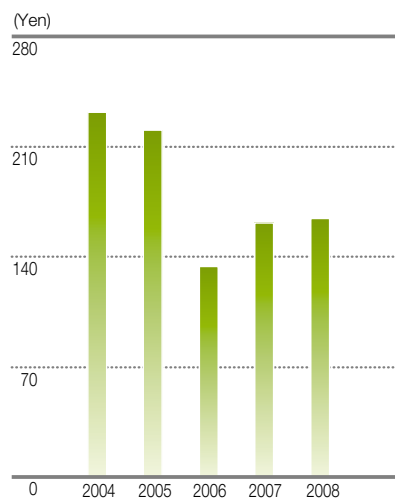
Note: Cash flow = (Net income + Depreciation) - (Dividends - Directors' bonuses)

## Per Share Data and Others

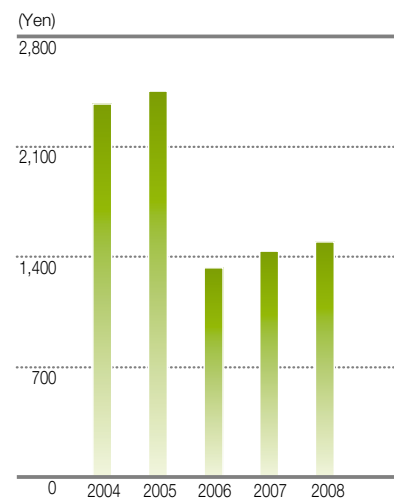
### Cash Dividends per Share, Earnings per Share (EPS), Payout Ratio



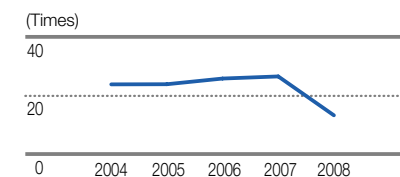
### Cash Flow per Share



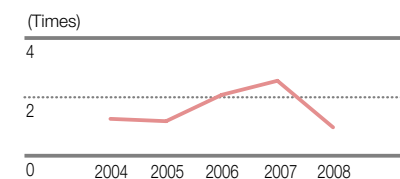
### Shareholders' Equity per Share



### 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 2004	FY 2005	FY 2006	FY 2007	FY 2008 (4/07-3/08)
Cash dividends per share	(yen)	32.00	36.00	36.00	43.00	43.00
Payout ratio	(%)	25.6	29.7	33.5	31.1	39.2
EPS	(yen)	125.21	121.16	107.42	138.45	109.64
Cash flow per share	(yen)	232.02	220.53	133.93	161.46	164.26
Shareholders' equity per share	(yen)	2,371.68	2,452.69	1,329.68	1,435.75	1,494.76
PER	(times)	23.80	23.85	25.79	26.51	13.23
PBR	(times)	1.26	1.18	2.08	2.56	0.97

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 2004	FY 2005	FY 2006	FY 2007	FY 2008
<b>Assets</b>					
Current assets					
Cash on hand and in banks	10,869,864	12,594,996	12,058,287	10,710,062	6,307,639
Trade notes and accounts receivable	7,345,453	7,839,892	10,054,484	12,781,342	12,195,124
Marketable securities	615,918	374,692	1,537,544	1,575,070	3,221,174
Inventories	3,006,039	4,262,330	4,952,777	6,151,897	7,742,308
Deferred tax assets	342,050	626,691	615,632	688,702	640,083
Short-term loans receivable	1,382	1,360	1,551	15,813	303,081
Other current assets	108,355	199,683	149,388	321,994	351,084
Reserve for doubtful accounts	(16,000)	(25,000)	(28,000)	(42,211)	(12,554)
Total current assets	22,273,064	25,874,649	29,341,666	32,202,672	30,747,941
Fixed assets					
Tangible fixed assets					
Buildings	6,284,413	6,487,377	6,444,279	7,931,005	9,018,393
Machinery and/or transportation equipment	2,879,433	2,755,572	2,938,351	3,868,246	5,147,295
Land	3,949,434	3,528,938	3,430,563	3,439,134	3,448,338
Other tangible fixed assets	1,826,288	1,496,176	2,009,799	2,992,349	2,842,075
Total tangible fixed assets	14,939,570	14,268,064	14,822,993	18,230,735	20,456,102
Intangible fixed assets	417,592	366,185	295,350	324,960	425,596
Investments and other					
Investment securities	804,014	828,241	905,245	530,471	314,478
Long-term loans receivable	372,724	3,153	1,402	2,517	2,903
Deferred tax assets	264,055	149,679	43,561	24,759	384,612
Other investments and assets	1,949,191	1,987,469	1,938,602	2,423,376	2,910,539
Reserve for doubtful accounts	(29,500)	(29,200)	(8,600)	(8,500)	(8,400)
Total investments and other	3,360,485	2,939,344	2,880,212	2,972,624	3,604,133
Total fixed assets	18,717,648	17,573,595	17,998,555	21,528,320	24,485,832
Total assets	40,990,712	43,448,244	47,340,222	53,730,993	55,233,774

