

Financial Section

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Management Discussion and Analysis

Operating Results

Net Sales

Consolidated net sales for the fiscal year ended March 31, 2018 were ¥168,795 million, an increase of 0.8% compared with the previous fiscal year. Domestic net sales were ¥64,935 million, an increase of 3.4% compared with the previous fiscal year, and overseas net sales were ¥103,860 million, a decrease of 0.8% compared with the previous fiscal year. The actual percentage decrease in overseas sales, excluding the effect of foreign exchange fluctuations, was 2.4%.

1. Japan

In Japan, net sales were ¥67,646 million, up 3.2% compared with the previous fiscal year, due primarily to an increase in sales of new installations and service businesses. Operating income was ¥5,728 million, an increase of ¥283 million compared with the previous fiscal year. This increase was attributable to higher sales of modernization and service businesses despite increases in subcontracting costs and labor costs in new installations business.

2. North America

In North America, net sales were ¥23,871 million, an increase of 8.1% compared with the previous fiscal year. The increase was due mainly to an increase in sales of modernization work and service businesses. Operating income was ¥920 million, a decrease of ¥10 million compared with the previous fiscal year. The actual percentage increase in net sales, excluding the effect of foreign exchange fluctuations, was 5.2%.

3. Europe

In Europe, net sales increased 25.4% compared with the previous fiscal year to ¥511 million as a result of an increase in sales of new installations. An operating loss of ¥68 million was recorded compared with an operating loss of ¥54 million in the previous fiscal year.

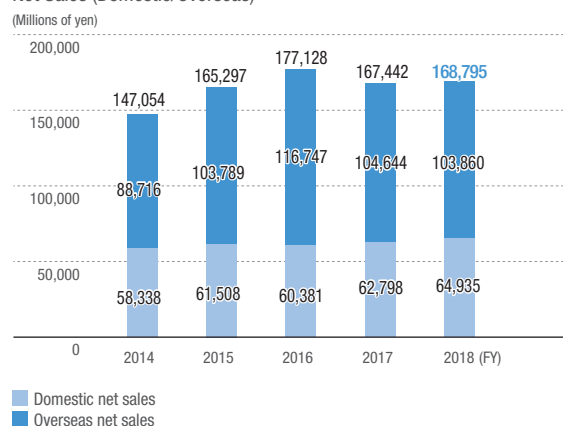
4. South Asia

In South Asia, net sales were ¥17,192 million, an increase of 10.3% compared with the previous fiscal year, thanks to an increase in sales of service businesses. Operating income was ¥1,936 million, an increase of ¥216 million compared with the previous fiscal year. The actual percentage increase in net sales, excluding the effect of foreign exchange fluctuations, was 7.5%.

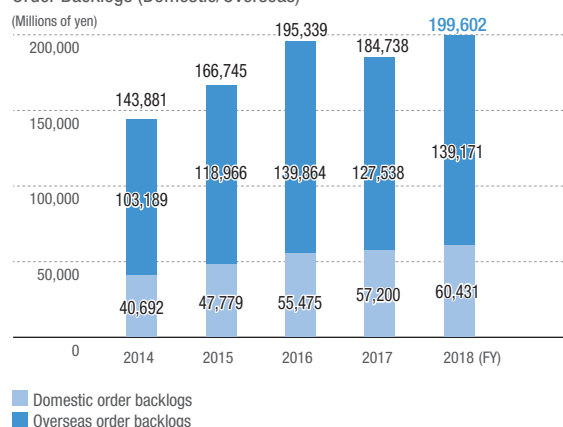
5. East Asia

In East Asia, net sales were ¥70,442 million, a decrease of 3.0% compared with the previous fiscal year. This decrease was due mainly to a decline in new installations in China despite increases in sales in Hong Kong and South Korea. Operating income was ¥2,258 million, a decrease of ¥2,282 million compared with the previous fiscal year, as a result of falling sales prices and rising materials costs in China despite increases in the service business in Hong Kong. The actual percentage decrease in net sales, excluding the effect of foreign exchange fluctuations, was 4.0%.

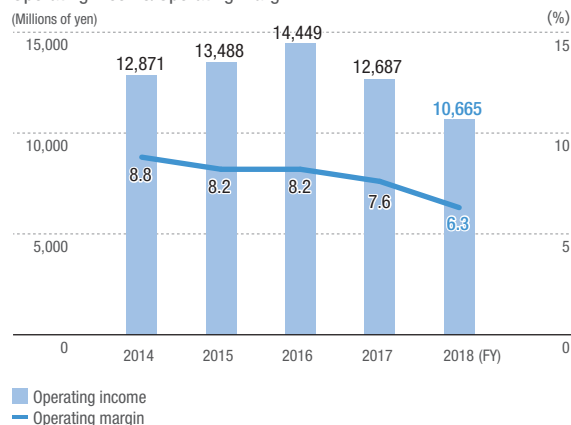
Net Sales (Domestic/Overseas)



Order Backlogs (Domestic/Overseas)



Operating Income/Operating Margin



Fiscal years ended March 31

Order Backlogs

In Japan, order backlogs were ¥60,431 million, an increase of 5.6% compared with the end of the previous fiscal year. Overseas, order backlogs were ¥139,171 million, up 9.1% compared with the end of the previous fiscal year, because of an increase in East Asia. As a result, the total amount of order backlogs was ¥199,602 million, an increase of 8.0% compared with the level at the end of the previous fiscal year. The actual percentage increase in total order backlogs overseas, excluding the effect of foreign exchange fluctuations, was 7.7%.

Operating Income and Profit Attributable to Owners of Parent

Operating income was ¥10,665 million, a decrease of 15.9% compared with the previous fiscal year, due to a decline in profitability in East Asia. Ordinary income was ¥11,911 million, a decrease of 9.1% compared with the previous fiscal year. Profit before income taxes was ¥11,811 million, a decrease of 9.5% compared with the previous fiscal year. Profit attributable to owners of parent was ¥8,857 million, an increase of 3.4% compared with the previous fiscal year, attributable primarily to decreases in income taxes and profit attributable to non-controlling interests.

Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the fiscal year ended March 31, 2018 were ¥183,218 million, an increase of ¥10,211 million compared with the end of the previous fiscal year. This was due mainly to increases in cash and deposits of ¥4,107 million, trade notes and accounts receivable of ¥2,955 million as well as purchase of investment securities and higher fair value of investment securities that accompanied rising share prices.

Total liabilities were ¥71,396 million, an increase of ¥2,236 million compared with the end of the previous fiscal year. The decrease was due in part to increases in trade notes and accounts payable of ¥1,002 million and advances from customers of ¥3,039 million, which offset declines in provision for losses on construction contracts of ¥1,257 million and accrued income taxes of ¥496 million.

Net assets were ¥111,822 million, an increase of ¥7,975 million compared with the end of the previous fiscal year. This was due mainly to an increase in retained earnings of ¥6,426 million. The shareholders' equity ratio at March 31, 2018 was 54.8%, an increase of 1.3 percentage points compared with the end of the previous fiscal year, and net assets per share were ¥1,243.46, an increase of ¥95.10 compared with the end of the previous fiscal year.

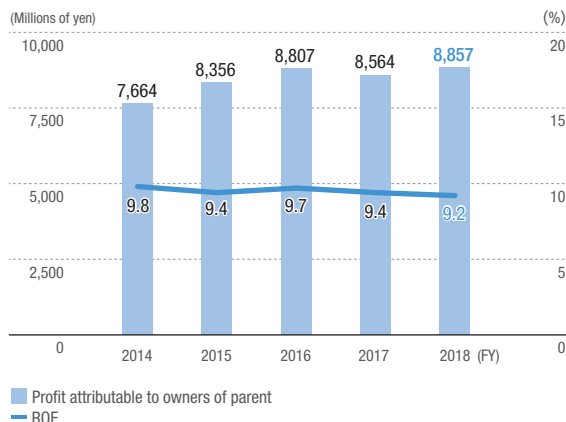
Cash Flows

Cash and cash equivalents at the end of the fiscal year ended March 31, 2018 were ¥24,043 million, an increase of ¥3,133 million compared with the end of the previous fiscal year.

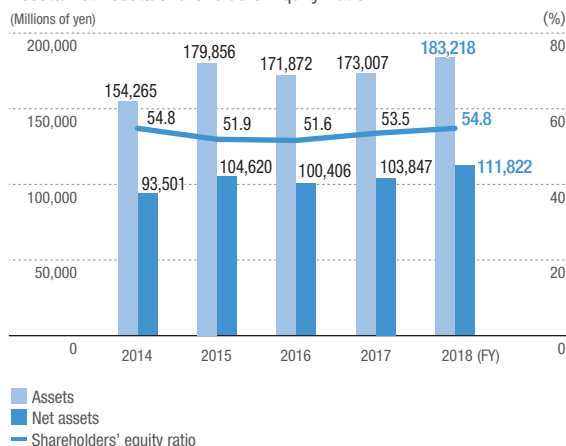
Cash Flows from Operating Activities

Net cash provided by operating activities was ¥11,870 million, a decrease of ¥2,490 million compared with the previous fiscal year. The main factors contributing to the decrease were a decrease in provision for losses on construction contracts and an increase in trade notes and accounts receivable despite profit before income taxes of ¥11,811 million and depreciation and amortization of ¥2,915 million.

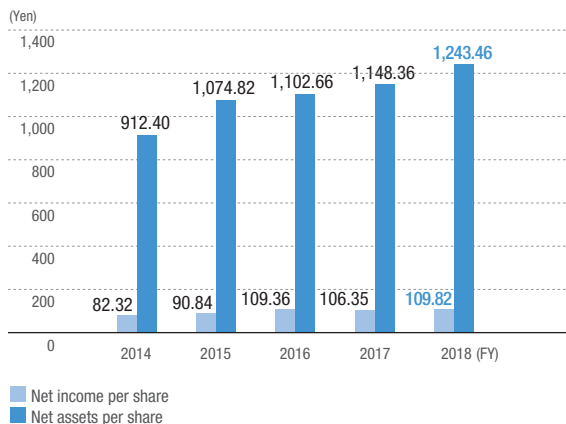
Profit Attributable to Owners of Parent/ROE



Assets/Net Assets/Shareholders' Equity Ratio



Net Income Per Share/Net Assets Per Share



Fiscal years ended March 31

Cash Flows from Investing Activities

Net cash used in investing activities was ¥5,346 million, a decrease in expenditures of ¥1,611 million compared with the previous fiscal year. The decrease was attributable mainly to an increase in time deposits, net of ¥1,288 million, acquisitions of property, plant and equipment of ¥2,973 million and purchase of investment securities of ¥1,233 million.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥3,858 million, a decrease in expenditures of ¥2,899 million compared with the previous fiscal year, due mainly to a decrease in short-term debt, net of ¥400 million, repayment of long-term debt of ¥505 million and cash dividends paid.

Capital Investment

Total capital investment during the fiscal year ended March 31, 2018 was ¥2,175 million. Within this, capital investment in Japan was ¥1,039 million mainly for additional facilities for elevator development and manufacturing bases as well as after-sales service bases. Overseas, we made capital investment of ¥1,136 million for manufacturing bases in South Asia and East Asia.

R&D Expenses

Total R&D expenses during the fiscal year ended March 31, 2018 were ¥2,323 million. Within this, R&D expenses in Japan came to ¥2,176 million, and overseas R&D expenses were ¥147 million, mainly in East Asia.

Business and Other Risks

The following matters represent risks that could have a significant material impact on investors' decisions among the matters concerning business conditions and accounting conditions mentioned in this annual report. These risks do not necessarily cover all possible risks facing the Fujitec Group and there are also other risks that are difficult to forecast. The Fujitec Group's business, business results and financial condition could be significantly and adversely affected by any risk factor in the future.

Forward-looking statements contained in this report represent judgments by the Fujitec Group as of the end of the consolidated fiscal year.

