# Financial Section

# Management Discussion and Analysis

## Operating Results

### Net Sales

Consolidated net sales for the fiscal year ended March 31, 2016 were ¥177,128 million, an increase of 7.2% compared with the previous fiscal year. Domestic net sales were ¥60,381 million, a decrease of 1.8% compared with the previous fiscal year, and overseas net sales were ¥116,747 million, an increase of 12.5% compared with the previous fiscal year. The actual percentage increase in overseas sales, excluding the effect of foreign exchange fluctuations, was 0.7%.

#### 1. Japan

In Japan, net sales were ¥65,001 million, a decrease of 0.8% compared with the previous fiscal year. Despite solid sales of service businesses, net sales decreased due to a decline in new installations arising from extensions of the construction period. Operating income was ¥5,199 million, an increase of ¥50 million compared with the previous fiscal year, as a result of higher profitability of new installations and an increase in maintenance sales that offset rising costs for imported materials and an increase in installation costs.

#### 2. North America

In North America, net sales were ¥22,360 million, an increase of 26.1% compared with the previous fiscal year, due mainly to growth in new installations and service businesses. Operating income was ¥137 million due to a decrease in installation costs and higher profitability of service businesses, whereas an operating loss of ¥582 million was recorded in the previous fiscal year. The actual percentage increase in net sales, excluding the effect of foreign exchange fluctuations, was 14.0%.

#### 3. Europe

In Europe, net sales were ¥508 million, a decrease of 15.5% compared with the previous fiscal year, due primarily to a decline in sales of escalators. An operating loss of ¥43 million was recorded compared with an operating loss of ¥1 million in the previous fiscal year.

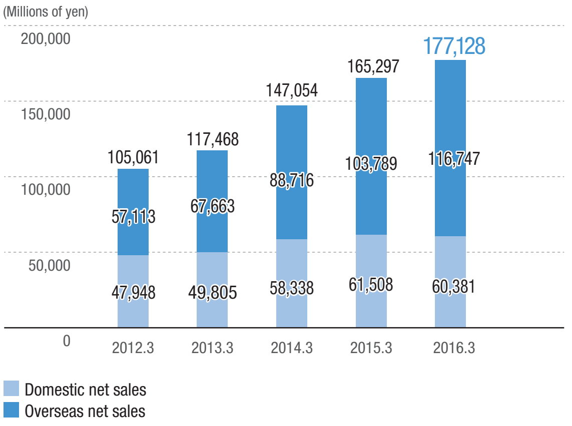
#### 4. South Asia

In South Asia, net sales were ¥17,075 million, an increase of 10.2% compared with the previous fiscal year, as a result of increases in new installations and service businesses. Operating income was ¥1,626 million, an increase of ¥67 million compared with the previous fiscal year. The actual percentage increase in net sales, excluding the effect of foreign exchange fluctuations, was 3.7%.

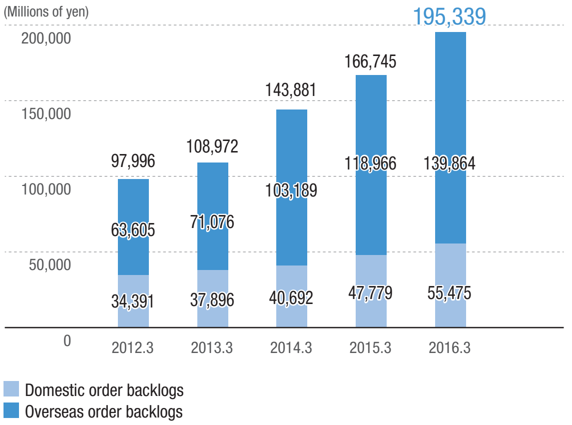
#### 5. East Asia

In East Asia, net sales were ¥84,606 million, an increase of 11.0% compared with the previous fiscal year, due to an increase in sales in Hong Kong and favorable effects of the weak yen. Operating income was ¥7,500 million, an increase of ¥172 million compared with the previous fiscal year. The actual percentage decrease in net sales, excluding the effect of foreign exchange fluctuations, was 2.1%, because of a decrease in sales in China arising from extensions of the construction period.

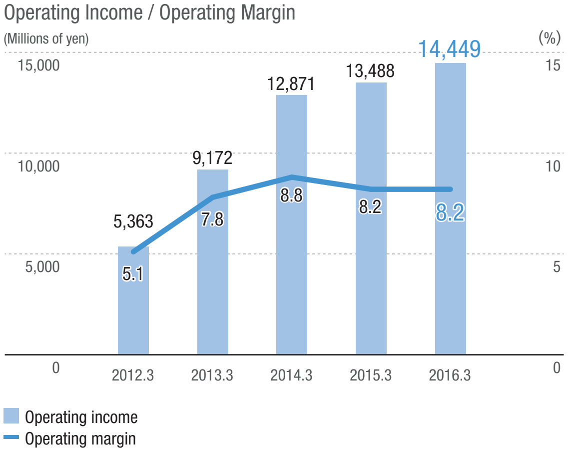
Net Sales (Domestic/Overseas)




Order Backlogs (Domestic/Overseas)




Operating Income / Operating Margin



## Order Backlogs

In Japan, order backlogs were ¥55,475 million, an increase of 16.1% compared with the level at the end of the previous fiscal year. Overseas, order backlogs were ¥139,864 million, an increase of 17.6% compared with the level at the end of the previous fiscal year. As a result, the total amount of order backlogs was ¥195,339 million, an increase of 17.1% 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 4.8%.

## Operating Income and Profit Attributable to Owners of Parent

Operating income was ¥14,449 million, an increase of 7.1% compared with the previous fiscal year, due to higher profitability in North America. Ordinary income was ¥15,162 million, an increase of 2.3% compared with the previous fiscal year, because of an increased financial balance offsetting a foreign currency exchange loss that arose from the strong yen at the fiscal year-end. Profit before income taxes was ¥15,036 million, an increase of 1.6% compared with the previous fiscal year. Profit attributable to owners of parent was ¥8,807 million, an increase of 5.4% compared with the previous fiscal year.

# Financial Position

## Assets, Liabilities and Net Assets

Total assets at the end of the fiscal year ended March 31, 2016 were ¥171,872 million, a decrease of ¥7,984 million compared with the end of the previous fiscal year. This was due mainly to a decrease in cash and deposits that arose from purchase of treasury stock.

Total liabilities were ¥71,466 million, a decrease of ¥3,770 million compared with the end of the previous fiscal year. This was mainly because of decreases in trade notes and accounts payable, electronically recorded obligations and advances from customers despite an increase in net defined benefit liability.

Net assets were ¥100,406 million, a decrease of ¥4,214 million compared with the end of the previous fiscal year. This was due mainly to a purchase of treasury stock of ¥7,666 million, a decrease in foreign currency translation adjustments of ¥1,824 million and a decrease in remeasurements of defined benefit plans of ¥1,367 million despite an increase in retained earnings of ¥6,583 million. The shareholders' equity ratio at March 31, 2016 was 51.6%, a slight decrease of 0.3 percentage point compared with the end of the previous fiscal year, and net assets per share were ¥1,102.66, an increase of ¥27.84 compared with the end of the previous fiscal year.

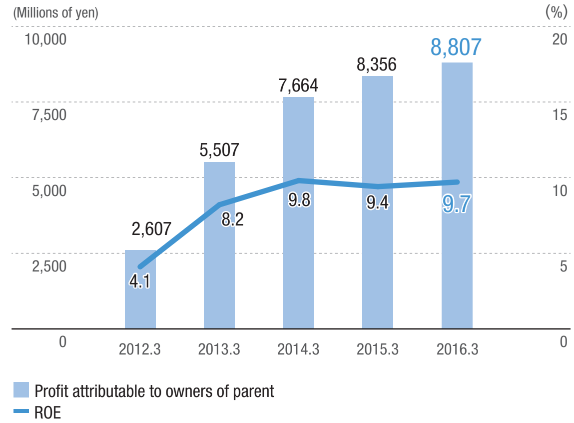
## Cash Flows

Cash and cash equivalents at the end of the fiscal year ended March 31, 2016 were ¥21,833 million, a decrease of ¥8,769 million compared with the end of the previous fiscal year.