(Thousands of Yen)

As of March 31	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
<b>Liabilities</b>					
Current liabilities					
Trade notes payable and accounts payable	3,110,052	3,641,550	4,276,363	5,373,244	5,185,977
Short-term borrowings	449,946	604,418	354,210	340,507	720,189
Corporate tax payable and others	137,393	1,052,121	859,949	1,251,718	793,382
Reserve for accrued bonuses	417,547	470,585	523,822	531,071	570,360
Other current liabilities	1,219,256	1,282,882	1,837,676	3,493,852	2,884,136
Total current liabilities	5,334,196	7,051,557	7,852,022	10,990,394	10,154,045
Long-term liabilities					
Long-term borrowings	—	—	—	2,523	429,541
Reserve for employees' retirement benefits	431,328	71,758	78,698	89,569	89,851
Deferred tax liabilities	6,887	18,458	—	10,044	13,121
Reserve for directors' retirement allowances	117,478	—	—	—	—
Long-term accounts payable	—	221,008	108,315	—	—
Others	—	—	—	—	10,742
Total long-term liabilities	555,693	311,225	187,013	102,137	543,257
Total liabilities	5,889,889	7,362,783	8,039,036	11,092,532	10,697,303
Minority interest	32,708	36,364	84,071	—	—
<b>Shareholders' equity</b>					
Common stock	4,753,438	4,753,438	4,753,438	—	—
Retained earnings for capital surplus	5,038,501	5,040,075	5,045,677	—	—
Retained earnings	26,800,275	28,112,489	30,457,143	—	—
Gain or loss on revaluation of other securities	80,381	93,782	230,067	—	—
Foreign currency translation adjustment	(75,280)	(199,217)	361,373	—	—
Treasury stock	(1,529,202)	(1,751,472)	(1,630,584)	—	—
Total shareholders' equity	35,068,114	36,049,096	39,217,115	—	—
	40,990,712	43,448,244	47,340,222	—	—
<b>Net assets</b>					
Common stock	—	—	—	4,753,438	4,753,438
Capital surplus	—	—	—	5,062,190	5,070,049
Retained earnings	—	—	—	33,368,244	35,344,694
Treasury stock	—	—	—	(1,445,632)	(1,349,390)
Total shareholders' equity	—	—	—	41,738,241	43,818,791
Valuation and transaction adjustments	—	—	—	757,209	522,802
Subscription rights to shares	—	—	—	—	11,056
Minority interest	—	—	—	143,009	183,820
Total net assets	—	—	—	42,638,460	44,536,470
Total liabilities and net assets	—	—	—	53,730,993	55,233,774

# Consolidated Statements of Income

(Thousands of Yen)