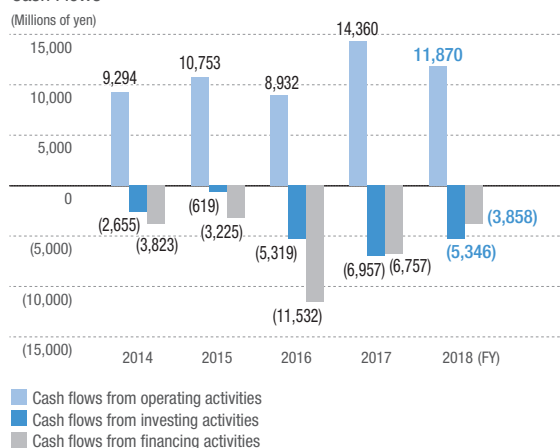
Political and Economic Circumstances

The Fujitec Group has 10 manufacturing bases and numerous sales bases in 24 countries and regions around the world and carries out global business activities. Political and economic circumstances in these countries and regions where business is carried out could have an impact on the supply of and demand for the Fujitec Group's products. In particular, the Fujitec Group's products are elevators and escalators that are installed in buildings, including office buildings, hotels, commercial buildings and residences. Therefore, these products have one aspect whereby the scale of public-sector investment and economic trends in the construction industry in Japan and overseas could have an impact on the Fujitec Group's business results.

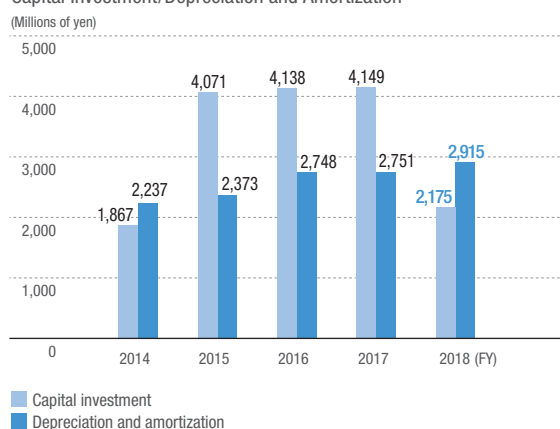
Development of New Products

The Fujitec Group continually carries out activities for the development of new products that are matched to customer needs. In the elevator and escalator industry, where the Fujitec Group operates, customer needs are diversifying in step with the maturing of markets. On the other hand, product development competition among leading

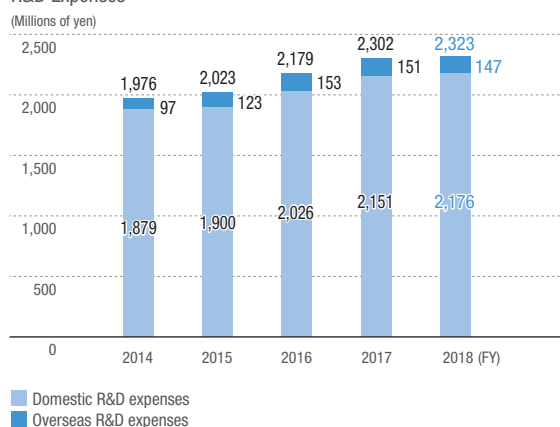
Cash Flows



Capital Investment/Depreciation and Amortization



R&D Expenses



Fiscal years ended March 31

manufacturers worldwide is fierce and there is a possibility of being driven out of the market by failing to adapt in a timely manner to leading-edge technological trends.

Under such conditions, not being able to adequately forecast industry and market changes and develop appealing new products could lower the Fujitec Group's future growth and profitability and have an adverse impact on its financial condition and business results.

Price Competition

In domestic and overseas markets, where the Fujitec Group undertakes business, there is ongoing fierce competition with competitors that include leading manufacturers carrying out business on a global scale. In addition, it is expected to be a continued trend toward business dominance by increasing market share. In particular, there has been an intensification of price competition for products and services introduced into the market at even lower prices as part of business development of competing companies and a business strategy of business alliances that include mutual competitors. This could have an adverse impact on the Fujitec Group's financial condition and business results.

Manufacturer's Liability

The Fujitec Group undertakes integrated manufacturing, sales, installation and maintenance of elevators, escalators and moving walks, and in each business process conforms with the laws, regulations and guidelines applicable in each market. Also, the Fujitec Group makes adequate considerations to assure the safety of customers and users by offering products and services verified in accordance with its own internally established technical standards and safety standards. Nevertheless, an unforeseen product defect or usage by the user could cause equipment damage or an incident or even in certain instances an accident resulting in injury or death.

In such circumstances, responsibility as a manufacturer could be called into question. This could have an adverse impact on the Fujitec Group's financial condition and business results because of indemnification for damages or the loss of trust by society.

Joint Ventures

The Fujitec Group basically carries out business using its own capital. However, it undertakes business through joint ventures due to legal restrictions in some countries. One such principal country is China, where the Fujitec Group has extremely favorable relations with its joint venture partners and plans to continue mutually beneficial equitable relationships.

Nonetheless, in the event of a change in a joint venture partner's economic circumstances or policies concerning business development, the Fujitec Group cannot eliminate the possibility of re-evaluating the joint venture, replacing the joint venture partner or dissolving the joint relationship in the future. Such an event could have an adverse impact on the Fujitec Group's financial condition and business results.

Latent Risks Associated with Global Business Development

As the Fujitec Group carries out global business development, the following latent risks could have an adverse impact on business development and business results.

- 1) Terrorism, wars, revolutions and other social upheaval
- 2) Occurrence of natural disasters such as earthquakes, typhoons and contagious disease pandemics
- 3) Unexpected changes in laws and regulations
- 4) Strikes by workers at seaports and airports or by persons in the transport industry
- 5) Interruption of manufacturing activities due to an infrastructure accident such as a power outage or interruption of the water supply at manufacturing bases

Raw Materials Prices

Procurement prices for raw materials such as steel stock, wire rope and stainless steel that make up the Fujitec Group's products are susceptible to the impact of steel market conditions. Therefore, a rise in prices in the steel market will push up product manufacturing costs, which could have an adverse impact on the Fujitec Group's business results.

Financing

The Fujitec Group carries out asset liability management (ALM) at each company and works to maintain adequate liquidity. However, the emergence of instability in the financial system and a change in the lending policies of financial institutions could have an adverse impact on the Fujitec Group's financial condition. Through ALM, financing is being carried out to minimize the impact of a rise in financing costs. However, a large rise in interest rates could have an adverse impact on the Fujitec Group's business results.

Exchange Rate Fluctuations

The Fujitec Group is operating global manufacturing and procurement structures for mutually supplying products and components that are advantageous in terms of cost and quality, and works to minimize the adverse impact of exchange rate fluctuations on its business results. However, an unexpectedly rapid and large fluctuation in exchange rates could have an adverse impact on the Fujitec Group's financial condition and business results.

Share Price Fluctuations

The net asset value of "other securities with a fair market value" held by the Fujitec Group could decrease due to a decline in share prices, which could have an adverse impact on the Fujitec Group's financial condition.

IT (Information Technology)-Related Risks

Under the Information Security Policy, the Fujitec Group promotes appropriate handling, storage, secure management and the prevention of leakage of such critical information assets as confidential information and customer information. However, in the event of unexpected disasters, an information system shutdown because of illegal access, communication failure and other reasons or an occurrence of information leakage, the resulting loss of business opportunities arising from a suspension of operations as well as the erosion of society's trust could have an adverse impact on the Fujitec Group's financial condition.

Consolidated Balance Sheets

Fujitec Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2018 and 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2018	2017	2018
Current assets:			
Cash and deposits (Note 15)	¥ 49,856	¥ 45,749	\$ 470,340
Trade notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	912	1,040	8,604
Other	52,499	49,416	495,273
Allowance for doubtful accounts	(2,102)	(1,800)	(19,830)
	51,309	48,656	484,047
Inventories:			
Finished goods and semi-finished goods	5,554	5,118	52,396
Work in process	7,976	7,590	75,245
Raw materials and supplies	8,335	7,953	78,632
	21,865	20,661	206,273
Deferred tax assets (Note 5)	3,325	3,277	31,368
Other current assets	4,501	4,695	42,462
Total current assets	130,856	123,038	1,234,490
Investments and long-term loans:			
Investments in unconsolidated subsidiaries and affiliates	1,161	1,155	10,953
Investment securities (Note 4)	9,408	7,158	88,755
Long-term loans	216	508	2,038
Total investments and long-term loans	10,785	8,821	101,746
Property, plant and equipment, at cost (Note 7):			
Buildings and structures	35,485	32,968	334,764
Machinery, vehicles, tools, furniture and fixtures	19,702	18,176	185,868
Lease assets (Note 8)	15	15	142
	55,202	51,159	520,774
Accumulated depreciation	(28,052)	(26,103)	(264,642)
	27,150	25,056	256,132
Land	6,939	6,915	65,462
Construction in progress	300	2,524	2,830
Total property, plant and equipment, at cost	34,389	34,495	324,424
Other assets:			
Deferred tax assets (Note 5)	105	54	991
Goodwill	320	428	3,019
Intangible assets	3,710	3,465	35,000
Other	3,053	2,706	28,802
Total	¥183,218	¥173,007	\$1,728,472

The accompanying notes are an integral part of these statements.

Thousands of
U.S. Dollars
(Note 1)

	Millions of Yen		
LIABILITIES	2018	2017	2018
Current liabilities:			
Short-term debt (Note 7)	¥ 3,452	¥ 3,774	\$ 32,566
Current portion of long-term debt (Note 7)	525	329	4,953
Lease obligations (Note 8).....	2	2	19
Trade notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	37	44	349
Other	16,114	15,105	152,019
Electronically recorded obligations	4,714	4,529	44,472
Advances from customers	21,841	18,802	206,047
Accrued income taxes (Note 5)	1,403	1,899	13,236
Provision for bonuses to employees.....	2,471	2,845	23,311
Provision for bonuses to directors.....	83	88	783
Provision for losses on construction contracts	5,957	7,214	56,198
Provision for warranties for completed construction	919	509	8,670
Other current liabilities.....	9,304	8,963	87,773
Total current liabilities.....	66,822	64,103	630,396
Non-current liabilities:			
Long-term debt (Note 7)	435	1,178	4,104
Lease obligations (Note 8)	8	10	75
Deferred tax liabilities (Note 5)	784	451	7,396
Net defined benefit liability (Note 10)	3,145	3,204	29,670
Long-term other accounts payable	179	192	1,689
Asset retirement obligation.....	22	21	208
Other non-current liabilities	1	1	9
Total non-current liabilities.....	4,574	5,057	43,151
Total liabilities.....	71,396	69,160	673,547
NET ASSETS			
Net assets:			
Shareholders' equity (Note 9):			
Common stock:			
Authorized: 300,000,000 shares			
Issued: 93,767,317 shares at March 31, 2018 and 2017	12,534	12,534	118,245
Capital surplus.....	14,569	14,568	137,443
Retained earnings.....	94,381	87,955	890,387
Treasury stock, at cost: 13,053,197 shares at March 31, 2018 and 13,162,003 shares at March 31, 2017	(15,083)	(15,200)	(142,292)
Total shareholders' equity	106,401	99,857	1,003,783
Accumulated other comprehensive income:			
Net unrealized gains on securities	3,215	2,479	30,330
Deferred gains or losses on hedges	(26)	86	(245)
Foreign currency translation adjustments	(8,281)	(8,582)	(78,122)
Remeasurements of defined benefit plans	(944)	(1,276)	(8,906)
Total accumulated other comprehensive income	(6,036)	(7,293)	(56,943)
Stock acquisition rights (Note 19)	61	61	575
Non-controlling interests	11,396	11,222	107,510
Total net assets	111,822	103,847	1,054,925
Total	¥183,218	¥173,007	\$1,728,472