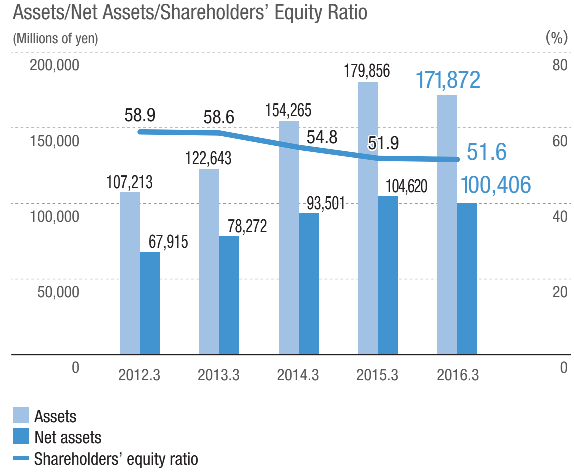
### Cash Flows from Operating Activities

Net cash provided by operating activities was ¥8,932 million, a decrease in revenue of ¥1,821 million compared with the previous fiscal year. The main factors contributing to the decrease were that profit before income taxes of ¥15,036 million and depreciation and amortization of ¥2,748 million were offset by payment of income taxes as well as increases in trade notes and accounts receivable and inventories.

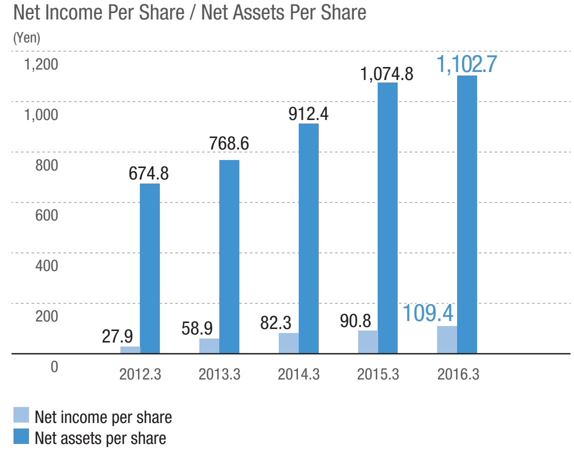
Profit Attributable to Owners of Parent / ROE




Assets/Net Assets/Shareholders' Equity Ratio




Net Income Per Share / Net Assets Per Share



### Cash Flows from Investing Activities

Net cash used in investing activities was ¥5,319 million, an increase in expenditures of ¥4,700 million compared with the previous fiscal year, due mainly to an increase in time deposits, net (with the maturity of more than three months) of ¥1,284 million and acquisitions of property, plant and equipment of ¥4,210 million.

### Cash Flows from Financing Activities

Net cash used in financing activities was ¥11,532 million, an increase in expenditures of ¥837 million compared with the previous fiscal year, due mainly to purchase of treasury stock of ¥7,666 million and cash dividends paid.

## Capital Investment

Total capital investment during the fiscal year ended March 31, 2016 was ¥4,138 million. Within this, capital investment in Japan was ¥1,340 million mainly for additional facilities for elevator development and production bases and after-sales service bases. Overseas capital investment was ¥2,798 million for production bases in East Asia.

## R&D Expenses

Total R&D expenses during the fiscal year ended March 31, 2016 were ¥2,179 million. Within this, R&D expenses in Japan came to ¥2,026 million, and overseas R&D expenses were ¥153 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

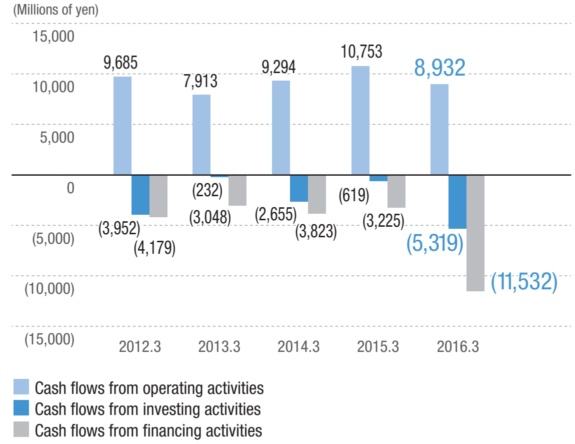
The Fujitec Group has 10 production bases and numerous sales bases in 25 countries and regions around the world and carries out global business activities. Political and economic circumstances in these countries and regions where business is carried out could have an impact on the supply of and demand 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 manufacturers worldwide is fierce and there is a possibility of being driven out of the

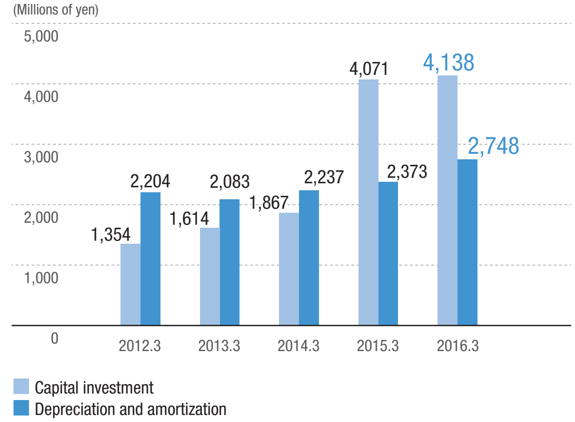
Cash Flows

(Millions of yen)



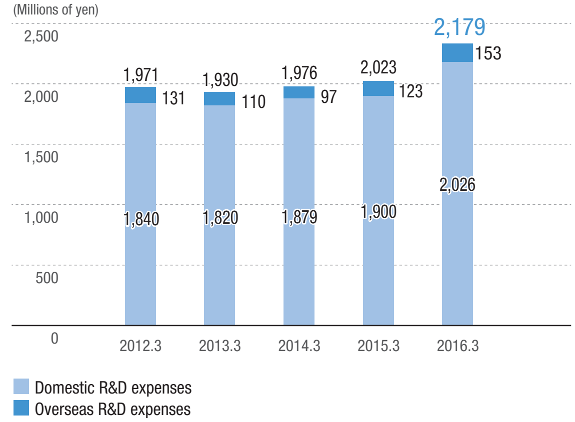

Capital Investment / Depreciation and Amortization

(Millions of yen)




R&D Expenses

(Millions of yen)



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 production, 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 production activities due to an infrastructure accident such as a power outage or interruption of the water supply at production 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 production 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, 2016 and 2015

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| ASSETS | 2016 | 2015 | 2016 |
| **Current assets:** | | | |
| Cash and cash equivalents | ¥ 21,833 | ¥ 30,602 | $ 193,212 |
| Time deposits | 21,865 | 21,072 | 193,496 |
| Trade notes and accounts receivable: | | | |
| Unconsolidated subsidiaries and affiliates | 1,067 | 335 | 9,442 |
| Other | 51,435 | 52,849 | 455,177 |
| Allowance for doubtful accounts | (1,658) | (1,445) | (14,672) |
| | 50,844 | 51,739 | 449,947 |
| Inventories (Note 5) | 21,076 | 20,554 | 186,513 |
| Deferred tax assets (Note 6) | 3,111 | 3,135 | 27,531 |
| Other current asset | 4,576 | 5,032 | 40,496 |
| Total current assets | 123,305 | 132,134 | 1,091,195 |
| **Investments and long-term loans:** | | | |
| Investments in unconsolidated subsidiaries and affiliates | 1,163 | 956 | 10,292 |
| Investment securities (Note 4) | 6,434 | 7,022 | 56,938 |
| Long-term loans | 283 | 14 | 2,504 |
| Total investments and long-term loans | 7,880 | 7,992 | 69,734 |
| **Property, plant and equipment, at cost** (Note7)**:** | | | |
| Buildings and structures | 33,258 | 29,932 | 294,319 |
| Machinery, vehicles, tools, furniture and fixtures | 18,711 | 17,784 | 165,584 |
| Lease assets (Note 8) | 15 | — | 133 |
| | 51,984 | 47,716 | 460,036 |
| Accumulated depreciation | (25,531) | (24,639) | (225,938) |
| | 26,453 | 23,077 | 234,098 |
| Land | 6,930 | 6,949 | 61,327 |
| Construction in progress | 445 | 2,859 | 3,938 |
| Total property, plant and equipment, at cost | 33,828 | 32,885 | 299,363 |
| **Other assets:** | | | |
| Deferred tax assets (Note 6) | 38 | 29 | 336 |
| Goodwill | 549 | 686 | 4,858 |
| Intangible assets | 3,515 | 3,626 | 31,106 |
| Other | 2,757 | 2,504 | 24,399 |
| **Total** | ¥ 171,872 | ¥ 179,856 | $1,520,991 |