Fiscal years ended March 31	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008 (4/07-3/08)
<b>Ordinary income and expenses</b>					
<b>Operating income and expenses</b>					
Net sales	23,938,874	27,109,070	32,127,825	38,060,949	42,630,601
Cost of sales	16,191,570	18,206,495	21,415,670	24,974,459	29,429,532
Gross profit	7,747,304	8,902,575	10,712,155	13,086,490	13,201,069
Selling, general and administrative (SG&A) expenses	4,739,852	5,388,328	5,939,582	7,106,882	7,975,004
Operating income	3,007,451	3,514,246	4,772,573	5,979,608	5,226,065
<b>Non-operating income and expenses</b>					
Interest income	32,743	31,874	39,054	79,868	102,006
Dividend income	1,543	2,407	20,156	3,552	4,547
Other nonoperating income	56,467	99,355	101,340	101,224	74,793
Non-operating income	90,754	133,637	160,551	184,645	181,346
Interest expenses	17,841	30,436	27,806	10,743	49,722
Other nonoperating expenses	98,453	3,204	12,481	30,627	68,367
Non-operating expenses	116,295	33,640	40,288	41,371	118,089
Ordinary income	2,981,910	3,614,243	4,892,836	6,122,882	5,289,322
<b>Extraordinary items</b>					
Proceeds from sales of fixed assets	30,469	—	—	446,095	1,386
Subsidy income	—	—	49,238	23,696	33,492
Damage compensation	—	32,031	—	—	—
Proceeds from sales of investment securities	133,248	—	—	—	—
Other extraordinary income	5,682	12,196	2,655	34,612	61,996
Extraordinary income	169,399	44,227	51,893	504,403	96,875
Loss on disposal of fixed assets	46,307	27,681	103,937	31,618	49,073
Loss on revaluation of investment securities	—	—	—	—	498
Overdue sales taxes of overseas subsidiaries	—	—	—	12,989	—
Impairment loss	—	412,373	—	—	284,465
Other extraordinary losses	12,086	70,584	—	10,405	54,563
Extraordinary losses	58,393	510,638	103,937	55,013	388,600
Income before income taxes	3,092,917	3,147,832	4,840,793	6,572,273	4,997,597
Income taxes—current	780,428	1,490,333	1,577,693	2,518,876	1,934,159
Income taxes—deferred	383,359	(170,478)	16,227	(30,132)	(224,070)
Minority interest in earnings of consolidated subsidiaries	6,482	4,715	39,485	3,023	37,783
Net income	1,922,647	1,823,262	3,207,386	4,080,505	3,249,725

# ■ Consolidated Statements of Changes in Shareholders' Equity

(Thousands of Yen)

	Shareholders' equity					Valuation and translation adjustments		Stock purchase warrant	Minority interest	Total assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency transaction adjustments			
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
Changes during the period										
Dividend from surplus			(1,273,275)		(1,273,275)					(1,273,275)
Net income			3,249,725		3,249,725					3,249,725
Acquisition of treasury stock				(1,453)	(1,453)					(1,453)
Disposal of treasury stock		7,858		97,694	105,552					105,552
Changes to items other than shareholders' equity during the period (net)						(130,328)	(104,077)	11,056	40,811	(182,539)
Total changes during the period	—	7,858	1,976,449	96,241	2,080,549	(130,328)	(104,077)	11,056	40,811	1,898,010
Balance as of March 31, 2008	4,753,438	5,070,049	35,344,694	(1,349,390)	43,818,791	80,372	442,430	11,056	183,820	44,536,470

# Consolidated Statements of Cash Flows

(Thousands of Yen)