Consolidated Statements of Income

Fujitec Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Net sales	¥168,795	¥167,442	\$1,592,406
Operating costs and expenses:			
Cost of sales (Notes 11 and 12)	133,361	130,578	1,258,123
Selling, general and administrative expenses (Notes 11 and 13)	24,769	24,177	233,670
Total operating costs and expenses	158,130	154,755	1,491,793
Operating income	10,665	12,687	100,613
Other income (expenses):			
Interest and dividend income	1,138	958	10,736
Interest expense	(77)	(63)	(726)
Rent income	154	162	1,453
Loss on abandonment of inventories	(117)	(19)	(1,104)
Litigation expenses	(104)	—	(981)
Foreign currency exchange gain, net	78	(777)	736
Other, net	174	162	1,641
	1,246	423	11,755
Ordinary income	11,911	13,110	112,368
Special items:			
Gain on sales of property, plant and equipment (Note 14)	8	13	75
Gain on sales of investment securities	47	—	443
Gain on sales of investments in capital of subsidiaries and affiliates	46	—	434
Loss on sales and disposal of property, plant and equipment (Note 14)	(80)	(68)	(755)
Impairment loss	(10)	—	(94)
Office transfer expenses	(111)	—	(1,047)
	(100)	(55)	(944)
Profit before income taxes	11,811	13,055	111,424
Income taxes (Note 5):			
Current	2,688	3,517	25,358
Deferred	(200)	(383)	(1,887)
Total income taxes	2,488	3,134	23,471
Profit	9,323	9,921	87,953
Profit attributable to non-controlling interests	466	1,357	4,396
Profit attributable to owners of parent	¥ 8,857	¥ 8,564	\$ 83,557

Per share information (Note 21):	Yen		U.S. Dollars (Note 1)
Net income per share	¥ 109.82	¥ 106.35	\$ 1.04
Diluted net income per share	109.73	106.26	1.04
Cash dividends applicable to the year	35.00	30.00	0.33

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Fujitec Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Profit	¥ 9,323	¥ 9,921	\$ 87,953
Other comprehensive income (Note 3):			
Net unrealized gains on securities	736	507	6,943
Deferred gains or losses on hedges	(134)	103	(1,264)
Foreign currency translation adjustments	650	(4,178)	6,132
Remeasurements of defined benefit plans	332	177	3,132
Other comprehensive income, net	1,584	(3,391)	14,943
Comprehensive income	¥10,907	¥ 6,530	\$102,896
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent.....	10,114	6,117	95,415
Comprehensive income attributable to non-controlling interests.....	793	413	7,481

The accompanying notes are an integral part of these statements.

Consolidated Statements of Change in Net Assets

Fujitec Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

	Thousands	Millions of Yen				
	Number of shares of common stock issued	Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2016	93,767	¥12,534	¥14,566	¥81,822	¥(15,358)	¥ 93,564
Change in treasury shares of parent arising from transactions with non-controlling shareholders			2			2
Cash dividends				(2,431)		(2,431)
Profit attributable to owners of parent				8,564		8,564
Purchase of treasury stock					(0)	(0)
Disposal of treasury stock					158	158
Net change of items other than shareholders' equity						
Balance at April 1, 2017	93,767	12,534	14,568	87,955	(15,200)	99,857
Change in treasury shares of parent arising from transactions with non-controlling shareholders			1			1
Cash dividends				(2,431)		(2,431)
Profit attributable to owners of parent				8,857		8,857
Purchase of treasury stock					(0)	(0)
Disposal of treasury stock					117	117
Net change of items other than shareholders' equity						
Balance at March 31, 2018	93,767	¥12,534	¥14,569	¥94,381	¥(15,083)	¥106,401

	Millions of Yen							
	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total			
Balance at April 1, 2016	¥1,972	¥ —	¥(5,364)	¥(1,453)	¥(4,845)	¥61	¥11,626	¥100,406
Change in treasury shares of parent arising from transactions with non-controlling shareholders								2
Cash dividends								(2,431)
Profit attributable to owners of parent								8,564
Purchase of treasury stock								(0)
Disposal of treasury stock								158
Net change of items other than shareholders' equity	507	86	(3,218)	177	(2,448)	—	(404)	(2,852)
Balance at April 1, 2017	2,479	86	(8,582)	(1,276)	(7,293)	61	11,222	103,847
Change in treasury shares of parent arising from transactions with non-controlling shareholders								1
Cash dividends								(2,431)
Profit attributable to owners of parent								8,857
Purchase of treasury stock								(0)
Disposal of treasury stock								117
Net change of items other than shareholders' equity	736	(112)	301	332	1,257	—	174	1,431
Balance at March 31, 2018	¥3,215	¥ (26)	¥(8,281)	¥ (944)	¥(6,036)	¥61	¥11,396	¥111,822

	Thousands	Thousands of U.S. Dollars (Note 1)				
	Number of shares of common stock issued	Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2017	93,767	\$118,245	\$137,434	\$829,764	\$(143,396)	\$ 942,047
Change in treasury shares of parent arising from transactions with non-controlling shareholders			9			9
Cash dividends				(22,934)		(22,934)
Profit attributable to owners of parent				83,557		83,557
Purchase of treasury stock					(0)	(0)
Disposal of treasury stock					1,104	1,104
Net change of items other than shareholders' equity						
Balance at March 31, 2018	93,767	\$118,245	\$137,443	\$890,387	\$(142,292)	\$1,003,783

	Thousands of U.S. Dollars (Note 1)							
	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total			
Balance at April 1, 2017	\$23,387	\$ 812	\$(80,962)	\$(12,038)	\$(68,801)	\$575	\$105,868	\$ 979,689
Change in treasury shares of parent arising from transactions with non-controlling shareholders								9
Cash dividends								(22,934)
Profit attributable to owners of parent								83,557
Purchase of treasury stock								(0)
Disposal of treasury stock								1,104
Net change of items other than shareholders' equity	6,943	(1,057)	2,840	3,132	11,858	—	1,642	13,500
Balance at March 31, 2018	\$30,330	\$ (245)	\$(78,122)	\$ (8,906)	\$(56,943)	\$575	\$107,510	\$1,054,925

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Fujitec Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

Thousands of
U.S. Dollars
(Note 1)

	Millions of Yen		
	2018	2017	2018
Cash flows from operating activities:			
Profit before income taxes	¥11,811	¥13,055	\$111,424
Depreciation and amortization	2,915	2,751	27,500
Increase (decrease) in allowance for doubtful accounts	243	282	2,292
Increase (decrease) in provision for bonuses to employees	(374)	(296)	(3,528)
Increase (decrease) in provision for losses on construction contracts	(1,254)	490	(11,830)
Interest and dividends income	(1,138)	(958)	(10,736)
Interest expense	77	63	726
Decrease (increase) in trade notes and accounts receivable	(2,088)	(701)	(19,698)
Decrease (increase) in inventories	(734)	(962)	(6,925)
Increase (decrease) in trade notes and accounts payable	691	2,575	6,519
Increase (decrease) in advances from customers	2,538	(95)	23,943
Loss (gain) on sales and retirement of property, plant and equipment	72	55	680
Increase (decrease) in net defined benefit liability	325	515	3,066
Other, net	1,909	1,065	18,010
Sub-total	14,993	17,839	141,443
Payment of income taxes	(3,123)	(3,479)	(29,462)
Net cash provided by operating activities	11,870	14,360	111,981
Cash flows from investing activities:			
Decrease (increase) in time deposits, net	(1,288)	(3,729)	(12,151)
Acquisitions of property, plant and equipment	(2,973)	(3,610)	(28,047)
Proceeds from sales of property, plant and equipment	18	17	170
Purchase of investment securities	(1,233)	(1)	(11,632)
Purchase of intangible assets	(541)	(320)	(5,104)
Collection of loans receivable	142	156	1,340
Interest and dividend income received	1,159	1,065	10,934
Payments for sales of investments in capital of subsidiaries resulting in change in scope of consolidation	(48)	—	(453)
Other, net	(582)	(535)	(5,491)
Net cash used in investing activities	(5,346)	(6,957)	(50,434)
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	(400)	(3,631)	(3,774)
Proceeds from long-term debt	—	708	—
Repayment of long-term debt	(505)	(677)	(4,764)
Purchase of treasury stock	(0)	(0)	(0)
Payment of interest	(69)	(48)	(651)
Cash dividends paid	(2,432)	(2,431)	(22,943)
Cash dividends paid to non-controlling interests	(609)	(844)	(5,745)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(6)	(10)	(57)
Other, net	163	176	1,538
Net cash used in financing activities	(3,858)	(6,757)	(36,396)
Effect of exchange rate changes on cash and cash equivalents	467	(1,569)	4,406
Net increase in cash and cash equivalents	3,133	(923)	29,557
Cash and cash equivalents at beginning of year	20,910	21,833	197,264
Cash and cash equivalents at end of year (Note 15)	¥24,043	¥20,910	\$226,821

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Fujitec Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

1. Basis of Presentation

The accompanying consolidated financial statements of Fujitec Co., Ltd. (the “Company”) and its consolidated subsidiaries are restructured and translated into English from the consolidated financial statements issued domestically, prepared in accordance with accounting principles generally accepted in Japan and filed with the Financial Services Agency, as required by the Financial Instruments and Exchange Act of Japan. For the purpose of this Annual Report, certain reclassifications have been made to present the accompanying financial statements in a form more familiar to readers outside Japan.

U.S. dollar amounts, included in the accompanying consolidated financial statements solely for the convenience of readers, have been arithmetically translated from all yen amounts on a basis of ¥106=\$1, the prevailing exchange rate as of March 31, 2018. The translation should not be construed as a representation that yen could be converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(A) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The consolidated financial statements as of March 31, 2018 and 2017 include the accounts of the Company and the following 18 (19 as of March 31, 2017) significant subsidiaries (together the “Companies”).

Fujitec America, Inc. (U.S.A.)
Fujitec Canada, Inc. (Canada)
Fujitec UK Ltd. (United Kingdom)
Fujitec Singapore Corp. Ltd. (Singapore)
FSP Pte. Ltd. (Singapore)
P.T. Fujitec Indonesia (Indonesia)
Fujitec (Malaysia) Sdn. Bhd. (Malaysia)
Fujitec Holdings Sdn. Bhd. (Malaysia)
Fujitec M&E Sdn. Bhd. (Malaysia)
Fujitec India Private Ltd. (India)
Fujitec Lanka (Private) Ltd. (Sri Lanka)
Huasheng Fujitec Elevator Co., Ltd. (China)
Shanghai Huasheng Fujitec Escalator Co., Ltd. (China)
Fujitec Shanghai Sourcing Center Co., Ltd. (China)
Fujitec (HK) Co., Ltd. (Hong Kong)
Rich Mark Engineering Limited (Hong Kong)
Fujitec Taiwan Co., Ltd. (Taiwan)
Fujitec Korea Co., Ltd. (Korea)

The Company transferred its entire holding in Fujitec Deutschland GmbH (Germany) on February 15, 2018.

The unconsolidated subsidiaries, which are “Fujitec Argentina S.A.,” etc., are small in scale and have no material impact on the consolidated financial statements in terms of total assets, net sales, net income (amount corresponding to equity) and retained earnings (amount corresponding to equity). Therefore, they are excluded from the scope of consolidation.

The company has no unconsolidated subsidiaries and affiliates accounted for under the equity method. The unconsolidated subsidiaries not accounted for under the equity method have no material impact on the consolidated financial statements in terms of net income (amount corresponding to equity) and retained earnings (amount corresponding to equity), and are immaterial as a whole. Therefore, they are excluded from the application of the equity method.

The closing date of the above consolidated subsidiaries is December 31.

In preparing the consolidated financial statements, using consolidated subsidiaries’ accounts based on their own closing dates, the necessary adjustments have been made for the significant intercompany transactions incurred from the consolidated subsidiaries’ closing date to the consolidated balance sheet date.