The accompanying notes are an integral part of these statements.

| LIABILITIES | Millions of Yen 2016 | 2015 | Thousands of U.S. Dollars (Note 1) 2016 |
|---|---|---|---|
| **Current liabilities:** | | | |
| Short-term debt (Note 7) | ¥ 7,405 | ¥ 7,911 | $ 65,531 |
| Current portion of long-term debt (Note 7) | 557 | 352 | 4,929 |
| Lease obligations (Note 8) | 2 | — | 18 |
| Trade notes and accounts payable: | | | |
| Unconsolidated subsidiaries and affiliates | 41 | 25 | 363 |
| Other | 14,374 | 15,222 | 127,203 |
| Electronically recorded obligations | 3,970 | 5,281 | 35,133 |
| Advances from customers | 20,585 | 22,534 | 182,168 |
| Accrued income taxes (Note 6) | 1,776 | 1,706 | 15,717 |
| Provision for bonuses to employees | 3,280 | 3,241 | 29,026 |
| Provision for bonuses to directors | 95 | 86 | 841 |
| Provision for losses on construction contracts | 6,763 | 6,422 | 59,849 |
| Provision for warranties for completed construction | 268 | 292 | 2,372 |
| Other current liabilities | 7,866 | 8,334 | 69,611 |
| Total current liabilities | 66,982 | 71,406 | 592,761 |
| **Non-current liabilities:** | | | |
| Long-term debt (Note 7) | 926 | 1,379 | 8,195 |
| Lease obligations (Note 8) | 12 | — | 106 |
| Deferred tax liabilities (Note 6) | 336 | 1,133 | 2,973 |
| Net defined benefit liability (Note 11) | 2,997 | 1,103 | 26,522 |
| Retirement benefits for directors | 192 | 192 | 1,699 |
| Asset retirement obligation | 21 | 21 | 186 |
| Other non-current liabilities | 0 | 2 | 0 |
| Total non-current liabilities | 4,484 | 3,830 | 39,681 |
| Total liabilities | 71,466 | 75,236 | 632,442 |
| NET ASSETS | | | |
| **Net assets:** | | | |
| **Shareholders' equity** (Note 9)**:** | | | |
| Common stock: | | | |
| Authorized: 300,000,000 shares | | | |
| Issued: 93,767,317 shares at March 31, 2016 and 2015 | 12,534 | 12,534 | 110,920 |
| Capital surplus | 14,566 | 14,566 | 128,903 |
| Retained earnings | 81,822 | 75,239 | 724,088 |
| Treasury stock, at cost (Note 10): 13,308,582 shares at March 31, 2016 and 6,941,786 shares at March 31, 2015 | (15,358) | (7,827) | (135,911) |
| Total shareholders' equity | 93,564 | 94,512 | 828,000 |
| **Accumulated other comprehensive income:** | | | |
| Net unrealized gains on securities | 1,972 | 2,435 | 17,451 |
| Foreign currency translation adjustments | (5,364) | (3,540) | (47,469) |
| Remeasurements of defined benefit plans | (1,453) | (86) | (12,858) |
| Total accumulated other comprehensive income | (4,845) | (1,191) | (42,876) |
| **Stock acquisition rights** (Note 16) | 61 | 56 | 540 |
| **Non-controlling interests** | 11,626 | 11,243 | 102,885 |
| Total net assets | 100,406 | 104,620 | 888,549 |
| **Total** | ¥ 171,872 | ¥ 179,856 | $1,520,991 |

# Consolidated Statements of Income

Fujitec Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| **Net sales** | **¥ 177,128** | ¥ 165,297 | **$1,567,504** |
| **Operating costs and expenses:** | | | |
| Cost of sales | **137,879** | 129,548 | **1,220,168** |
| Selling, general and administrative expenses | **24,800** | 22,261 | **219,469** |
| Total operating costs and expenses | **162,679** | 151,809 | **1,439,637** |
| Operating income | **14,449** | 13,488 | **127,867** |
| **Other income (expenses):** | | | |
| Interest and dividend income | **1,273** | 1,083 | **11,265** |
| Interest expense | **(90)** | (86) | **(796)** |
| Rent income | **194** | 184 | **1,717** |
| Foreign currency exchange gain, net | **(748)** | 182 | **(6,619)** |
| Other, net | **84** | (25) | **743** |
| | **713** | 1,338 | **6,310** |
| **Special items:** | | | |
| Gain on sales of property, plant and equipment | **12** | 4 | **106** |
| Gain on sales of investment securities | **—** | 84 | **—** |
| State subsidy | **23** | — | **204** |
| Loss on sales and disposal of property, plant and equipment | **(49)** | (34) | **(433)** |
| Write-down of an unconsolidated subsidiary's investment | **—** | (4) | **—** |
| Impairment loss on fixed assets | **—** | (70) | **—** |
| Loss on reduction of property, plant and equipment | **(23)** | — | **(204)** |
| Special extra retirement payments | **(89)** | — | **(788)** |
| | **(126)** | (20) | **(1,115)** |
| Profit before income taxes | **15,036** | 14,806 | **133,062** |
| **Income taxes** (Note 6)**:** | | | |
| Current | **4,159** | 4,428 | **36,806** |
| Deferred | **85** | (109) | **752** |
| Total income taxes | **4,244** | 4,319 | **37,558** |
| **Profit** | **10,792** | 10,487 | **95,504** |
| **Profit attributable to non-controlling interests** | **1,985** | 2,131 | **17,566** |
| **Profit attributable to owners of parent** | **¥ 8,807** | ¥ 8,356 | **$ 77,938** |

| **Per share:** | Yen | | U.S. Dollars (Note 1) |
|---|---|---|---|
| Net income, based on the weighted average number of shares outstanding | **¥ 109.36** | ¥ 90.84 | **$ 0.97** |
| Diluted net income, based on the weighted average number of shares outstanding | **109.28** | 90.79 | **0.97** |
| Cash dividends applicable to the year | **30.00** | 24.00 | **0.27** |

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, 2016 and 2015

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| **Profit** | **¥ 10,792** | ¥ 10,487 | **$ 95,504** |
| **Other comprehensive income** (Note 3)**:** | | | |
| Net unrealized gains on securities | **(463)** | 898 | **(4,097)** |
| Deferred gains or losses on hedges | **—** | 2 | **—** |
| Foreign currency translation adjustments | **(2,429)** | 7,513 | **(21,496)** |
| Remeasurements of defined benefit plans | **(1,367)** | 443 | **(12,097)** |
| Other comprehensive income, net | **(4,259)** | 8,856 | **(37,690)** |
| **Comprehensive income** | **¥ 6,533** | ¥ 19,343 | **$ 57,814** |
| Comprehensive income attributable to: | | | |
| Comprehensive income attributable to owners of parent | **5,153** | 16,022 | **45,602** |
| Comprehensive income attributable to non-controlling interests | **1,380** | 3,321 | **12,212** |