Fiscal years ended March 31	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008 (4/07-3/08)
<b>Cash flows from operating activities</b>					
Income before income taxes	3,092,917	3,147,832	4,840,793	6,572,273	4,997,597
Depreciation and amortization	2,020,681	1,925,555	1,824,820	2,013,556	2,899,340
Impairment loss	—	—	—	—	284,465
Proceeds from sales of fixed assets	—	—	—	(446,095)	(1,386)
(Increase) decrease in receivables	(1,268,261)	(850,782)	(2,061,602)	(2,602,441)	538,022
Increase (decrease) in payables	571,555	697,975	489,756	930,677	(149,200)
(Increase) decrease in inventories	252,579	(1,101,526)	(248,666)	(1,327,260)	(1,676,874)
Others	(301,517)	376,709	163,372	(20,390)	(35,298)
Payments of directors' bonuses	(50,000)	(40,000)	(40,000)	(50,000)	—
Subtotal	4,317,954	4,155,763	4,968,474	5,070,319	6,856,667
Interest and dividends received	34,287	34,281	59,211	77,804	104,492
Income from new industry subsidies	—	—	—	49,238	23,696
Damage compensation	—	32,031	—	—	—
Interest paid	(17,841)	(30,436)	(27,806)	(10,625)	(45,367)
Income taxes paid	(1,843,872)	(607,063)	(1,748,785)	(2,196,666)	(2,325,599)
Net cash and cash equivalents provided by operating activities	2,490,527	3,584,577	3,251,093	2,990,069	4,613,888
<b>Cash flows from investing activities</b>					
Payments for additions to fixed deposits	—	—	—	(1,000,000)	(500,000)
Payments for purchase of marketable securities	—	—	(1,000,000)	—	(99,410)
Proceeds from sales of marketable securities	—	66,531	—	1,000,000	—
Purchase of tangible fixed assets	(1,872,416)	(1,738,071)	(1,923,461)	(3,758,809)	(6,046,212)
Purchase of shares in subsidiaries and affiliates	(937)	—	(345,000)	—	—
Others	(1,135,147)	(179,808)	456,522	576,365	274,491
Net cash and cash equivalents used in investing activities	(3,008,501)	(1,851,348)	(2,811,939)	(3,182,444)	(6,371,131)
<b>Cash flows from financing activities</b>					
Increase (decrease) in short-term borrowings	(185,728)	172,800	(309,204)	(17,478)	288,659
Proceeds from long-term loans payable	—	—	—	—	559,645
Expenses from repayment of long-term borrowings	—	—	—	(1,044)	(1,044)
Proceeds from sales of (payments for purchase of) treasury stock	(761,354)	(220,696)	126,488	201,466	104,099
Payment of dividends by the parent company	(466,486)	(471,048)	(822,732)	(1,119,404)	(1,273,275)
Net cash and cash equivalents used in financing activities	(1,413,568)	(518,944)	(1,005,447)	(936,459)	(321,916)
Effect of exchange rate change on cash and equivalents	(139,890)	(20,833)	192,435	113,042	23,845
Increase (decrease) in cash and cash equivalents	(2,071,432)	1,193,450	(373,857)	(1,015,791)	(2,055,313)
Increase in cash and cash equivalents resulting from change in scope of consolidation	—	356,451	—	205,092	—
Cash and cash equivalents at beginning of year	13,491,220	11,419,787	12,969,689	12,595,832	11,785,133
Cash and cash equivalents at end of year	11,419,787	12,969,689	12,595,832	11,785,133	9,729,819

## Non-Consolidated Balance Sheet

As of March 31	(Thousands of Yen)	
	FY 2007	FY 2008
<b>Assets</b>		
Current assets	27,324,495	<b>25,035,845</b>
Fixed assets	22,327,717	<b>25,231,886</b>
<b>Total assets</b>	<b>49,652,212</b>	<b>50,267,732</b>
<b>Liabilities and net assets</b>		
Current liabilities	9,838,108	<b>8,468,166</b>
Long-term liabilities	89,569	<b>733,452</b>
<b>Total liabilities</b>	<b>9,927,678</b>	<b>9,201,618</b>
Shareholders' equity	4,753,438	<b>4,753,438</b>
Common stock	5,062,190	<b>5,070,049</b>
Retained earnings	31,143,835	<b>32,500,588</b>
Treasury stock	(1,445,632)	<b>(1,349,390)</b>
Valuation difference on available-for-sale securities	210,701	<b>80,372</b>
Subscription rights to shares	—	<b>11,056</b>
<b>Net assets</b>	<b>39,724,534</b>	<b>41,066,113</b>
<b>Total liabilities and net assets</b>	<b>49,652,212</b>	<b>50,267,732</b>

## Non-Consolidated Statements of Income and Retained Earnings

As of March 31	(Thousands of Yen)	
	FY 2007	FY 2008
Net sales	32,140,916	<b>35,349,937</b>
Cost of sales	21,584,313	<b>24,608,192</b>
Gross profit	10,556,603	<b>10,741,744</b>
Selling, general and administrative expenses	5,642,913	<b>6,250,584</b>
Operating income	4,913,689	<b>4,491,160</b>
Non-operating income	293,749	<b>349,861</b>
Non-operating expenses	28,954	<b>118,487</b>
<b>Ordinary income</b>	<b>5,178,485</b>	<b>4,722,534</b>
Extraordinary income	36,744	<b>85,209</b>
Extraordinary losses	42,023	<b>1,092,553</b>
<b>Income before income taxes</b>	<b>5,173,205</b>	<b>3,715,190</b>
Income taxes—current	1,902,244	<b>1,587,140</b>
Income taxes—deferred	(3,792)	<b>(501,978)</b>
<b>Net income</b>	<b>3,274,754</b>	<b>2,630,028</b>