All significant intercompany transactions and accounts have been eliminated. Investments in unconsolidated subsidiaries (more than 50% owned) and affiliates (20% to 50% owned) are carried at cost due to their immateriality as a whole. If a decline in value below the cost of an individual security is judged to be material, and other than temporary, the carrying value of the individual security is written down.

(B) Translation of foreign currency transactions

Every monetary asset and liability denominated in foreign currency is translated into Japanese yen at the rate of exchange in effect at each individual balance sheet date, and the resulting exchange gains or losses are recognized in the consolidated statements of income.

(C) Translation of consolidated foreign subsidiaries' accounts

All assets and liabilities of foreign consolidated subsidiaries are translated into Japanese yen at the exchange rates in effect at their balance sheet date. When a significant change in the exchange rates occurs between the foreign consolidated subsidiaries' balance sheet date and the consolidated balance sheet date, their assets and liabilities are translated into Japanese yen at the exchange rates in effect at the consolidated balance sheet date. The items of shareholders' equity are translated at the historical rates at the dates of acquisition, and profit and loss accounts are translated into Japanese yen at the annual average rates.

Any resulting foreign currency translation differences are shown as "Foreign currency translation adjustments" and "Non-controlling interests" in a separate component of net assets.

(D) Cash and cash equivalents

Cash and cash equivalents on the consolidated statements of cash flows are composed of cash on hand, deposits on demand placed at banks and highly liquid investments with insignificant risk of changes in value which have maturities of three months or less when purchased.

(E) Investments in securities

The Companies classify their securities into equity investments in unconsolidated subsidiaries and affiliates, or other securities that are not classified in any of the above categories.

Investments in unconsolidated subsidiaries and affiliates are valued at cost, as determined by the moving-average method.

Marketable equity securities and debt securities not classified as held-to-maturity are classified as other securities.

Other securities with a fair market value are stated at fair value with unrealized gains and losses, net of tax, reported as a separate component of net assets. Realized gains and losses, and significant declines in value judged to be other than temporary on those securities, are charged to income.

Other securities without a fair market value are stated at cost, as determined by the moving-average method.

Realized gains and losses on the sale of other securities are computed using the moving-average method.

(F) Inventories

Inventories are generally stated at cost determined by the specific identification method or the moving-average method.

(Balance sheet amounts are written down based on any decline in profitability.)

(G) Property, plant and equipment and depreciation (except for leased assets)

Property, plant and equipment, including significant renewals and additions, are stated at cost.

Depreciation is mainly computed by the declining-balance method. A part of the foreign consolidated subsidiaries uses the straight-line method.

Buildings (except for accompanying facilities) of the Company which were acquired on or after April 1, 1998 are depreciated by the straight-line method, while the depreciation for buildings was computed by the declining-balance method until the year ended March 31, 1998.

Furthermore, facilities attached to buildings and structures of the Company which were acquired on or after April 1, 2016 are depreciated by the straight-line method, while the depreciation for facilities attached to buildings and structures was computed by the declining-balance method until the year ended March 31, 2016.

The estimated useful life for depreciation:

Buildings and structures: 3 to 50 years

Machinery, vehicles, tools, furniture and fixtures: 2 to 20 years

(H) Goodwill and other intangible assets (except for leased assets)

Goodwill is amortized on a straight-line basis over a period of 20 years for consolidation.

Other intangible assets are stated at cost determined by the straight-line method. Own-use software is stated at cost determined by the straight-line method over its estimated useful life (5 years).

(I) Impairment of long-lived assets

The Company has adopted the Japanese accounting standard "Accounting Standard for Impairment of Fixed Assets" and evaluates the carrying value of long-lived assets to be held for use in the business. If the carrying value of a long-lived asset is impaired, a loss is recognized based on the amount by which the carrying value exceeds its recoverable amount. The recoverable amount is the higher of the net selling price or the value in use of the assets, which is determined as the discounted cash flows generated from continuing use of the individual asset or the asset's group.

(J) Income taxes

Income taxes comprise corporate income tax, inhabitant tax and enterprise tax. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases.

(K) Provisions

(1) Allowance for doubtful accounts

An allowance for doubtful accounts is stated to provide against the bad debt loss of trade notes and accounts receivable and loans receivable, etc. An allowance for general receivables is calculated by the percentage-of-receivables method, and doubtful receivables are estimated by analysis of specific individual receivables.

(2) Provision for bonuses to employees

Provision for bonuses to employees is calculated on an accrual basis for the financial year on the expected amount to be paid to the employees.

(3) Provision for bonuses to directors

Provision for bonuses to directors is calculated on an accrual basis for the financial year on the expected amount to be paid to the directors.

(4) Provision for losses on construction contracts

When it is estimated reliably that the total construction costs will exceed total construction revenue, an estimated loss on the contract is recognized by providing for losses on construction contracts.

(5) Provision for warranties for completed construction

Provision for warranties for completed construction is recognized at an estimated amount of compensation to be incurred in the future for completed construction.

(L) Accounting method for retirement benefits

Net defined benefit liability is provided for employees' retirement benefits by deducting the pension assets from the retirement benefit obligations, based on estimated balances at the end of the current consolidated fiscal year.

(1) Period allocation method for the estimated retirement benefit amount

Retirement benefit obligations are calculated by allocating the estimated retirement benefit amount until the end of the current consolidated fiscal year on a benefit formula basis.

(2) Amortization of actuarial gains and losses and prior service costs

Unrecognized actuarial gains or losses are amortized beginning in the following consolidated fiscal year by the straight-line method over a specified number of years (10 years) within the average remaining service period of employees at the time the difference arose.

Prior service costs are amortized by the straight-line method over a specified number of years (10 years) within the average remaining service period of employees at the time the cost was incurred.

For certain consolidated subsidiaries, a simplified method is applied for the calculation of net defined benefit liability and retirement benefit expenses in which the necessary retirement benefit provisions for voluntary resignations at the end of the consolidated fiscal year are recorded as retirement benefit obligations.

(M) Derivative and hedging activities

(1) Basis and method for valuation of derivatives

The Company applies the market value method.

(2) Method of hedge accounting

Hedging activities are principally accounted for under the deferred hedge accounting. Special accounting is applied to interest rate swap contracts that fulfill the requirements of special accounting method. Hedge accounting is not applied to foreign currency forward contracts of some consolidated subsidiaries.

(3) Hedging instruments and hedged items

(Hedging instruments) Interest rate swap contracts

Foreign currency forward contracts

(Hedged items) Debts payable

Forecasted transactions denominated in foreign currencies and deposits

(4) Hedging policies

Derivative transactions are made for the purpose of hedging risks in the respective financial departments. The fluctuation risk in interest rates related to the hedged item and the market fluctuation risk in foreign currency exchange rates are hedged against within a certain range.

(5) Evaluation of hedge effectiveness

The Company compares cumulative cash flow variations for hedged items and hedging instruments with market fluctuation semi-annually and assesses the effectiveness of hedges based on the amounts of variation in both cases. However, evaluation of hedge effectiveness is not conducted for interest rate swaps that meet the requirements for special accounting.

(N) Leases

Finance leases, other than those which are deemed to transfer the ownership of leased assets to the lessee, are accounted for in a way similar to purchases, and depreciation for lease assets is computed using the straight-line method with zero residual value over the lease term.

(O) Revenue recognition

The Company applies the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. Otherwise, the completed-contract method is applied. The percentage of construction progress is estimated based on the percentage of the cost incurred to the estimated total cost.

Generally, foreign subsidiaries record income from construction contracts using the percentage-of-completion method.

Maintenance services not covered by warranty are provided on a fee basis and revenues from such services are included in net sales.

Currently, the Company and its foreign subsidiaries recognize the total estimated loss when estimates indicate that a loss will be incurred on a contract.

(P) Research and development costs

Research and development costs are charged against income as incurred.

(Q) Net income and cash dividends per share

Net income per share of common stock is computed by net income available to common shareholders divided by the weighted-average number of shares of common stock outstanding during each year.

Diluted net income per share assumes the dilution that would occur if stock acquisition rights were exercised.

Cash dividends per share represent actual amounts applicable to the respective years for which the dividends were proposed by the Board of Directors of the Company. Dividends are charged to retained earnings in the year in which they are paid.

(R) Reclassification of accounts

Certain reclassifications have been made in the 2017 financial statements to conform to the presentation in 2018.

(S) Consumption taxes

Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.

(T) Accounting standards issued but not yet effective

Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28 revised on February 16, 2018) and Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 revised on February 16, 2018)

(1) Summary

Implementation Guidance revised the accounting treatment of future taxable temporary difference pertaining to subsidiaries' shares, etc., in non-consolidated financial statements and clarified some accounting treatment of recoverability of deferred tax assets.

(2) Effective dates

The Company intends to adopt this accounting standard and guidance from the beginning of the consolidated fiscal year ending March 31, 2019.

(3) Impact of adoption of the standard and guidance

The impact of adopting this accounting standard and guidance is currently under evaluation.

Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued on March 30, 2018) and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30 issued on March 30, 2018)

(1) Summary

Accounting Standard is the comprehensive accounting standards on revenue recognition. Revenue recognition is applied using the following five steps:

- 1) Identify the contracts with customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price to the performance obligations in the contract
- 5) Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Effective dates

The Company intends to adopt this accounting standard and guidance from the beginning of the consolidated fiscal year ending March 31, 2022.

(3) Impact of adoption of the standard and guidance

The impact of adopting this accounting standard and guidance is currently under evaluation.

(U) Changes in presentation

Consolidated statements of cash flows

In the fiscal year under review, "Purchase of investment securities," which was included in "Other, net" under "Cash flows from investing activities," is separately presented due to its increased significance. Items in the consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in the presentation.

Consequently, minus ¥536 million that was presented in "Other, net" under "Cash flows from investing activities" in the previous fiscal year has been reclassified to "Purchase of investment securities" of minus ¥1 million and "Other, net" of minus ¥535 million.

(V) Additional information

Transactions to transfer the Company's shares to the employees through a trust

To enhance employee benefits and welfare, the Company conducts the transactions of delivering its own shares to the employee shareholding association through a trust.

(1) Outline of the transactions

The Company established a trust on September 25, 2013, beneficiaries of which shall be employees who belong to "Fujitec's Employee Shareholding Association (the "Association") and meet certain requirements. The trust will, within a time period to be fixed in advance, purchase a certain number of the Company's shares, which the Association is expected to purchase for six years from September 2013. Subsequently, the trust will sell those shares to the Association each month at a certain fixed date.

(2) The Company's shares remaining in the trust

The Company's shares remaining in the trust are recorded as treasury stock under net assets through the book value (excluding associated costs) in the trust. The book value and number of treasury stock in the trust as of March 31, 2018 and 2017 were ¥373 million (US\$3,519 thousand) and 346 thousand shares, and ¥491 million and 455 thousand shares, respectively.

(3) The book value of loans recorded using the gross price method as of March 31, 2018 and 2017 was ¥220 million (US\$2,076 thousand) and ¥396 million, respectively.