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, 2016 and 2015

| | Thousands | Millions of Yen | | | | |
|---|---|---|---|---|---|---|
| | | Shareholders' equity | | | | |
| | Number of shares of common stock issued | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total |
| **Balance at April 1, 2014** | 93,767 | ¥ 12,534 | ¥ 14,566 | ¥ 67,406 | ¥ (1,079) | ¥ 93,427 |
| Cumulative effects of changes in accounting policies | | | | 1,816 | | 1,816 |
| **Restated balance** | | 12,534 | 14,566 | 69,222 | (1,079) | 95,243 |
| Cash dividends | | | | (2,339) | | (2,339) |
| Profit attributable to owners of parent | | | | 8,356 | | 8,356 |
| Purchase of treasury stock | | | | | (6,894) | (6,894) |
| Disposal of treasury stock | | | | | 146 | 146 |
| Net change in the year | | | | | | |
| **Balance at April 1, 2015** | **93,767** | **12,534** | **14,566** | **75,239** | **(7,827)** | **94,512** |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders | | | **0** | | | **0** |
| Cash dividends | | | | **(2,266)** | | **(2,266)** |
| Change of scope of consolidation | | | | **42** | | **42** |
| Profit attributable to owners of parent | | | | **8,807** | | **8,807** |
| Purchase of treasury stock | | | | | **(7,666)** | **(7,666)** |
| Disposal of treasury stock | | | | | **135** | **135** |
| Net change in the year | | | | | | |
| **Balance at March 31, 2016** | **93,767** | **¥ 12,534** | **¥ 14,566** | **¥ 81,822** | **¥ (15,358)** | **¥ 93,564** |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Accumulated other comprehensive income | | | | | | | |
| | Net unrealized gains on securities | Deferred gains or losses on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total | Stock acquisition rights | Non-controlling interests | Total net assets |
| **Balance at April 1, 2014** | ¥ 1,538 | ¥ (2) | ¥ (9,864) | ¥ (529) | ¥ (8,857) | ¥ 36 | ¥ 8,895 | ¥ 93,501 |
| Cumulative effects of changes in accounting policies | | | | | | | | 1,816 |
| **Restated balance** | 1,538 | (2) | (9,864) | (529) | (8,857) | 36 | 8,895 | 95,317 |
| Cash dividends | | | | | | | | (2,339) |
| Profit attributable to owners of parent | | | | | | | | 8,356 |
| Purchase of treasury stock | | | | | | | | (6,894) |
| Disposal of treasury stock | | | | | | | | 146 |
| Net change in the year | 897 | 2 | 6,324 | 443 | 7,666 | 20 | 2,348 | 10,034 |
| **Balance at April 1, 2015** | **2,435** | **—** | **(3,540)** | **(86)** | **(1,191)** | **56** | **11,243** | **104,620** |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders | | | | | | | | **0** |
| Cash dividends | | | | | | | | **(2,266)** |
| Change of scope of consolidation | | | | | | | | **42** |
| Profit attributable to owners of parent | | | | | | | | **8,807** |
| Purchase of treasury stock | | | | | | | | **(7,666)** |
| Disposal of treasury stock | | | | | | | | **135** |
| Net change in the year | **(463)** | **—** | **(1,824)** | **(1,367)** | **(3,654)** | **5** | **383** | **(3,266)** |
| **Balance at March 31, 2016** | **¥ 1,972** | **¥ —** | **¥ (5,364)** | **¥ (1,453)** | **¥ (4,845)** | **¥ 61** | **¥ 11,626** | **¥100,406** |

| | Thousands | Thousands of U.S. Dollars (Note 1) | | | | |
|---|---|---|---|---|---|---|
| | | Shareholders' equity | | | | |
| | Number of shares of common stock issued | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total |
| **Balance at April 1, 2015** | **93,767** | **$110,920** | **$128,903** | **$665,832** | **$ (69,265)** | **$836,390** |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders | | | **0** | | | **0** |
| Cash dividends | | | | **(20,053)** | | **(20,053)** |
| Change of scope of consolidation | | | | **371** | | **371** |
| Profit attributable to owners of parent | | | | **77,938** | | **77,938** |
| Purchase of treasury stock | | | | | **(67,841)** | **(67,841)** |
| Disposal of treasury stock | | | | | **1,195** | **1,195** |
| Net change in the year | | | | | | |
| **Balance at March 31, 2016** | **93,767** | **$110,920** | **$128,903** | **$724,088** | **$(135,911)** | **$828,000** |

| | Thousands of U.S. Dollars (Note 1) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Accumulated other comprehensive income | | | | | | | |
| | Net unrealized gains on securities | Deferred gains or losses on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total | Stock acquisition rights | Non-controlling interests | Total net assets |
| **Balance at April 1, 2015** | **$21,548** | **$ —** | **$ (31,327)** | **$ (761)** | **$ (10,540)** | **$ 496** | **$ 99,496** | **$925,842** |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders | | | | | | | | **0** |
| Cash dividends | | | | | | | | **(20,053)** |
| Change of scope of consolidation | | | | | | | | **371** |
| Profit attributable to owners of parent | | | | | | | | **77,938** |
| Purchase of treasury stock | | | | | | | | **(67,841)** |
| Disposal of treasury stock | | | | | | | | **1,195** |
| Net change in the year | **(4,097)** | **—** | **(16,142)** | **(12,097)** | **(32,336)** | **44** | **3,389** | **(28,903)** |
| **Balance at March 31, 2016** | **$17,451** | **$ —** | **$ (47,469)** | **$ (12,858)** | **$ (42,876)** | **$ 540** | **$102,885** | **$888,549** |

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, 2016 and 2015

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2016 | 2015 | 2016 |
| **Cash flows from operating activities:** | | | |
| Profit before income taxes | ¥ 15,036 | ¥ 14,806 | $ 133,062 |
| Depreciation and amortization | 2,748 | 2,373 | 24,319 |
| Increase in allowance for doubtful accounts | 290 | 23 | 2,566 |
| Increase in provision for bonuses to employees | 101 | 171 | 894 |
| Increase in provision for losses on construction contracts | 376 | 937 | 3,327 |
| Interest and dividends income | (1,273) | (1,083) | (11,265) |
| Interest expense | 90 | 86 | 796 |
| Increase in trade notes and accounts receivable | (1,297) | (7,102) | (11,478) |
| Decrease (Increase) in inventories | (1,356) | 1,137 | (12,000) |
| Increase (decrease) in trade notes and accounts payable | (1,325) | 1,726 | (11,726) |
| Gain on sales of investment securities, net | — | (84) | — |
| Increase (decrease) in advances from customers | (942) | 2,878 | (8,336) |
| Loss (gain) on sales and retirement of property, plant and equipment | 37 | 30 | 327 |
| Decrease in net defined benefit liability | (13) | (252) | (115) |
| Other, net | 574 | 1,137 | 5,080 |
| Sub-total | 13,046 | 16,783 | 115,451 |
| Payment of income taxes | (4,114) | (6,030) | (36,407) |
| Net cash provided by operating activities | 8,932 | 10,753 | 79,044 |
| **Cash flows from investing activities:** | | | |
| Decrease (increase) in time deposits, net | (1,284) | 1,651 | (11,363) |
| Acquisitions of property, plant and equipment | (4,210) | (3,867) | (37,257) |
| Proceeds from sales of property, plant and equipment | 29 | 11 | 257 |
| Purchase of intangible assets | (188) | (325) | (1,664) |
| Proceeds from sales of investment securities | — | 179 | — |
| Collection of loans receivable | 164 | 1,856 | 1,451 |
| Interest and dividend income received | 1,143 | 1,079 | 10,115 |
| Other, net | (973) | (1,203) | (8,610) |
| Net cash used in inversting activities | (5,319) | (619) | (47,071) |
| **Cash flows from financing activities:** | | | |
| Increase (decrease) in short-term debt, net | (452) | 7,079 | (4,000) |
| Proceeds from long-term debt | 340 | 523 | 3,009 |
| Repayment of long-term debt | (532) | (711) | (4,708) |
| Purchase of treasury stock | (7,666) | (6,894) | (67,841) |
| Payment of interest | (91) | (81) | (805) |
| Cash dividends paid | (2,265) | (2,338) | (20,044) |
| Cash dividends paid to non-controlling interests | (1,017) | (956) | (9,000) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (5) | (3) | (44) |
| Other, net | 156 | 156 | 1,380 |
| Net cash used in financing activities | (11,532) | (3,225) | (102,053) |
| **Effect of exchange rate changes on cash and cash equivalents** | (865) | 2,790 | (7,655) |
| **Net increase in cash and cash equivalents** | (8,784) | 9,699 | (77,735) |
| **Cash and cash equivalents at beginning of year** | 30,602 | 20,903 | 270,814 |
| **Increase in cash and cash equivalents resulting from change of scope of consolidation** | 15 | — | 133 |
| **Cash and cash equivalents at end of year** | ¥ 21,833 | ¥ 30,602 | $ 193,212 |