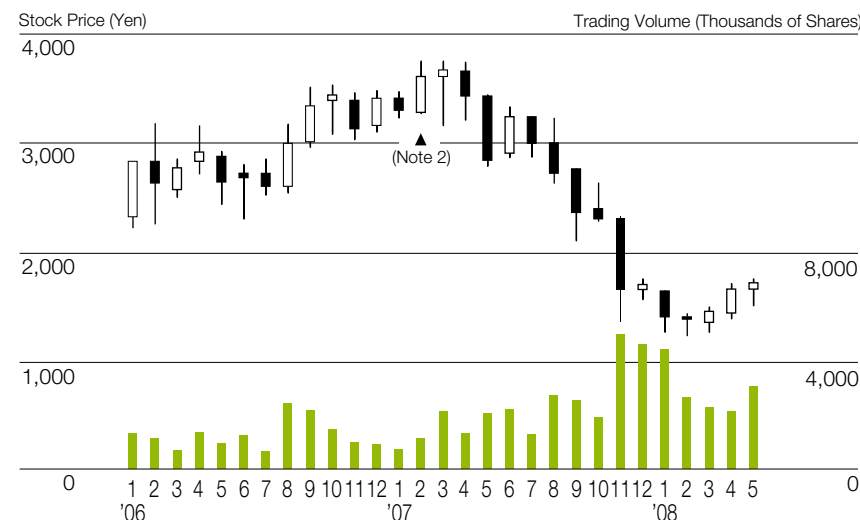
## Common Stock Issues

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

## Leading Shareholders (as of March 31, 2008)

Name of shareholder	Number of shares owned (Thousands of Shares)	Percentage of total (%)
Isamu Koshiyama	3,102	10.1
Sumitaka Noda	2,520	8.2
Koma Co., Ltd.	1,638	5.3
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,558	5.1
Akira Koshiyama	1,151	3.8
Fujimi Incorporated (Treasury Stock)	1,027	3.3
Trust & Custody Services Bank, Ltd. (Pension Trust Account)	1,021	3.3
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	971	3.2
Japan Trustee Services Bank, Ltd. (Trust Account)	925	3.0
Nippon Life Insurance Co.	779	2.5

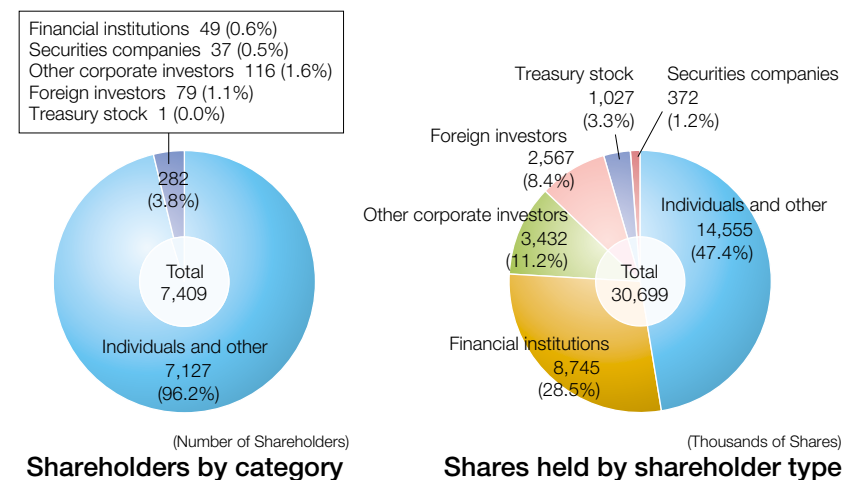
## Stock Price and Trading Volume



Notes: 1. Share values have been retroactively adjusted for stock splits in previous years.  
2. 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, 2008)