3. Other Comprehensive Income

Reclassification adjustments and tax effect of each component of other comprehensive income for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Net unrealized gains on securities:			
Arising during the fiscal year	¥1,103	¥ 722	\$10,405
Reclassification adjustment.....	(47)	—	(443)
Sub-total, before tax.....	1,056	722	9,962
Tax effect	(320)	(215)	(3,019)
Net unrealized gains on securities	736	507	6,943
Deferred gains or losses on hedges:			
Arising during the fiscal year	(133)	101	(1,255)
Reclassification adjustment.....	(1)	2	(9)
Sub-total, before tax	(134)	103	(1,264)
Tax effect	—	—	—
Deferred gains or losses on hedges	(134)	103	(1,264)
Foreign currency translation adjustments:			
Arising during the fiscal year	607	(4,178)	5,726
Reclassification adjustment	43	—	406
Sub-total, before tax	650	(4,178)	6,132
Tax effect	—	—	—
Foreign currency translation adjustments.....	650	(4,178)	6,132
Remeasurements of defined benefit plans:			
Arising during the fiscal year	110	(109)	1,038
Reclassification adjustment	369	365	3,481
Sub-total, before tax	479	256	4,519
Tax effect	(147)	(79)	(1,387)
Remeasurements of defined benefit plans	332	177	3,132
Total other comprehensive income	¥1,584	¥ (3,391)	\$14,943

4. Investment Securities

Available-for-sales securities at March 31, 2018 and 2017 are summarized as follows:

	Millions of Yen							
	2018				2017			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Estimated fair value)	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Estimated fair value)
Equity securities	¥4,614	¥4,603	¥22	¥9,195	¥3,510	¥3,694	¥169	¥7,035
Other	100	—	0	100	—	—	—	—
Total.....	¥4,714	¥4,603	¥22	¥9,295	¥3,510	¥3,694	¥169	¥7,035

	Thousands of U.S. Dollars (Note1)			
	2018			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Estimated fair value)
Equity securities	\$43,528	\$43,425	\$207	\$86,746
Other	943	—	0	943
Total.....	\$44,471	\$43,425	\$207	\$87,689

The carrying amounts of equity securities whose fair value is not readily determinable are ¥113 million (US\$1,066 thousand) and ¥123 million for the years ended March 31, 2018 and 2017, respectively.

5. Income Taxes

The Company is subject to corporate income tax, inhabitant tax and enterprise tax, based on income which, in the aggregate, indicates a normal statutory tax rate of approximately 30.86% for the years ended March 31, 2018 and 2017. Income tax rates of the consolidated foreign subsidiaries range from 16.5% to 34.0% for the years ended March 31, 2018 and 2017.

(1) The major components of deferred tax assets and liabilities at March 31, 2018 and 2017 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Deferred tax assets:			
Net defined benefit liability	¥ 818	¥ 854	\$ 7,717
Provision for bonuses to employees.....	608	588	5,736
Provision for losses on construction contracts	1,550	1,796	14,623
Allowance for doubtful accounts	567	710	5,349
Tax loss carryforwards	2,509	3,781	23,670
Other	1,573	1,296	14,840
Total deferred tax assets	7,625	9,025	71,935
Less: valuation allowance	(3,362)	(4,784)	(31,717)
Total deferred tax assets	4,263	4,241	40,218
Deferred tax liabilities:			
Unrealized gains on securities.....	(1,365)	(1,045)	(12,877)
Dividends income received from subsidiaries	(38)	(39)	(358)
Other	(214)	(277)	(2,019)
Total deferred tax liabilities.....	(1,617)	(1,361)	(15,255)
Net deferred tax assets.....	¥ 2,646	¥ 2,880	\$ 24,963

Net deferred tax assets and liabilities presented in the consolidated balance sheets at March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Current assets—Deferred tax assets.....	¥3,325	¥3,277	\$31,368
Other assets—Deferred tax assets.....	105	54	991
Current liabilities—Deferred tax liabilities	—	—	—
Non-current liabilities—Deferred tax liabilities	(784)	(451)	(7,396)
Net deferred tax assets	¥2,646	¥2,880	\$24,963

(2) A reconciliation between the Company's statutory tax rate and the effective tax rate at March 31, 2018 and 2017 is as follows:

	2018	2017
Statutory tax rate	30.86%	30.86%
Non-deductible expenses	0.29	0.25
Valuation allowance for deferred tax assets	0.14	0.94
Per capita inhabitant tax	1.08	0.95
Net loss of consolidated subsidiaries	(3.64)	(1.05)
Effect of foreign tax rate differences	(6.12)	(5.33)
Difference of change in tax rate	(0.17)	—
Other.....	(1.38)	(2.61)
Effective tax rate	21.06%	24.01%

6. Contingent Liabilities

Contingent liabilities at March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Trade notes receivable discounted.....	¥135	¥43	\$1,274
Guarantees of bank loan in unconsolidated subsidiary.....	¥ 1	¥23	\$ 9

7. Short-term Debt and Long-term Debt

(1) Short-term debt at March 31, 2018 and 2017 consists of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Loans, mainly from banks at weighted-average interest rates of 1.19% in 2018 and 0.68% in 2017	¥3,452	¥3,774	\$32,566

(2) Long-term debt at March 31, 2018 and 2017 consists of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Loans, mainly from banks and insurance companies due through 2020 at weighted-average interest rates of 1.99% in 2018 and 1.74% in 2017 for current portion of long-term debt, and 1.77% in 2018 and 1.91% in 2017 for long-term debt, respectively..	¥960	¥1,507	\$9,057
	960	1,507	9,057
Less: portion due within one year	525	329	4,953
	¥435	¥1,178	\$4,104

(3) The aggregate annual maturities of long-term debt outstanding as of March 31, 2018 are as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 1)
2019.....	¥525	\$4,953
2020.....	215	2,028
Total	¥740	\$6,981

Notes: (1) Long-term debt for the ESOP in the amount of ¥220 million (US\$2,076 thousand) is excluded from the total amounts.

(2) As of March 31, 2018, the following assets and liabilities are pledged as collateral for transactions with a bank:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Buildings and structures (at net book value).....	¥2,561	¥2,451	\$24,160
Machinery, vehicles, tools, furniture and fixtures (at net book value)	110	136	1,038
Land.....	280	257	2,642
	2,951	2,844	27,840
Short-term debt.....	¥ 190	¥ 469	\$ 1,792

8. Leases

(1) The amounts related to finance lease assets at March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Machinery and equipment:			
Acquisition costs.....	¥15	¥15	\$142
Accumulated depreciation	(6)	(4)	(57)
Book value	¥ 9	¥11	\$ 85
Future minimum lease payments:			
Due within one year	¥ 2	¥ 2	\$ 19
Due after one year	8	10	75
Total	¥10	¥12	\$ 94

The acquisition costs and future minimum lease payments under finance leases include imputed interest expense.

(2) The amounts related to non-cancellable operating lease assets at March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Future minimum lease payments:			
Due within one year	¥227	¥205	\$2,142
Due after one year	459	600	4,330
Total	¥686	¥805	\$6,472

9. Shareholders' Equity

Under the Corporate Law of Japan (the "Companies Act"), the entire amount paid for new shares must be designated as common stock. However, a company may, by resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital.

The Companies Act provides that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital, depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions by resolution of the shareholders.

(1) Issued shares

Increase and decrease in issued shares for the years ended March 31, 2018 and 2017 are summarized as follows:

Type of share	Number of shares (Thousands)			
	2018			
	April 1, 2017	Increase	Decrease	March 31, 2018
Common stock	93,767	—	—	93,767

Type of share	Number of shares (Thousands)			
	2017			
	April 1, 2016	Increase	Decrease	March 31, 2017
Common stock	93,767	—	—	93,767

(2) Treasury Stock

Increase and decrease in treasury stock for the years ended March 31, 2018 and 2017 are summarized as follows:

Type of share	Number of shares (Thousands)			
	2018			
	April 1, 2017	Increase	Decrease	March 31, 2018
Common stock*1	13,162	0	109	13,053

Type of share	Number of shares (Thousands)			
	2017			
	April 1, 2016	Increase	Decrease	March 31, 2017
Common stock*2	13,308	0	146	13,162

*1 The decrease in the number of shares of treasury stock of 109 thousand shares is due to sales of shares by the ESOP Trust supporting the employee shareholding association to the Company's employees shareholding association.

*2 The decrease in the number of shares of treasury stock of 146 thousand shares is due to sales of shares by the ESOP Trust supporting the employee shareholding association to the Company's employees shareholding association.

The Company resolved at its Board of Directors' Meeting on May 11, 2018 to cancel a portion of its treasury stock pursuant to Article 178 of the Companies Act of Japan but the procedure of cancellation for the following treasury stock was not completed at the year ended March 31, 2018.

- a) Type of stock: Shares of common stock
- b) Number of shares: 3,700,317 shares

(3) Stock acquisition rights

Increase and decrease in stock acquisition rights for the years ended March 31, 2018 and 2017 are summarized as follows:

			2018					
			Number of Shares (Thousands)				Millions of Yen	Thousands of U.S. Dollars (Note 1)
Company name	Breakdown	Type of share	April 1, 2017	Increase	Decrease	March 31, 2018	Ended balance	Ended balance
Fujitec Co., Ltd.	Stock aquisition rights as stock options resolved by Board of Directors' meeting on November 8, 2013	—	—	—	—	—	¥36	\$339
Fujitec Co., Ltd.	Stock aquisition rights as stock options resolved by Board of Directors' meeting on August 7, 2014	—	—	—	—	—	¥20	\$189
Fujitec Co., Ltd.	Stock aquisition rights as stock options resolved by Board of Directors' meeting on August 7, 2015	—	—	—	—	—	¥ 5	\$ 47
Total			—	—	—	—	¥61	\$575

			2017				
			Number of Shares (Thousands)				Millions of Yen
Company name	Breakdown	Type of share	April 1, 2016	Increase	Decrease	March 31, 2017	Ended balance
Fujitec Co., Ltd.	Stock aquisition rights as stock options resolved by Board of Directors' meeting on November 8, 2013	—	—	—	—	—	¥36
Fujitec Co., Ltd.	Stock aquisition rights as stock options resolved by Board of Directors' meeting on August 7, 2014	—	—	—	—	—	¥20
Fujitec Co., Ltd.	Stock aquisition rights as stock options resolved by Board of Directors' meeting on August 7, 2015	—	—	—	—	—	¥ 5
Total			—	—	—	—	¥61

(4) Dividends

(A) Dividends paid for the years ended March 31, 2018 and 2017 are as follows:

2018							
Resolution	Type of share	Total dividends		Dividends per share		Recorded date	Effective date
		Millions of Yen	Thousands of U.S. Dollars (Note 1)	Yen	U.S. Dollars (Note 1)		
Annual Meeting of Shareholders on June 22, 2017 ^{*1}	Common stock	¥1,215	\$11,462	¥15.00	\$0.14	March 31, 2017	June 23, 2017
Board of Directors' Meeting on November 10, 2017 ^{*2}	Common stock	¥1,215	\$11,462	¥15.00	\$0.14	September 30, 2017	December 1, 2017

*1 Total dividends resolved at Annual Meeting of Shareholders on June 22, 2017 includes dividends of ¥6 million (US\$57 thousand) on the Company's shares held by the ESOP Trust Supporting Employee Shareholding Association.

*2 Total dividends resolved at Board of Directors' Meeting on November 10, 2017 includes dividends of ¥5 million (US\$47 thousand) on the Company's shares held by the ESOP Trust Supporting Employee Shareholding Association.

2017					
Resolution	Type of share	Total dividends	Dividends per share	Recorded date	Effective date
		Millions of Yen	Yen		
Annual Meeting of Shareholders on June 23, 2016 ^{*1}	Common stock	¥1,215	¥15.00	March 31, 2016	June 24, 2016
Board of Directors' Meeting on November 10, 2016 ^{*2}	Common stock	¥1,215	¥15.00	September 30, 2016	December 1, 2016

*1 Total dividends resolved at Annual Meeting of Shareholders on June 23, 2016 includes dividends of ¥9 million on the Company's shares held by the ESOP Trust Supporting Employee Shareholding Association.

*2 Total dividends resolved at Board of Directors' Meeting on November 10, 2016 includes dividends of ¥7 million on the Company's shares held by the ESOP Trust Supporting Employee Shareholding Association.

(B) Dividends with a record date for the years ended March 31, 2018 and 2017, payable in the following fiscal year are as follows:

2018								
Resolution	Type of share	Resource of dividends	Total dividends		Dividends per share		Recorded date	Effective date
			Millions of Yen	Thousands of U.S. Dollars (Note 1)	Yen	U.S. Dollars (Note 1)		
Annual Meeting of Shareholders on June 22, 2018 ^{*1,2}	Common stock	Retained earnings	¥1,621	\$15,292	¥20.00	\$0.19	March 31, 2018	June 25, 2018

*1 Total dividends include dividends of ¥6 million (US\$57 thousand) on the Company's shares held by the ESOP Trust Supporting Employee Shareholding Association.