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, 2016 and 2015

## 1. Basis of Presentation

The accompanying consolidated financial statements of Fujitec Co., Ltd. (the "Company") and its consolidated subsidiaries have been 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 ¥113=$1, the prevailing exchange rate as of March 31, 2016. 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**

The consolidated financial statements as of March 31, 2016 and 2015 include the accounts of the Company and the following 19 significant subsidiaries (together the "Companies").

Fujitec America, Inc. (U.S.A.)
Fujitec Canada, Inc. (Canada)
Fujitec UK Ltd. (United Kingdom)
Fujitec Deutschland GmbH (Germany)
Fujitec Singapore Corpn. 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 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.

**(F) Inventories**

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

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**

The Companies use derivative financial instruments including foreign currency exchange forward contracts and interest rate swap contracts, in order to hedge the risk of fluctuations in foreign currency exchange rates and interest rates, not to enter into derivatives for trading or speculative purposes.

All derivatives, except for those which meet deferral hedge accounting requirements, are stated at fair value and recognized as either assets or liabilities, and gains or losses on derivative transactions are recognized in earnings.

When the derivative financial instruments have high correlation and effectiveness between the hedging instrument and the hedged item, deferral hedge accounting applies to them, and the gains or losses are deferred until maturity of the hedged transaction.

Because the counterparties to the derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk.

**(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 2015 financial statements to conform to the presentation in 2016.

**(S) Changes in accounting policies, procedures and presentation in preparation of the consolidated financial statements**

**Adoption of Revised Accounting Standard for Business Combinations, etc.**

The Company has adopted the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21 issued on September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 issued on September 13, 2013) and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 issued on September 13, 2013) from the beginning of the consolidated fiscal year ended March 31, 2016.

Under these accounting standards, the Company adopted the methods of recognizing the differences arising from changes in the Company’s ownership interest in its subsidiaries that are still under its control as capital surplus and recognizing acquisition-related costs as expenses for the consolidated fiscal year in which such costs are incurred. For any business combinations on or after the beginning of the consolidated fiscal year ended March 31, 2016, the Company adopted the method of reflecting the adjustments to the allocation of acquisition costs caused by finalizing the provisional account treatment in the consolidated financial statements for the fiscal year in which the business combination occurs. Furthermore, the Company changed the presentation of net income and the presentation from “Minority interests” to “Non-controlling interests.” To reflect these changes in presentation, the consolidated financial statements for the previous consolidated fiscal year was reclassified.

Regarding the adoption of the accounting standard for business combinations, etc., in accordance with the transitional treatment stipulated in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures, the Company adopted the accounting standards from the beginning of the consolidated fiscal year ended March 31, 2016 and thereafter.

As a result, the impact on net income for the consolidated fiscal year ended March 31, 2016 and capital surplus at the end of the consolidated fiscal year ended March 31, 2016 is immaterial.

In the consolidated statements of cash flows for the consolidated fiscal year ended March 31, 2016, cash flows related to the acquisition on sales in ownership interests in subsidiaries that do not result in change in scope of consolidation are recorded under “Cash flows from financing activities,” and cash flows related to costs arising from purchase of shares of subsidiaries resulting in change in scope of consolidation or costs associated with the acquisition on sales in ownership interests in subsidiaries that do not result in change in scope of consolidation are recorded under “Cash flows from operating activities.”

**(T) Accounting standards issued but not yet effective**

**Guidance on the Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 issued on March 28, 2016)**

(1) Summary

Regarding the accounting treatment of recoverability of deferred tax assets, this accounting standard has been revised as indicated below after basically following the framework of the Audit Committee Statement No. 66 “Auditing Treatment Regarding Judgment of the Recoverability of Deferred Tax Assets,” which require entity to estimate the amount of deferred tax assets according to 5 categories.

(i) Accounting treatments of entities not satisfying any of the category criteria from (i) to (v).
(ii) Category criteria of (ii) and (iii).
(iii) According treatments of unschedulable deductible temporary differences for entities in (ii).
(iv) According treatments for reasonably estimated period for taxable income before temporary difference adjustments for entities in (iii).
(v) Accounting treatments of entities satisfying the category criteria of (iv) and also falling in (ii) or (iii).

(2) Effective date

The Company intends to adopt this accounting standard and guidance from the beginning of the consolidated fiscal year ending March 31, 2017.

(3) Impact of adoption of the standard and guidance

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

**(U) 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, 2016 and 2015 were ¥649 million (US$5,743 thousand) and 601 thousand shares, and ¥784 million and 727 thousand shares, respectively.

(3) The book value of loans recorded using the gross price method as of March 31, 2016 and 2015 was ¥574 million (US$5,080 thousand) and ¥748 million, respectively.

## 3. Other Comprehensive Income

Reclassification adjustments and tax effect of each component of other comprehensive income for the years ended March 31, 2016 and 2015 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Net unrealized gains on securities: | | | |
| Arising during the fiscal year | **¥ (738)** | ¥1,190 | **$ (6,531)** |
| Reclassification adjustment | **—** | — | **—** |
| Sub-total, before tax | **(738)** | 1,190 | **(6,531)** |
| Tax effect | **275** | (292) | **2,434** |
| Net unrealized gains on securities | **(463)** | 898 | **(4,097)** |
| Deferred gains or losses on hedges: | | | |
| Arising during the fiscal year | **—** | — | **—** |
| Reclassification adjustment | **—** | 2 | **—** |
| Sub-total, before tax | **—** | 2 | **—** |
| Tax effect | **—** | — | **—** |
| Deferred gains or losses on hedges | **—** | 2 | **—** |
| Foreign currency translation adjustments: | | | |
| Arising during the fiscal year | **(2,429)** | 7,513 | **(21,496)** |
| Reclassification adjustment | **—** | — | **—** |
| Sub-total, before tax | **(2,429)** | 7,513 | **(21,496)** |
| Tax effect | **—** | — | **—** |
| Foreign currency translation adjustments | **(2,429)** | 7,513 | **(21,496)** |
| Remeasurements of defined benefit plans | | | |
| Arising during the fiscal year | **(2,046)** | 523 | **(18,106)** |
| Reclassification adjustment | **78** | 172 | **690** |
| Sub-total, before tax | **(1,968)** | 695 | **(17,416)** |
| Tax effect | **601** | (252) | **5,319** |
| Remeasurements of defined benefit plans | **(1,367)** | 443 | **(12,097)** |
| Total other comprehensive income | **¥(4,259)** | ¥8,856 | **$(37,690)** |

## 4. Investment Securities

Available-for-sales securities at March 31, 2016 and 2015 are summarized as follows:

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | | | | 2015 | | | |
| | 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 | **¥ 3,509** | **¥ 2,938** | **¥ 136** | **¥ 6,311** | ¥ 3,358 | ¥ 3,553 | ¥ 12 | ¥ 6,899 |
| Total | **¥ 3,509** | **¥ 2,938** | **¥ 136** | **¥ 6,311** | ¥ 3,358 | ¥ 3,553 | ¥ 12 | ¥ 6,899 |

| | Thousands of U.S. Dollars (Note1) | | | |
|---|---|---|---|---|
| | 2016 | | | |
| | Acquisition cost | Gross unrealized gains | Gross unrealized losses | Book value (Estimated fair value) |
| Equity securities | **$31,053** | **$26,000** | **$1,203** | **$55,850** |
| Total | **$31,053** | **$26,000** | **$1,203** | **$55,850** |

The carrying amounts of equity securities whose fair value is not readily determinable are ¥123 million (US$1,088 thousand) and ¥123 million for the years ended March 31, 2016 and 2015, respectively.

