

To Our Shareholders and Investors

Operating Businesses in the Global Market for the Sustainable Enhancement of Our Corporate Value

Japanese Market Remains Strong While the China Market Stagnates

During the fiscal year ended March 31, 2017, the Chinese economy continued to decelerate, although a trend toward recovery was evident in the latter half of the year. In other Asian economies, the recovery was generally mild. North America realized steady economic growth supported by strong consumer spending, while Europe maintained a brisk growth rate. Japan saw a sustained economic recovery, including a rebound in consumer spending and capital investment.

The elevator and escalator industry saw the continuation of fierce price competition, with demand in China remaining sluggish from the previous fiscal year. Demand in other Asian countries was mostly flat, while it remained strong in North America. In Japan, demand for products for offices and retail stores was stagnant as moves to pull back on new construction remained significant in the face of rising construction costs.

Under these conditions, the new installation business in Japan recorded a growth in sales of XIOR standard elevators for multi-unit dwellings, while sales for offices and retail stores were sluggish with a decrease in orders for large-scale multi-purpose facilities. The modernization business (improving the

safety and comfort of existing elevators) saw an increase in sales of control panel replacement packages for updating to the latest control system, while sales of safety enhancement modernization packages (for ensuring conformity to the latest safety standards, including those for disaster prevention) also posted positive growth.

In overseas markets, orders decreased in China due in part to the deterioration of the market environment and the impact of the strong yen, while North America and South Asia saw a rise in orders, driven by orders for large-scale projects.

Performance Achieved Virtually as Planned

As a result of the above, our performance for the fiscal year ended March 31, 2017 was largely in line with expectations, with operating income, ordinary income and profit attributable to owners of parent all exceeding the initial plan, while net sales were slightly below the planned target.

Net sales decreased 5.5% year over year to ¥167,442 million, with domestic sales of ¥62,798 million, up 4.0%, and overseas sales of ¥104,644 million, down 10.4%. The actual percentage increase in overseas sales, excluding the effect of foreign exchange fluctuations, was 2.5%.

As for profit, operating income fell 12.2% year over year to

● Business Results (Fiscal Years Ended March 31)

	2016	2017	Percentage change (%)
Net sales	177,128	167,442	(5.5)
Domestic	60,381	62,798	4.0
Overseas	116,747	104,644	(10.4)
Operating income	14,449	12,687	(12.2)
Ordinary income	15,162	13,110	(13.5)
Profit attributable to owners of parent	8,807	8,564	(2.8)

¥12,687 million, ordinary income declined 13.5% to ¥13,110 million and profit attributable to owners of parent was down 2.8% to ¥8,564 million.

Toward the Achievement of Targets under the Mid-Term Management Plan

The three-year Mid-Term Management Plan “No Limits! Push Forward Together!” got underway last fiscal year. Under this plan, we aim to provide safe and reliable products to people around the world for sustainable enhancement of our corporate value in the global market. Our targets for the final fiscal year are net sales of ¥200,000 million, operating income of ¥16,000 million and an operating margin of 8.0%.

To achieve these targets, we have set and have been making concerted efforts regarding the following four key objectives of the action vision: 1) Increase Fujitec’s market share by identifying and supporting specific regional needs; 2) Increase competitiveness through the unification of product specifications; 3) Innovate procurement systems and establish a new global network for product design; and 4) Enhance the quality of Fujitec’s corporate management.

In Japan, we are striving to raise profitability of the new installation business through cost reductions, while increasing



Takakazu Uchiyama
President and Chief Executive Officer

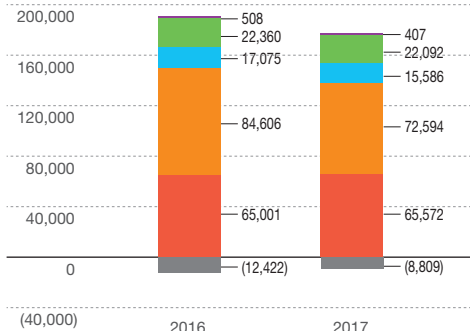
market share. In our business in the after-sales service market, we will continue to focus on the modernization business and strive to reinforce our revenue base by increasing the number of maintenance contracts.

In East Asia, we are striving to increase our market share in China, the world’s largest market, by strengthening our sales network and improving our product development capabilities and cost competitiveness. In the mature markets of Hong Kong, Taiwan and Korea, we are working on promoting the

● Performance by Segment (Fiscal Years Ended March 31)

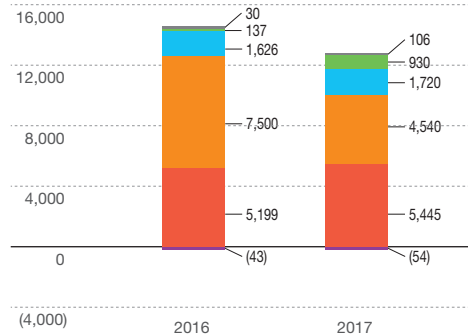
Net Sales

(Millions of yen)



Operating Income

(Millions of yen)



■ Japan
■ East Asia
■ South Asia
■ North America
■ Europe
■ Reconciliations

To Our Shareholders and Investors

modernization business. In addition, to respond quickly and flexibly to diversifying global needs, we are taking steps to establish a global supply chain in which we will deliver standard models of elevators and escalators from China, custom-made elevators from Korea and modernization equipment from Taiwan.