*2 Dividends per shares include the 70th anniversary dividends of ¥5.

2017						
Resolution	Type of share	Resource of dividends	Total dividends	Dividends per share	Recorded date	Effective date
			Millions of Yen	Yen		
Annual Meeting of Shareholders on June 22, 2017 [*]	Common stock	Retained earnings	¥1,215	¥15.00	March 31, 2017	June 23, 2017

* Total dividends include dividends of ¥6 million on the Company's shares held by the ESOP Trust Supporting Employee Shareholding Association.

10. Retirement Benefits

The Company and its consolidated subsidiaries adopt funded and non-funded defined benefit plans, and defined contribution plans, which cover substantially all employees.

The Company adopts defined benefit pension plans and lump-sum severance payment plans. Its consolidated subsidiaries adopt mainly lump-sum severance payment plans and defined contribution pension plans.

Certain consolidated subsidiaries calculate net defined benefit liability and retirement benefit expenses using the simplified accounting method.

1. Defined benefit plans

(1) Changes to the balance of retirement benefit obligations at the beginning and end of the period as of March 31, 2018 and 2017 (except adoption of the simplified accounting method)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Beginning balance of retirement benefit obligations.....	¥13,776	¥13,242	\$129,962
Service cost.....	942	905	8,887
Interest cost	36	35	340
Actuarial gains and losses.....	133	139	1,254
Retirement benefits paid	(762)	(545)	(7,189)
Other.....	(24)	(0)	(226)
End balance of retirement benefit obligations	¥14,101	¥13,776	\$133,028

(2) Changes to the balance of pension assets at the beginning and end of the period as of March 31, 2018 and 2017 (except adoption of the simplified accounting method)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Beginning balance of pension assets.....	¥11,512	¥11,129	\$108,604
Expected return on plan assets.....	230	222	2,170
Actuarial gains and losses.....	243	28	2,292
Employer contribution	496	492	4,679
Retirement benefits paid	(418)	(359)	(3,943)
End balance of pension assets	¥12,063	¥11,512	\$113,802

(3) Changes to the balance of net defined benefit liability at the beginning and end of the period as of March 31, 2018 and 2017 (only adoption of the simplified accounting method)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Beginning balance of net defined benefit liability	¥ 951	¥884	\$ 8,972
Retirement benefit expenses.....	171	170	1,613
Retirement benefits paid	(98)	(65)	(925)
Other.....	91	(49)	858
End balance of net defined benefit liability	¥1,115	¥940	\$10,518

(4) Changes to the balance of retirement benefit obligations and pension assets at the end of the period as of March 31, 2018 and 2017, and net defined benefit liability and asset recorded in the consolidated balance sheets (included adoption of the simplified accounting method)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Funded retirement benefit obligations.....	¥ 11,439	¥ 11,077	\$ 107,915
Pension assets	(12,063)	(11,512)	(113,802)
	(624)	(435)	(5,887)
Non-funded retirement benefit obligations.....	3,769	3,639	35,557
Net liabilities and assets recorded in the consolidated balance sheets.....	3,145	3,204	29,670
Net defined benefit liability	3,145	3,204	29,670
Net defined benefit asset	—	—	—
Net liabilities and assets recorded in the consolidated balance sheets	¥ 3,145	¥ 3,204	\$ 29,670

(5) Retirement benefit expenses and the breakdown of amounts

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Service cost	¥ 942	¥ 905	\$ 8,887
Interest cost	36	35	340
Expected return on plan assets	(230)	(222)	(2,170)
Amortization of actuarial gains and losses	367	365	3,462
Amortization of prior service costs	2	2	19
Retirement benefit expenses calculated by the simplified accounting method	130	170	1,226
Retirement benefit expenses under defined benefit plans	¥1,247	¥1,255	\$11,764

(6) Remeasurements of defined benefit plans

The breakdown of items recorded in remeasurements of defined benefit plans (before deduction of tax effects) as of March 31, 2018 and 2017 is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Prior service costs	¥ 2	¥ 2	\$ 19
Actuarial gains and losses	477	254	4,500
Total	¥479	¥256	\$4,519

(7) Accumulated remeasurements of defined benefit plans

The breakdown of items recorded in accumulated remeasurements of defined benefit plans (before deduction of tax effects) as of March 31, 2018 and 2017 is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Unrecognized prior service costs	¥ 7	¥ 9	\$ 66
Unrecognized actuarial gains and losses	1,353	1,830	12,764
Total	¥1,360	¥1,839	\$12,830

(8) Items related to pension assets

(A) Breakdown of main items

Ratio for each main classification for total pension assets

	2018	2017
Bonds	54%	55%
Equity securities	27	26
General accounts	10	10
Other	9	9
Total	100%	100%

(B) Method for determining expected long-term rate of return

In determining the expected long-term rate of return, the Company considers current and expected distributions of pension assets and the current and expected long-term rate of return from the various assets composed of pension assets.

(9) Items related to the basis for actuarial calculation

Main basis for actuarial calculation as of March 31, 2018 and 2017 is as follows:

	2018	2017
Discount rate	0.2%	0.2%
Expected long-term rate of return	2.0%	2.0%

2. Defined contribution plans

Required contributions to defined contribution plans by the Company and its consolidated subsidiaries for the years ended March 31, 2018 and 2017 are ¥93 million (US\$877 thousand) and ¥90 million, respectively.

11. Research and Development Costs

Research and development costs included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2018 and 2017 are ¥2,323 million (US\$21,915 thousand) and ¥2,302 million, respectively.

12. Provision for Losses on Construction Contracts

Provision for losses on construction contracts included in cost of sales for the years ended March 31, 2018 and 2017 are ¥3,125 million (US\$29,481 thousand) and ¥5,054 million, respectively.

13. Selling, General and Administrative Expenses

Primary selling, general and administrative expenses for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Salaries and allowances.....	¥9,242	¥9,060	\$87,189
Provision for bonuses	1,142	1,299	10,774
Provision for directors' bonuses.....	83	88	783
Retirement benefit expenses.....	588	559	5,547
Provision of allowance for doubtful accounts	223	416	2,104

14. Gain or Loss on Sales and Disposal of Property, Plant and Equipment

(1) Details of gain on sales of property, plant and equipment for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Machinery and vehicles	¥3	¥13	\$28
Tools, furniture and fixtures	5	0	47
Total.....	¥8	¥13	\$75

(2) Details of loss on sales of property, plant and equipment for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Machinery and vehicles	¥0	¥1	\$0
Tools, furniture and fixtures	0	0	0
Total.....	¥0	¥1	\$0

(3) Details of loss on disposal of property, plant and equipment for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Buildings and structures	¥53	¥ 9	\$500
Machinery and vehicles	19	52	180
Tools, furniture and fixtures	7	6	66
Intangible assets.....	1	—	9
Total.....	¥80	¥67	\$755

15. Cash and Cash Equivalents

The reconciliation between cash and cash equivalents in the consolidated statements of cash flows and cash and deposits in the consolidated balance sheets at March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Cash and deposits.....	¥ 49,856	¥ 45,749	\$ 470,340
Time deposits with original maturities exceeding three months	(25,813)	(24,839)	(243,519)
Cash and cash equivalents.....	¥ 24,043	¥ 20,910	\$ 226,821

16. Segment Information

(1) Description of reporting segments

The Companies' reporting segments are components for which separate financial information is available, and whose operating results are reviewed regularly by the chief operating decision maker in order for the Board of Directors to determine allocation of resources and assess segment performance.

The Companies mainly manufacture, sell, install and maintain elevators and escalators. The Company takes charge of the domestic market, and overseas, each of the independent local subsidiaries is responsible for markets in North America (U.S.A. and Canada), Europe (United Kingdom and Germany), South Asia (mainly Singapore) and East Asia (China, Hong Kong, Taiwan and Korea). Each regional business unit develops comprehensive strategies for selling products and operating its business.

Therefore, the Fujitec Group is composed of regional segments based on the consistent system of manufacturing, sales, installation and maintenance, and has five reporting segments: Japan, North America, Europe, South Asia and East Asia.

(2) Methods of measurement for sales, profit (loss), assets and other items for reporting segments

The amount of segment profit (loss) corresponds to its operating income. Intersegment sales and transfer prices are calculated mainly based on market value or manufacturing cost.

(3) Information on amounts of sales, profit (loss), assets and other items by reporting segment for the years ended March 31, 2018 and 2017 is summarized as follows:

Millions of Yen								
2018								
	Reporting Segment						Reconciliations	Consolidated
	Japan	North America	Europe	South Asia	East Asia	Total		
Sales to customers.....	¥65,213	¥23,847	¥498	¥17,192	¥62,045	¥168,795	¥ —	¥168,795
Intersegment sales	2,433	24	13	0	8,397	10,867	(10,867)	—
Total sales	67,646	23,871	511	17,192	70,442	179,662	(10,867)	168,795
Segment expenses.....	61,918	22,951	579	15,256	68,184	168,888	(10,758)	158,130
Segment profit (loss).....	5,728	920	(68)	1,936	2,258	10,774	(109)	10,665
Segment assets.....	82,543	10,517	133	19,377	92,885	205,455	(22,237)	183,218
Other items:								
Depreciation and amortization.....	1,753	95	4	139	924	2,915	—	2,915
Amortization of goodwill.....	—	100	—	—	—	100	—	100
Increase in property, plant and equipment and intangible assets.....	1,182	60	0	360	1,112	2,714	—	2,714

Millions of Yen								
2017								
	Reporting Segment						Reconciliations	Consolidated
	Japan	North America	Europe	South Asia	East Asia	Total		
Sales to customers.....	¥63,028	¥22,030	¥397	¥15,586	¥66,401	¥167,442	¥ —	¥167,442
Intersegment sales	2,544	62	10	0	6,193	8,809	(8,809)	—
Total sales	65,572	22,092	407	15,586	72,594	176,251	(8,809)	167,442
Segment expenses.....	60,127	21,162	461	13,866	68,054	163,670	(8,915)	154,755
Segment profit (loss).....	5,445	930	(54)	1,720	4,540	12,581	106	12,687
Segment assets.....	80,264	9,436	329	17,229	90,089	197,347	(24,340)	173,007
Other items:								
Depreciation and amortization.....	1,638	89	5	119	900	2,751	—	2,751
Amortization of goodwill.....	—	98	—	—	—	98	—	98
Increase in property, plant and equipment and intangible assets.....	3,314	21	1	41	1,100	4,477	—	4,477

Thousands of U.S. Dollars (Note 1)								
2018								
	Reporting Segment						Reconciliations	Consolidated
	Japan	North America	Europe	South Asia	East Asia	Total		
Sales to customers.....	\$615,217	\$224,972	\$4,698	\$162,189	\$585,330	\$1,592,406	\$ —	\$1,592,406
Intersegment sales	22,953	226	123	0	79,217	102,519	(102,519)	—
Total sales	638,170	225,198	4,821	162,189	664,547	1,694,925	(102,519)	1,592,406
Segment expenses.....	584,132	216,519	5,462	143,925	643,245	1,593,283	(101,490)	1,491,793
Segment profit (loss).....	54,038	8,679	(641)	18,264	21,302	101,642	(1,029)	100,613
Segment assets.....	778,708	99,217	1,255	182,802	876,273	1,938,255	(209,783)	1,728,472
Other items:								
Depreciation and amortization.....	16,538	896	38	1,311	8,717	27,500	—	27,500
Amortization of goodwill.....	—	943	—	—	—	943	—	943
Increase in property, plant and equipment and intangible assets.....	11,151	566	0	3,396	10,491	25,604	—	25,604

Notes: (1) Description of reconciliations is as follows:

- a) Reconciliations of segment profit (loss) for the years ended March 31, 2018 and 2017 were minus ¥109 million (minus US\$1,029 thousand) and ¥106 million, respectively, consisting of intersegment transaction eliminations of minus ¥0 million (minus US\$0 thousand) and minus ¥0 million, and adjustment of inventories of minus ¥109 million (minus US\$1,029 thousand) and ¥106 million, respectively.
- b) Reconciliations of segment assets for the years ended March 31, 2018 and 2017 were minus ¥22,237 million (minus US\$209,783 thousand) and minus ¥24,340 million, respectively, consisting of intersegment transaction eliminations of minus ¥22,019 million (minus US\$207,726 thousand) and minus ¥24,213 million, and adjustment of inventories of minus ¥218 million (minus US\$2,057 thousand) and minus ¥127 million, respectively.
- (2) Segment income (loss) is adjusted with operating income in the consolidated statements of income.