## 5. Inventories

Inventories at March 31, 2016 and 2015 are comprised of the following:

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2016 | 2015 | 2016 |
| Finished goods and semi-finished goods | **¥ 6,251** | ¥ 6,333 | **$ 55,318** |
| Work in process | **6,416** | 6,403 | **56,779** |
| Raw materials and supplies | **8,409** | 7,818 | **74,416** |
| Total | **¥21,076** | ¥20,554 | **$186,513** |

## 6. 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 33.06% and 35.64% for the years ended March 31, 2016 and 2015, respectively. Income tax rates of the consolidated foreign subsidiaries range from 16.5% to 34.0% for the years ended March 31, 2016 and 2015.

**(1) The major components of deferred tax assets and liabilities at March 31, 2016 and 2015 are summarized as follows:**

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Deferred tax assets: | | | |
| Net defined benefit liability | **¥ 792** | ¥ 248 | **$ 7,009** |
| Provision for bonuses to employees | **554** | 586 | **4,903** |
| Provision for losses on construction contracts | **1,724** | 1,738 | **15,256** |
| Allowance for doubtful accounts | **699** | 614 | **6,186** |
| Tax loss carryforwards | **3,994** | 4,200 | **35,345** |
| Other | **1,306** | 1,247 | **11,557** |
| Total deferred tax assets | **9,069** | 8,633 | **80,256** |
| Less: valuation allowance | **(5,076)** | (5,164) | **(44,920)** |
| Total deferred tax assets | **3,993** | 3,469 | **35,336** |
| Deferred tax liabilities: | | | |
| Unrealized gains on securities | **(829)** | (1,105) | **(7,336)** |
| Dividends income received from subsidiaries | **(25)** | (38) | **(221)** |
| Other | **(326)** | (295) | **(2,885)** |
| Total deferred tax liabilities | **(1,180)** | (1,438) | **(10,442)** |
| Net deferred tax assets | **¥ 2,813** | ¥ 2,031 | **$ 24,894** |

Net deferred tax assets and liabilities presented in the consolidated balance sheets at March 31, 2016 and 2015 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Current assets—Deferred tax assets | **¥ 3,111** | ¥ 3,135 | **$ 27,531** |
| Other assets—Deferred tax assets | **38** | 29 | **336** |
| Current liabilities—Deferred tax liabilities | **—** | — | **—** |
| Non-current liabilities—Deferred tax liabilities | **(336)** | (1,133) | **(2,973)** |
| Net deferred tax assets | **¥ 2,813** | ¥ 2,031 | **$ 24,894** |

**(2) A reconciliation between the Company's statutory tax rate and the effective income tax rate at March 31, 2016 and 2015 is as follows:**

| | **2016** | 2015 |
|---|---|---|
| Statutory tax rate | **33.06%** | 35.64% |
| Non-deductible expenses | **0.15** | 0.13 |
| Valuation allowance for deferred tax assets | **1.28** | 1.72 |
| Per capita inhabitant tax | **0.82** | 0.81 |
| Net loss of consolidated subsidiaries | **(0.68)** | (1.60) |
| Effect of foreign tax rate differences | **(7.25)** | (8.64) |
| Difference of change in tax rate | **1.14** | 1.17 |
| Other | **(0.29)** | (0.06) |
| Effective tax rate | **28.23%** | 29.17% |

**(3) Change in the statutory effective tax rate**

The "Act for Partial Amendment of the Income Tax Act, etc." and the "Act for Partial Amendment of the Local Tax Act, etc." were enacted in the Diet on March 29, 2016 and the corporate income tax rate was reduced from the fiscal year beginning April 1, 2016. As a result, the statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 32.34% to 30.86% for the temporary differences expected to be realized in the fiscal year beginning April 1, 2016, and to 30.62% for those expected to be realized from the fiscal year beginning April 1, 2018.

The effect of the reduction of the effective statutory tax rate decreased deferred tax assets after offsetting deferred tax liabilities by ¥173 million (US$1,531 thousand) and increased deferred income taxes, net unrealized gains on securities and accumulated remeasurements of defined benefit plans by ¥183 million (US$1,619 thousand), ¥46 million (US$407 thousand) and minus ¥36 million (minus US$319 thousand) as of and for the fiscal year ended March 31, 2016.

## 7. Short-term Debt and Long-term Debt

Short-term debt represents notes payable mainly to banks with the weighted-average interest rate of 0.54% per annum at March 31, 2016 and 0.58% per annum at March 31, 2015.

**(1) Long-term debt at March 31, 2016 and 2015 consists of the following:**

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Loans, mainly from banks and insurance companies due through 2020 at weighted-average interest rates of 1.10% in 2016 and 0.88% in 2015 | **¥1,483** | ¥ 1,731 | **$13,124** |
| | **1,483** | 1,731 | **13,124** |
| Less: portion due within one year | **557** | 352 | **4,929** |
| | **¥ 926** | ¥ 1,379 | **$ 8,195** |

**(2) The aggregate annual maturities of long-term debt outstanding as of March 31, 2016 are as follows:**

| Years ending March 31, | Millions of Yen | Thousands of U.S. Dollars (Note 1) |
|---|---|---|
| 2017 | ¥ 557 | $ 4,929 |
| 2018 | 331 | 2,929 |
| 2019 | 18 | 159 |
| 2020 | 3 | 27 |
| Total | ¥ 909 | $ 8,044 |

Notes: (1) Long-term debt for the ESOP in the amount of ¥574 million (US$5,080 thousand) is excluded from the total amounts.
(2) As of March 31, 2016, the following assets and liabilities are pledged as collateral for transactions with a bank:

| | Millions of Yen | Thousands of U.S. Dollars (Note 1) |
|---|---|---|
| Property, plant and equipment (at net book value) | **¥ 2,161** | **$19,124** |
| Short-term debt | **—** | **—** |

## 8. Leases

**(1) The amounts related to finance lease assets at March 31, 2016 and 2015 are as follows:**

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Machinery and equipment: | | | |
| Acquisition costs | **¥ 15** | ¥ — | **$ 133** |
| Accumulated depreciation | **(2)** | — | **(18)** |
| Book value | **¥ 13** | ¥ — | **$ 115** |
| Future minimum lease payments: | | | |
| Due within one year | **¥ 2** | ¥ — | **$ 18** |
| Due after one year | **12** | — | **106** |
| Total | **¥ 14** | ¥ — | **$ 124** |

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, 2016 and 2015 are as follows:**

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Future minimum lease payments: | | | |
| Due within one year | **¥226** | ¥140 | **$2,000** |
| Due after one year | **312** | 149 | **2,761** |
| Total | **¥538** | ¥289 | **$4,761** |

## 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.

## 10. Treasury Stock

Increase and decrease in treasury stock for the year ended March 31, 2016 and 2015 are summarized as follows:

| | Number of shares (Thousands) | | | |
|---|---|---|---|---|
| | 2016 | | | |
| | April 1, 2015 | Increase | Decrease | March 31, 2016 |
| Treasury stock*1 | **6,942** | **6,491** | **125** | **13,308** |

| | Number of shares (Thousands) | | | |
|---|---|---|---|---|
| | 2015 | | | |
| | April 1, 2014 | Increase | Decrease | March 31, 2015 |
| Treasury stock*2 | 1,077 | 6,000 | 135 | 6,942 |

*1 The increase in the number of shares of treasury stock consists mainly of 6,491 thousand shares due to the purchase of shares based on the resolution of the Board of Directors meeting held on April 8, 2015. The decrease in the number of shares of treasury stock of 125 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 increase in the number of shares of treasury stock consists mainly of 6,000 thousand shares due to the purchase of shares based on the resolution of the Board of Directors meeting held on February 12, 2015. The decrease in the number of shares of treasury stock of 135 thousand shares is due to sales of shares by the ESOP Trust supporting the employee shareholding association to the Company's employees shareholding association.