## Corporate Information (As of March 31, 2008)

<b>Name</b>	FUJIMI INCORPORATED
<b>Date of foundation</b>	March 20, 1953
<b>Paid-in capital</b>	¥4,753,438,500
<b>Securities traded</b>	Tokyo Stock Exchange Nagoya Stock Exchange
<b>Code</b>	5384
<b>Number of employees</b>	776 (Non-Consolidated 567)

## Board of Directors (As of June 24, 2008)

<b>Chairman</b>	Akira Koshiyama
<b>President</b>	Keishi Seki
<b>Director</b>	Hitoshi Kodama
<b>Director</b>	Nobuo Matsushima
<b>Director</b>	Takashi Tsuchiya
<b>Standing Corporate Auditor</b>	Toshiyuki Fujimoto
<b>Standing Corporate Auditor</b>	Masaaki Kubo
<b>Corporate Auditor</b>	Tashun Aizawa
<b>Corporate Auditor</b>	Norio Yamashita

## Plants and Offices

### Headquarters

#### Biwajima Plant

1-1, Chiryō-2, Nishibiwajima-cho, Kiyosu,  
Aichi, 452-8502, Japan  
Phone: +81-52-503-8181 Fax: +81-52-503-6166

#### Inazawa Plant

1-1, Ichisukekoudo, Nishijima-cho, Inazawa,  
Aichi, 492-8329, Japan

#### Kakamigahara Plant

1-8, Jyogo-cho-7, Kakamigahara,  
Gifu, 504-0927, Japan

#### Kakamihigashimachi Plant

62-1, Kakamihigashimachi-5, Kakamigahara,  
Gifu, 509-0103, Japan

#### Thermal Spray Materials Department

82-28, Kakamihigashimachi-5, Kakamigahara,  
Gifu, 509-0103, Japan

#### R&D Center

8, technoplaza-1, Kakamigahara,  
Gifu, 509-0108, Japan

#### Logistics Center

603, Sue-cho-2, Kakamigahara,  
Gifu, 509-0108, Japan

#### Tokyo Office

5th Floor, Kanda Central Avenue Bldg.,  
7-11, Kajicho 1-chome, Chiyoda-ku,  
Tokyo, 101-0044, Japan

#### Taiwan Office

4th Floor, No. 215, Shian-Jheng 9th Rd.,  
Jubei City, Hsinchu Hsien 302 Taiwan, ROC

#### Shanghai Office

317B, German Center, 88 Keyuan Road,  
Pudong Zhangjiang, Hi-Tech Park, 201203,  
Shanghai, China

## Affiliated Companies

### FUJIMI CORPORATION

11200 SW Leveton Drive, Tualatin,  
Oregon 97062, U.S.A.  
Phone: +1-503-682-7822 Fax: +1-503-612-9721

### FUJIMI-MICRO TECHNOLOGY SDN. BHD.

Unit 3, Level 15, Menara Genesis No. 33,  
Jalan Sultan Ismail 50250, Kuala Lumpur, Malaysia  
Phone: +60-3-2143-0036 Fax: +60-3-2145-8955

### FUJIMI EUROPE LIMITED

The Granary, Wolvey Lodge Business Centre,  
Cloudesley Bush Lane, Wolvey, Hinckley,  
Leicestershire, LE10 3HB, England  
Phone: +44-1455-222090 Fax: +44-1455-222099

### FUJIMI EUROPE GMBH

Schlossstrasse 5 D-74653 Ingelfingen, Germany  
Phone: +49-7940-58402 Fax: +49-7940-57611

### INTER OPTEC CO., LTD.

5th Floor, Kanda Central Avenue Bldg.,  
7-11, Kajicho 1-chome, Chiyoda-ku,  
Tokyo, 101-0044, Japan  
Phone: +81-3-5297-6281 Fax: +81-3-5297-6282



**FUJIMI INCORPORATED**

1-1, Chiryō-2, Nishibiwajima-cho, Kiyosu,  
Aichi, 452-8502 Japan

Phone: +81-52-503-8181 Fax: +81-52-503-6166

URL: <http://www.fujimiinc.co.jp/english/index-e.htm>