In South Asia, we are investing management resources in India and the ASEAN region, where growth is anticipated. We are also striving to strengthen our presence by further expanding our elevator manufacturing capacity in India and improving our capabilities in developing and supplying products that can also be offered to markets such as the Mekong area. In North America and Europe, we are aiming to stabilize profitability by reinforcing our foundation in the after-sales service market mainly in the modernization business.

Reducing Costs through Globally Centralized Purchasing

Regarding our product and technology strategies, we are making efforts to enhance our market competitiveness by integrating products among global manufacturing bases including Japan in each product category, namely elevators, escalators and modernization. In addition, we are developing equipment and technologies that support the product lineup and carrying out forward-looking R&D in an effort to improve our price competitiveness and create new product value.

In the modernization business, which is seeing rising demand in developed countries, we are strengthening

cooperation with the Hsinchu Plant in Taiwan while also working to further develop our product lineup through measures that include expansion of the application of control panel replacement packages, our mainstay product, to models without a machine room along with expansion of the range of models compatible with full renovation. For escalators, we have launched a product that utilizes the truss of an existing escalator to enable an upgrade to the GS-NX, the latest standard escalator. We are aggressively promoting sales of this product.

Regarding operation strategy, we are promoting company-wide procurement innovation through centralized purchasing by the entire Fujitec Group as well as a review of global logistics in an effort to reduce purchasing and logistics costs. In addition, we are proactively building a global design network to enable maximum utilization of design resources within the Fujitec Group.

Increase in Both Sales and Profits Expected in the Next Fiscal Year

In the fiscal year ending March 31, 2018, there are moves to pull back on new construction due to rising construction costs; however, the elevator and escalator market in Japan is expected to see steady demand in the Tokyo metropolitan area, where development projects for large-scale buildings are ongoing. Demand in North America and South Asia is anticipated to remain strong overall.

Completion of WING SQUARE, a New Research Tower

WING SQUARE, a new research tower, has been completed on the premises of our Head Office Big Wing in Shiga Prefecture. By effectively utilizing this facility, which has been designed for the latest research and development, we will further strengthen our product R&D function and work to improve product quality.



Under these conditions, we expect rising costs in North America but both sales and profits are expected to rise in Japan and South Asia due to an extensive order backlog. In East Asia, price competition for securing market share is expected to continue in China while Hong Kong and Korea will remain steady.

As a result of these factors, we are projecting net sales of ¥175,000 million for the fiscal year ending March 31, 2018, up 4.5% year on year, due to an increase in Japan, South Asia and East Asia. At the profit level, due mainly to gains in Japan and East Asia, we are projecting operating income of ¥13,200 million, up 4.0% year on year; ordinary income of ¥13,500 million, up 3.0% year on year; and profit attributable to owners of parent of ¥9,000 million, up 5.1% year on year.

An average exchange rate of ¥110 to US\$1 is assumed for the next fiscal year.

Annual Dividends of ¥35 Planned for the Fiscal Year Ending March 31, 2018

With regard to profit distribution, our basic policy for paying dividends is to regard enhancement of the return of profit to our shareholders as our top management priority. At the same time, we balance the need to retain internal reserves to ensure the long-term stability of the company's foundation.

We will continue to allocate internal reserves effectively for activities that raise our corporate value, for example, making capital investments in growth fields, funding investments and

financing for our global business expansion and investing in R&D. Fujitec also executes repurchases of treasury stock.

As announced on May 13, 2016, the company paid year-end cash dividends per share of ¥15. Together with interim cash dividends per share of ¥15, total dividends per share for the fiscal year ended March 31, 2017 therefore amounted to ¥30.

For the fiscal year ending March 31, 2018, we plan to pay an interim dividend per share of ¥15, the same amount as the interim dividend paid for the fiscal year under review. The year-end dividend will amount to ¥20 per share, including an ordinary dividend of ¥15 and a 70th anniversary commemorative dividend of ¥5, thereby amounting to total dividends per share of ¥35 for the fiscal year.

We position the Mid-Term Management Plan "No Limits! Push Forward Together!" as an important plan for realizing the sustainable enhancement of our corporate value. We hope our shareholders and investors will continue to lend us their support and cooperation.

June 22, 2017



Takakazu Uchiyama
President and Chief Executive Officer

● Targets by Segment for Fiscal Year Ending March 31, 2018

	Net Sales	Operating Income	Operating Margin (%)
	(Millions of yen)		
Japan	68,000	5,700	8.4
East Asia	74,000	4,900	6.6
South Asia	19,000	1,800	9.5
North America	23,000	900	3.9
Europe	500	0	—
Total	184,500	13,300	7.2
Reconciliations	(9,500)	(100)	—
Consolidated	175,000	13,200	7.5

● Annual Dividends (Fiscal Years Ended March 31)