## 11. 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, 2016 and 2015 (except adoption of the simplified accounting method)**

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Beginning balance of retirement benefit obligations | **¥11,058** | ¥13,415 | **$ 97,858** |
| Cumulative effects of changes in accounting policies | **—** | (2,821) | **—** |
| Restated balance | **11,058** | 10,594 | **97,858** |
| Service cost | **767** | 760 | **6,788** |
| Interest cost | **166** | 159 | **1,469** |
| Actuarial gains and losses | **1,785** | 208 | **15,796** |
| Retirement benefits paid | **(531)** | (667) | **(4,699)** |
| Prior service costs | **—** | 0 | **—** |
| Other | **(3)** | 4 | **(27)** |
| End balance of retirement benefit obligations | **¥13,242** | ¥11,058 | **$117,185** |

**(2) Changes to the balance of pension assets at the beginning and end of the period as of March 31, 2016 and 2015 (except adoption of the simplified accounting method)**

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Beginning balance of pension assets | **¥10,820** | ¥ 9,373 | **$95,752** |
| Expected return on plan assets | **216** | 187 | **1,912** |
| Actuarial gains and losses | **(262)** | 731 | **(2,319)** |
| Employer contribution | **695** | 946 | **6,150** |
| Retirement benefits paid | **(340)** | (417) | **(3,009)** |
| End balance of pension assets | **¥11,129** | ¥10,820 | **$98,486** |

**(3) Changes to the balance of net defined benefit liability at the beginning and end of the period as of March 31, 2016 and 2015 (only adoption of the simplified accounting method)**

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Beginning balance of net defined benefit liability | **¥ 864** | ¥ 748 | **$ 7,646** |
| Retirement benefit expenses | **119** | 124 | **1,053** |
| Retirement benefits paid | **(40)** | (85) | **(354)** |
| Other | **(59)** | 77 | **(522)** |
| End balance of net defined benefit liability | **¥ 884** | ¥ 864 | **$ 7,823** |

**(4) Changes to the balance of retirement benefit obligations and pension assets at the end of the period as of March 31, 2016 and 2015, 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) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Funded retirement benefit obligations | **¥10,665** | ¥ 8,891 | **$94,380** |
| Pension assets | **(11,129)** | (10,820) | **(98,486)** |
| | **(464)** | (1,929) | **(4,106)** |
| Non-funded retirement benefit obligations | **3,461** | 3,032 | **30,628** |
| Net liabilities and assets recorded in the consolidated balance sheets | **2,997** | 1,103 | **26,522** |
| Net defined benefit liability | **2,997** | 1,103 | **26,522** |
| Net defined benefit asset | **—** | — | **—** |
| Net liabilities and assets recorded in the consolidated balance sheets | **¥ 2,997** | ¥ 1,103 | **$26,522** |

## (5) Retirement benefit expenses and the breakdown of amounts

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Service cost | **¥ 767** | ¥ 760 | **$ 6,788** |
| Interest cost | **166** | 159 | **1,469** |
| Expected return on plan assets | **(216)** | (187) | **(1,912)** |
| Amortization of actuarial gains and losses | **77** | 170 | **681** |
| Amortization of prior service costs | **2** | 2 | **18** |
| Retirement benefit expenses calculated by the simplified accounting method | **119** | 124 | **1,053** |
| Retirement benefit expenses under defined benefit plans | **¥ 915** | ¥ 1,028 | **$ 8,097** |

**(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, 2016 and 2015 is as follows:

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Prior service costs | **¥ 2** | ¥ 2 | **$ 18** |
| Actuarial gains and losses | **(1,970)** | 693 | **(17,434)** |
| Total | **¥(1,968)** | ¥695 | **$(17,416)** |

**(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, 2016 and 2015 is as follows:

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Unrecognized prior service costs | **¥ 11** | ¥ 13 | **$ 97** |
| Unrecognized actuarial gains and losses | **2,084** | 114 | **18,442** |
| Total | **¥ 2,095** | ¥127 | **$ 18,539** |

**(8) Items related to pension assets**

(A) Breakdown of main items

Ratio for each main classification for total pension assets

| | **2016** | 2015 |
|---|---|---|
| Bonds | **55%** | 53% |
| Equity securities | **26** | 28 |
| 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, 2016 and 2015 is as follows:

| | **2016** | 2015 |
|---|---|---|
| Discount rate | **0.2%** | 1.5% |
| 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 year ended March 31, 2016 and 2015 are ¥95 million (US$841 thousand) and ¥80 million, respectively.

## 12. Research and Development Costs

Research and development costs for the years ended March 31, 2016 and 2015 are ¥2,179 million (US$19,283 thousand) and ¥2,023 million, respectively.

## 13. 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, 2016 and 2015 is summarized as follows:**

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | | | | | | | |
| | Reporting Segment | | | | | | | |
| | Japan | North America | Europe | South Asia | East Asia | Total | Reconciliations | Consolidated |
| Sales to customers | ¥60,452 | ¥22,323 | ¥499 | ¥17,074 | ¥76,780 | ¥177,128 | ¥ — | ¥177,128 |
| Intersegment sales | 4,549 | 37 | 9 | 1 | 7,826 | 12,422 | (12,422) | — |
| Total sales | 65,001 | 22,360 | 508 | 17,075 | 84,606 | 189,550 | (12,422) | 177,128 |
| Segment expenses | 59,802 | 22,223 | 551 | 15,449 | 77,106 | 175,131 | (12,452) | 162,679 |
| Segment profit (loss) | 5,199 | 137 | (43) | 1,626 | 7,500 | 14,419 | 30 | 14,449 |
| Segment assets | 76,731 | 8,861 | 405 | 14,119 | 94,525 | 194,641 | (22,769) | 171,872 |
| Other items: | | | | | | | | |
| Depreciation and amortization | 1,611 | 100 | 4 | 133 | 900 | 2,748 | — | 2,748 |
| Amortization of goodwill | — | 117 | — | — | — | 117 | — | 117 |
| Increase in property, plant and equipment and intangible assets | 1,500 | 18 | 16 | 97 | 2,685 | 4,316 | — | 4,316 |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | | | | | | |
| | Reporting Segment | | | | | | | |
| | Japan | North America | Europe | South Asia | East Asia | Total | Reconciliations | Consolidated |
| Sales to customers | ¥61,867 | ¥17,716 | ¥595 | ¥15,499 | ¥69,620 | ¥165,297 | ¥ — | ¥165,297 |
| Intersegment sales | 3,647 | 20 | 6 | 0 | 6,621 | 10,294 | (10,294) | — |
| Total sales | 65,514 | 17,736 | 601 | 15,499 | 76,241 | 175,591 | (10,294) | 165,297 |
| Segment expenses | 60,365 | 18,318 | 602 | 13,940 | 68,913 | 162,138 | (10,329) | 151,809 |
| Segment profit (loss) | 5,149 | (582) | (1) | 1,559 | 7,328 | 13,453 | 35 | 13,488 |
| Segment assets | 82,753 | 8,796 | 519 | 14,909 | 96,352 | 203,329 | (23,473) | 179,856 |
| Other items: | | | | | | | | |
| Depreciation and amortization | 1,473 | 86 | 3 | 134 | 677 | 2,373 | — | 2,373 |
| Amortization of goodwill | — | 106 | — | — | 8 | 114 | — | 114 |
| Increase in property, plant and equipment and intangible assets | 1,562 | 50 | 6 | 79 | 2,714 | 4,411 | — | 4,411 |