(4) Information related to reporting segments

(A) Sales by geographical area are as follows:

Millions of Yen						
2018						
	Japan	The Americas	South Asia	East Asia	Others	Total
Sales to customers.....	¥64,935	¥24,178	¥18,239	¥57,709	¥3,734	¥168,795

Millions of Yen						
2017						
	Japan	The Americas	South Asia	East Asia	Others	Total
Sales to customers.....	¥62,798	¥22,371	¥16,619	¥62,226	¥3,428	¥167,442

Thousands of U.S. Dollars (Note 1)						
2018						
	Japan	The Americas	South Asia	East Asia	Others	Total
Sales to customers.....	\$612,594	\$228,094	\$172,066	\$544,425	\$35,227	\$1,592,406

Note: Sales are classified in countries or regions based on the location of customers.

(B) Property, plant and equipment by geographical area are as follows:

Millions of Yen						
2018						
	Japan	North America	South Asia	East Asia	Europe	Total
Property, plant and equipment.....	¥22,847	¥258	¥1,128	¥10,156	¥0	¥34,389

Millions of Yen						
2017						
	Japan	North America	South Asia	East Asia	Europe	Total
Property, plant and equipment.....	¥23,468	¥300	¥858	¥9,854	¥15	¥34,495

Thousands of U.S. Dollars (Note 1)						
2018						
	Japan	North America	South Asia	East Asia	Europe	Total
Property, plant and equipment.....	\$215,538	\$2,434	\$10,641	\$95,811	\$0	\$324,424

(5) Impairment loss on fixed assets by reporting segment is as follows:

Millions of Yen								
2018								
Reporting segment								
	Japan	North America	Europe	South Asia	East Asia	Total	Reconciliations	Consolidated
Impairment loss on fixed assets.....	¥10	¥—	¥—	¥—	¥—	¥10	¥—	¥10

Millions of Yen								
2017								
Reporting segment								
	Japan	North America	Europe	South Asia	East Asia	Total	Reconciliations	Consolidated
Impairment loss on fixed assets.....	¥—	¥—	¥—	¥—	¥—	¥—	¥—	¥—

Thousands of U.S. Dollars (Note 1)								
2018								
Reporting segment								
	Japan	North America	Europe	South Asia	East Asia	Total	Reconciliations	Consolidated
Impairment loss on fixed assets.....	\$94	\$—	\$—	\$—	\$—	\$94	\$—	\$94

(6) Amortization and balance of goodwill by reporting segment are as follows:

Millions of Yen								
2018								
Reporting segment								
	Japan	North America	Europe	South Asia	East Asia	Total	Reconciliations	Consolidated
Goodwill	¥—	¥320	¥—	¥—	¥—	¥320	¥—	¥320

Millions of Yen								
2017								
Reporting segment								
	Japan	North America	Europe	South Asia	East Asia	Total	Reconciliations	Consolidated
Goodwill	¥—	¥428	¥—	¥—	¥—	¥428	¥—	¥428

Thousands of U.S. Dollars (Note 1)								
2018								
Reporting segment								
	Japan	North America	Europe	South Asia	East Asia	Total	Reconciliations	Consolidated
Goodwill	\$—	\$3,019	\$—	\$—	\$—	\$3,019	\$—	\$3,019

Notes: Information on amortization of goodwill is omitted as similar information is provided in "Information on amounts of sales, profit (loss), assets and other items by reporting segment."

17. Financial Instruments and Related Disclosures

(A) Policy for financial instruments

The Companies raise necessary funds for capital investment needs for manufacturing, sales, installation and maintenance operations mainly through internal or debt financing. The Companies also raise short-term operating funds through internal or short-term debt financing. The Companies invest cash surpluses, if any, in low-risk and highly liquid financial instruments.

The Companies use derivative financial instruments to manage risk arising from foreign exchange or interest rate fluctuations and do not enter into derivatives for trading or speculative purposes.

(B) Nature of financial instruments, associated risk and risk management system

Receivables, such as trade notes and accounts receivable, are exposed to customer credit risk. The Companies manage, according to the credit management rules of the individual company, the due date and the balance of trade receivables from business partners, and regularly monitor the status of major counterparties. Receivables in foreign currencies are exposed to the market risk of fluctuations in foreign currency exchange rates. Foreign currency forward contracts are utilized to hedge the fluctuation risk, if necessary.

Investment securities are mainly equity securities of the entities with a business relationship and exposure to the market price fluctuation risk. The Company continuously monitors the issuer's status and fair value and reviews its holdings considering their relationship with the Company.

Payables, such as trade notes and accounts payable, are mainly due within one year. A portion arising from the import of supplies is denominated in foreign currencies and is exposed to the market risk of fluctuation in foreign currency exchange rates. The balance of payables denominated in foreign currencies is always less than the receivables denominated in foreign currencies. Of debt payables, short-term debts are mainly related to operating activities and long-term debts are raised mainly for capital investments. Some long-term debts are exposed to the interest rate fluctuation risk due to variable interest rates and are hedged using interest rate swap contracts as necessary.

Derivatives consist of foreign currency forward contracts and interest rate swap contracts used to manage the market risk of fluctuations in foreign currency exchange rates and interests rates. Derivative transactions are made for the purpose of hedging risks in the respective financial departments in the Companies. The results are reported to the Finance Headquarters or the officer in charge of finance in the Company. These derivative transactions are limited to financial institutions with high credit ratings to reduce the counterparty's credit risk.

(C) Fair values of financial instruments

Fair values of financial instruments are based on the quoted market price. If a quoted market price is not available, fair value is reasonably estimated. The reasonable valuation assumption may result in different fair values because various factors are included in estimating the fair value. Also, the contract or notional amounts of derivatives do not measure the exposure to market risk. Please see Note 18 for details of fair value for derivatives.

(1) Carrying amount, fair value and differences of financial instruments are as follows:

	Millions of Yen					
	2018			2017		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Assets:						
Cash and deposits.....	¥ 49,856	¥ 49,856	¥ —	¥ 45,749	¥ 45,749	¥ —
Trade notes and accounts receivable	53,411	51,899	(1,512)	50,456	48,770	(1,686)
Investment securities	9,295	9,295	—	7,035	7,035	—
Long-term loans	216	220	4	508	510	2
Total.....	¥112,778	¥111,270	¥(1,508)	¥103,748	¥102,064	¥(1,684)
Liabilities:						
Trade notes and accounts payable	¥ 16,151	¥ 16,151	¥ —	¥ 15,149	¥ 15,149	¥ —
Electronically recorded obligations	4,714	4,714	—	4,529	4,529	—
Short-term debt.....	3,452	3,452	—	3,774	3,774	—
Long-term debt*1	960	960	(0)	1,507	1,497	(10)
Total.....	¥ 25,277	¥ 25,277	¥ (0)	¥ 24,959	¥ 24,949	¥ (10)
Derivatives*2:						
Derivatives without hedge accounting.....	¥ 34	¥ 34	¥ —	¥ (29)	¥ (29)	¥ —
Derivatives with hedge accounting.....	(31)	(31)	—	103	103	—
Total.....	¥ 3	¥ 3	¥ —	¥ 74	¥ 74	¥ —

Thousands of U.S. Dollars (Note 1)

	2018		
	Carrying amount	Fair value	Difference
Assets:			
Cash and deposits.....	\$ 470,340	\$ 470,340	\$ —
Trade notes and accounts receivable	503,877	489,613	(14,264)
Investment securities	87,689	87,689	—
Long-term loans	2,038	2,075	37
Total.....	\$1,063,944	\$1,049,717	\$(14,227)
Liabilities:			
Trade notes and accounts payable	\$ 152,368	\$ 152,368	\$ —
Electronically recorded obligations	44,472	44,472	—
Short-term debt.....	32,566	32,566	—
Long-term debt*1	9,057	9,057	(0)
Total.....	\$ 238,463	\$ 238,463	\$ (0)
Derivatives*2:			
Derivatives without hedge accounting.....	\$ 321	\$ 321	\$ —
Derivatives with hedge accounting.....	(293)	(293)	—
Total.....	\$ 28	\$ 28	\$ —

*1 Long-term debt includes current portion of long-term debt.

*2 The assets and liabilities arising from derivatives are shown at the net value with the amount in parentheses representing net liability.

Note: The methods described below are used to determine the estimated fair value of financial instruments, securities and derivatives.

Assets

1) Cash and deposits:

The carrying values approximate fair value because of their short maturities.

2) Trade notes and accounts receivable:

The fair value is determined by discounting the cash flows related to the receivables at an assumed rate based on their maturity and credit risk.

3) Investment securities:

The fair value is measured as the quoted stock market price for equity securities and as the quoted price obtained from the financial institution for certain securities.

The information about investment securities by classification is shown in Note 4.

4) Long-term loans:

The fair value is determined by discounting the cash flows of principal and interest related to the loans at an assumed rate based on their collectability and maturity.

Liabilities

1) Trade notes and accounts payable, electronically recorded obligations and short-term debt:

The carrying values approximate fair value because of their short maturities.

2) Long-term debt:

The fair value is determined by discounting the cash flows related to the debt at an assumed rate based on its maturity and credit risk.

3) Derivatives:

The information on the fair value for derivatives is included in Note 18.

(2) Financial instruments whose fair value cannot be reliably determined at March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Investment securities:			
Unlisted stocks	¥ 113	¥ 123	\$ 1,066
Investments in unconsolidated subsidiaries and affiliates.....	¥1,161	¥1,155	\$10,953

Since no quoted market price is available and future cash flows cannot be reliably estimated, it is extremely difficult to determine the fair value; therefore the above financial instruments are not included in table (1).

(3) A maturity analysis for cash and deposits, trade notes and accounts receivable, and long-term loans at March 31, 2018 is summarized as follows:

	Millions of Yen		
	Due within one year	Due after one year through five years	Due after five years through ten years
Cash and deposits.....	¥ 49,856	¥ —	¥ —
Trade notes and accounts receivable.....	50,709	2,024	678
Long-term loans	213	3	—
Total.....	¥100,778	¥2,027	¥678

	Thousands of U.S. Dollars (Note 1)		
	Due within one year	Due after one year through five years	Due after five years through ten years
Cash and deposits.....	\$470,340	\$ —	\$ —
Trade notes and accounts receivable.....	478,387	19,094	6,396
Long-term loans	2,010	28	—
Total.....	\$950,737	\$19,122	\$6,396

Note: Annual maturities of long-term debt are included in Note 7.

18. Derivative Financial Instruments

(1) Derivative transactions, to which hedge accounting is not applied, at March 31, 2018 and 2017 are as follows:

	2018				2017			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Foreign currency forward contracts:								
Buying								
Chinese yuan	¥ —	¥ —	¥ —	¥ —	¥1,423	¥ —	¥(91)	¥(91)
U.S. dollars.....	8,005	3,862	34	34	6,804	1,976	19	19
Currency swap:								
Payment in yen, receipt in U.S. dollars.....	—	—	—	—	519	—	43	43
Total	¥8,005	¥3,862	¥34	¥34	¥8,746	¥1,976	¥(29)	¥(29)

	2018			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Foreign currency forward contracts:				
Buying				
Chinese yuan	\$ —	\$ —	\$ —	\$ —
U.S. dollars.....	75,519	36,434	321	321
Currency swap:				
Payment in yen, receipt in U.S. dollars.....	—	—	—	—
Total	\$75,519	\$36,434	\$321	\$321

Note: The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

(2) Derivative transactions, to which hedge accounting is applied, at March 31, 2018 and 2017 are as follows:

	Millions of Yen					
	2018			2017		
	Contract amount	Due after one year	Fair value	Contract amount	Due after one year	Fair value
Foreign currency forward contracts:						
Buying						
U.S. dollars.....	¥1,075	¥153	¥(32)	¥2,067	¥1,379	¥103
Chinese yuan.....	147	—	1	—	—	—
Total	¥1,222	¥153	¥(31)	¥2,067	¥1,379	¥103

	Thousands of U.S. Dollars (Note1)		
	2018		
	Contract amount	Due after one year	Fair value
Foreign currency forward contracts:			
Buying			
U.S. dollars.....	\$10,141	\$1,443	\$(302)
Chinese yuan.....	1,387	—	9
Total	\$11,528	\$1,443	\$(293)

Note: The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

	Millions of Yen					
	2018			2017		
	Contract amount	Due after one year	Fair value	Contract amount	Due after one year	Fair value
Interest rate swap contracts:						
Variable interest received, fixed interest paid ...	¥295	¥—	¥—	¥511	¥311	¥—

	Thousands of U.S. Dollars (Note 1)		
	2018		
	Contract amount	Due after one year	Fair value
Interest rate swap contracts:			
Variable interest received, fixed interest paid ...	\$2,783	\$—	\$—

Note: Interest rate swap contracts applying the exceptional method are dealt with as a group within long-term debt for the hedged item, and the fair values are included in the fair values of long-term debt.

19. Stock Options, etc.

(1) Contents, scale and changes in stock options

a) Contents of the stock options

Resolution date	Person granted	Number of stock options by type of stock	Grant date	Vesting conditions	Service period	Exercise period
November 8, 2013	4 directors of the Company (excluding outside directors)	36,000 shares of common stock	November 25, 2013	—	—	From November 26, 2013 to November 25, 2043
August 7, 2014	4 directors of the Company (excluding outside directors)	24,000 shares of common stock	August 25, 2014	—	—	From August 26, 2014 to August 25, 2044
August 7, 2015	4 directors of the Company (excluding outside directors)	7,000 shares of common stock	August 25, 2015	—	—	From August 26, 2015 to August 25, 2045

b) Scale and changes in stock options

Stock options outstanding for the year ended March 31, 2018 are covered, and the number of stock options are converted into the number of shares.

Number of stock options

1st Stock Acquisition Rights of Fujitec Co., Ltd.

Resolution date	Before vesting (shares)					Vested (shares)				
	At the end of March 31, 2017	Granted	Lapsed	Vested	Unvested	At the end of March 31, 2017	Vested	Exercised	Lapsed	Unexercised
November 8, 2013	—	—	—	—	—	36,000	—	—	—	36,000

2nd Stock Acquisition Rights of Fujitec Co., Ltd.

Resolution date	Before vesting (shares)					Vested (shares)				
	At the end of March 31, 2017	Granted	Lapsed	Vested	Unvested	At the end of March 31, 2017	Vested	Exercised	Lapsed	Unexercised
August 7, 2014	—	—	—	—	—	24,000	—	—	—	24,000

3rd Stock Acquisition Rights of Fujitec Co., Ltd.

Resolution date	Before vesting (shares)					Vested (shares)				
	At the end of March 31, 2017	Granted	Lapsed	Vested	Unvested	At the end of March 31, 2017	Vested	Exercised	Lapsed	Unexercised
August 7, 2015	—	—	—	—	—	7,000	—	—	—	7,000

Unit price information

1st Stock Acquisition Rights of Fujitec Co., Ltd.

Resolution date	Exercise price (Yen)	Average stock price at the time of exercise (Yen)	Fair value as of the grant date (Yen)
November 8, 2013	1	—	1,016

2nd Stock Acquisition Rights of Fujitec Co., Ltd.

Resolution date	Exercise price (Yen)	Average stock price at the time of exercise (Yen)	Fair value as of the grant date (Yen)
August 7, 2014	1	—	815

3rd Stock Acquisition Rights of Fujitec Co., Ltd.

Resolution date	Exercise price (Yen)	Average stock price at the time of exercise (Yen)	Fair value as of the grant date (Yen)
August 7, 2015	1	—	696

(3) Evaluation method of fair value per unit of stock options for the year ended March 31, 2018

Not applicable

(4) Method of estimating the number of vested stock options

All of the stock acquisition rights are vested when granted.

20. Related Party Transactions

Related party transactions of the Company for the years ended March 31, 2018 and 2017 are summarized as follows:

2018												
Description	Name of the company or individual	Location	Paid in capital or investment in capital (Millions of Yen)	Natures of operations	Ownership ratio of voting rights	Nature of relationship	Nature of transaction	Amount of transaction		Accounts	Balance at year ended	
								Millions of Yen	Thousands of U.S. Dollars (Note1)		Millions of Yen	Thousands of U.S. Dollars (Note1)
Directors of the Company and their relative of which they hold more than one-half of voting rights	Uchiyama International, Limited ^{*2}	Ibaraki, Osaka	¥50	Real estate leasing, buying and selling Investment and operation for securities	Direct 6.22%	Real estate leasing Interlocking directors	Building leasing ^{*5}	¥ 37	\$ 349	Lease deposits	¥ 1	\$ 9
	Takanawa FT Investment Limited Liability Company ^{*3}	Chuo-ku, Tokyo	¥ 2	Real estate leasing and management	—	Real estate leasing	Building leasing ^{*5}	¥176	\$1,660	—	—	—
	Sunto Co., Ltd. ^{*4}	Kita-ku, Osaka	¥10	Real estate leasing, buying and selling Investment and operation for securities	—	Real estate leasing	Building leasing ^{*5}	¥ 12	\$ 113	Lease deposits	¥45	\$425

2017												
Description	Name of the company or individual	Location	Paid in capital or investment in capital (Millions of Yen)	Natures of operations	Ownership ratio of voting rights	Nature of relationship	Nature of transaction	Amount of transaction	Accounts	Balance at year ended		
								Millions of Yen			Millions of Yen	Thousands of U.S. Dollars (Note1)
Directors of the Company and their relative of which they hold more than one-half of voting rights	Uchiyama International, Limited ^{*2}	Ibaraki, Osaka	¥50	Real estate leasing, buying and selling Investment and operation for securities	Direct 8.10%	Real estate leasing Interlocking directors	Building leasing ^{*5}	¥ 53	Lease deposits	¥46		
	Takanawa FT Investment Limited Liability Company ^{*3}	Chuo-ku, Tokyo	¥ 2	Real estate leasing and management	—	Real estate leasing	Building leasing ^{*5}	¥176	—	—		

*1 Consumption taxes are not included in amount of transaction.

*2 President and Chief Executive Officer Takakazu Uchiyama and his relative directly hold 100% of the voting rights of Uchiyama International, Limited.

*3 Takanawa FT Investment Limited Liability Company is a wholly owned subsidiary of Uchiyama International, Limited.

*4 The relative of President and Chief Executive Officer Takakazu Uchiyama directly holds 90% of the voting right of Sunto Co., Ltd.

*5 Rental fees are determined with reference to transaction price in the neighborhood.

21. Per Share Information

Net assets per share, net income per share and diluted net income per share for the years ended March 31, 2018 and 2017 are as follows:

	Yen		U.S. Dollars (Note 1)
	2018	2017	2018
Net assets per share.....	¥1,243.46	¥1,148.36	\$11.73
Net income per share	109.82	106.35	1.04
Diluted net income per share	109.73	106.26	1.04

(Notes)

1. The Company's shares held by the ESOP Trust Supporting Employee Shareholding Association are included in the treasury stock to be deducted in calculation of the average number of shares during the year for the purpose of calculation of the net income per share and are also included in the number of treasury stock to be deducted from the aggregate number of shares issued and outstanding as of the year for the purpose of calculation of the net assets per share.

The number of treasury stock as of the end of the year, which are deducted in calculation of the net assets per share, are 346,200 shares and 455,300 shares for the years ended March, 31, 2018 and 2017, respectively. The average number of treasury stock during the year, which are deducted for the purpose of calculation of net income per shares, are 400,840 shares and 523,334 shares for the years ended March 31, 2018 and 2017, respectively.

2. The basis for the calculation of net income per share and diluted net income per share for the years ended March 31, 2018 and 2017 are as follows:

(A) Net income per share

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Profit attributable to owners of parent.....	¥8,857	¥8,564	\$83,557
Amount not attributable to holder of common stock	—	—	—
Profit attributable to owners of parent for common stock.....	8,857	8,564	83,557

	Thousand shares	
	2018	2017
Average number of common stock issued and outstanding during the year	80,659	80,537

(B) Diluted net income per share

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Profit attributable to owners of parent adjustment	¥—	¥—	\$—

	Thousand shares	
	2018	2017
Increase of common stock.....	66	66
Of which: stock acquisition rights.....	66	66

3. The basis for the calculation of net assets per share and diluted net income per share for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Total net assets.....	¥111,822	¥103,847	\$1,054,925
Amount deducted from total net assets.....	11,457	11,283	108,085
Of which: stock acquisition rights.....	61	61	575
Of which: non-controlling interests.....	11,396	11,222	107,510
Total net assets for common stock.....	100,365	92,564	946,840

	Thousand shares	
	2018	2017
Number of common stock issued and outstanding at the end of fiscal year for the purpose of calculation of net assets per share.....	80,714	80,605

22. Subsequent Event

Cancellation of treasury stock

The Company resolved at its Board of Directors' Meeting on May 11, 2018 to cancel a portion of its treasury stock pursuant to Article 178 of the Companies Act of Japan and executed the cancellation.

Details are as follows:

(1) Type of stock to be cancelled

Shares of common stock

(2) Number of shares to be cancelled

3,700,317 shares (3.94% of the total issued shares before cancellation)

(3) Date of cancellation

May 18, 2018

(4) Total number of issued shares after the cancellation

90,067,000 shares

(5) Total number of treasury stock after the cancellation

9,006,680 shares

23. Quarterly Information

Quarterly information for the year ended March 31, 2018 is as follows:

(1) Cumulative period

	Millions of Yen			
	2018			
	1st quarter	2nd quarter	3rd quarter	Year ended
Net sales	¥38,511	¥81,428	¥125,297	¥168,795
Profit before income taxes	2,302	6,248	10,238	11,811
Profit attributable to owners of parent	1,785	4,527	7,504	8,857
Net income per share (Yen)	22.15	56.15	93.06	109.82

	Thousands of U.S. Dollars (Note 1)			
	2018			
	1st quarter	2nd quarter	3rd quarter	Year ended
Net sales	\$363,311	\$768,189	\$1,182,047	\$1,592,406
Profit before income taxes	21,717	58,943	96,585	111,424
Profit attributable to owners of parent	16,840	42,708	70,792	83,557
Net income per share (U.S. dollar)	0.21	0.53	0.88	1.04

(2) Quarterly period

	Yen			
	2018			
	1st quarter	2nd quarter	3rd quarter	4th quarter
Net income per share	¥22.15	¥34.00	¥36.90	¥16.77

	U.S. Dollars (Note 1)			
	2018			
	1st quarter	2nd quarter	3rd quarter	4th quarter
Net income per share	\$0.21	\$0.32	\$0.35	\$0.16

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

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*To the Board of Directors of
Fujitec Co., Ltd.*

We have audited the accompanying consolidated financial statements of Fujitec Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fujitec Co., Ltd. and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The United States dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for the convenience. Our audit also included the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Grant Thornton Taiyo LLC

Osaka, Japan

August 27, 2018

Member of Grant Thornton International Ltd