| | Thousands of U.S. Dollars (Note 1) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | | | | | | | |
| | Reporting Segment | | | | | | | |
| | Japan | North America | Europe | South Asia | East Asia | Total | Reconciliations | Consolidated |
| Sales to customers | $534,973 | $197,549 | $ 4,416 | $151,097 | $679,469 | $1,567,504 | $ — | $1,567,504 |
| Intersegment sales | 40,257 | 327 | 80 | 9 | 69,257 | 109,930 | (109,930) | — |
| Total sales | 575,230 | 197,876 | 4,496 | 151,106 | 748,726 | 1,677,434 | (109,930) | 1,567,504 |
| Segment expenses | 529,221 | 196,664 | 4,876 | 136,717 | 682,354 | 1,549,832 | (110,195) | 1,439,637 |
| Segment profit (loss) | 46,009 | 1,212 | (380) | 14,389 | 66,372 | 127,602 | 265 | 127,867 |
| Segment assets | 679,035 | 78,416 | 3,584 | 124,947 | 836,504 | 1,722,486 | (201,495) | 1,520,991 |
| Other items: | | | | | | | | |
| Depreciation and amortization | 14,257 | 885 | 35 | 1,177 | 7,965 | 24,319 | — | 24,319 |
| Amortization of goodwill | — | 1,035 | — | — | — | 1,035 | — | 1,035 |
| Increase in property, plant and equipment and intangible assets | 13,274 | 159 | 142 | 858 | 23,761 | 38,194 | — | 38,194 |

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

a) Reconciliations of segment profit (loss) for the years ended March 31, 2016 and 2015 were ¥30 million (US$265 thousand) and ¥35 million, respectively, consisting of intersegment transaction eliminations of ¥4 million (US$35 thousand) and ¥62 million, and adjustment of inventories of ¥26 million (minus US$230 thousand) and minus ¥27 million, respectively.

b) Reconciliations of segment assets for the years ended March 31, 2016 and 2015 were minus ¥22,769 million (minus US$201,495 thousand) and minus ¥23,473 million, respectively, consisting of intersegment transaction eliminations of minus ¥22,558 million (minus US$199,628 thousand) and minus ¥23,286 million, and adjustment of inventories of minus ¥211 million (minus US$1,867 thousand) and minus ¥187 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 | | | | | |
|---|---|---|---|---|---|---|
| | 2016 | | | | | |
| | Japan | The Americas | South Asia | East Asia | Others | Total |
| Sales to customers | ¥ 60,381 | ¥ 22,767 | ¥ 18,265 | ¥ 72,425 | ¥ 3,290 | ¥ 177,128 |

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | | | | |
| | Japan | The Americas | South Asia | East Asia | Others | Total |
| Sales to customers | ¥ 61,508 | ¥ 18,272 | ¥ 16,315 | ¥ 67,252 | ¥ 1,950 | ¥ 165,297 |

| | Thousands of U.S. Dollars (Note 1) | | | | | |
|---|---|---|---|---|---|---|
| | 2016 | | | | | |
| | Japan | The Americas | South Asia | East Asia | Others | Total |
| Sales to customers | $534,345 | $201,478 | $161,637 | $640,929 | $ 29,115 | $1,567,504 |

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 | | | | | |
|---|---|---|---|---|---|---|
| | 2016 | | | | | |
| | Japan | North America | South Asia | East Asia | Europe | Total |
| Property, plant and equipment | ¥ 21,860 | ¥ 386 | ¥ 959 | ¥ 10,603 | ¥ 20 | ¥ 33,828 |

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | | | | |
| | Japan | North America | South Asia | East Asia | Europe | Total |
| Property, plant and equipment | ¥ 22,034 | ¥ 473 | ¥1,083 | ¥ 9,287 | ¥ 8 | ¥ 32,885 |

| | Thousands of U.S. Dollars (Note 1) | | | | | |
|---|---|---|---|---|---|---|
| | **2016** | | | | | |
| | Japan | North America | South Asia | East Asia | Europe | Total |
| Property, plant and equipment | **$193,451** | **$3,416** | **$8,487** | **$93,832** | **$177** | **$299,363** |

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

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2016** | | | | | | | |
| | Reporting segment | | | | | | | |
| | Japan | North America | Europe | South Asia | East Asia | Total | Reconciliations | Consolidated |
| Impairment loss on fixed assets | **¥ —** | **¥ —** | **¥ —** | **¥ —** | **¥ —** | **¥ —** | **¥ —** | **¥ —** |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | | | | | | |
| | Reporting segment | | | | | | | |
| | Japan | North America | Europe | South Asia | East Asia | Total | Reconciliations | Consolidated |
| Impairment loss on fixed assets | ¥ 70 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ 70 | ¥ — | ¥ 70 |

| | Thousands of U.S. Dollars (Note 1) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2016** | | | | | | | |
| | Reporting segment | | | | | | | |
| | Japan | North America | Europe | South Asia | East Asia | Total | Reconciliations | Consolidated |
| Impairment loss on fixed assets | **$ —** | **$ —** | **$ —** | **$ —** | **$ —** | **$ —** | **$ —** | **$ —** |

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

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2016** | | | | | | | |
| | Reporting segment | | | | | | | |
| | Japan | North America | Europe | South Asia | East Asia | Total | Reconciliations | Consolidated |
| Goodwill | **¥ —** | **¥ 549** | **¥ —** | **¥ —** | **¥ —** | **¥ 549** | **¥ —** | **¥ 549** |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | | | | | | |
| | Reporting segment | | | | | | | |
| | Japan | North America | Europe | South Asia | East Asia | Total | Reconciliations | Consolidated |
| Goodwill | ¥ — | ¥ 686 | ¥ — | ¥ — | ¥ — | ¥ 686 | ¥ — | ¥ 686 |

| | Thousands of U.S. Dollars (Note 1) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2016** | | | | | | | |
| | Reporting segment | | | | | | | |
| | Japan | North America | Europe | South Asia | East Asia | Total | Reconciliations | Consolidated |
| Goodwill | **$ —** | **$4,858** | **$ —** | **$ —** | **$ —** | **$4,858** | **$ —** | **$4,858** |

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.”

## 14. 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.

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. 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 15 for details of fair value for derivatives.

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

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | 2016 | | | 2015 | | |
| | Carrying amount | Fair value | Difference | Carrying amount | Fair value | Difference |
| Assets: | | | | | | |
| Cash and deposits | **¥ 43,698** | **¥ 43,698** | **¥ —** | ¥ 51,674 | ¥ 51,674 | ¥ — |
| Trade notes and accounts receivable | **52,502** | **50,821** | **(1,681)** | 53,184 | 51,693 | (1,491) |
| Investment securities | **6,311** | **6,311** | **—** | 6,899 | 6,899 | — |
| Long-term loans | **283** | **283** | **(0)** | 14 | 14 | (0) |
| Total | **¥102,794** | **¥101,113** | **¥(1,681)** | ¥111,771 | ¥110,280 | ¥(1,491) |
| Liabilities: | | | | | | |
| Trade notes and accounts payable | **¥ 14,415** | **¥ 14,415** | **¥ —** | ¥ 15,247 | ¥ 15,247 | ¥ — |
| Electronically recorded obligations | **3,970** | **3,970** | **—** | 5,281 | 5,281 | — |
| Short-term debt | **7,405** | **7,405** | **—** | 7,911 | 7,911 | — |
| Long-term debt*1 | **1,483** | **1,476** | **(7)** | 1,731 | 1,722 | (9) |
| Total | **¥ 27,273** | **¥ 27,266** | **¥ (7)** | ¥ 30,170 | ¥ 30,161 | ¥ (9) |
| Derivatives*2: | | | | | | |
| Derivatives without hedge accounting | **¥ (95)** | **¥ (95)** | **¥ —** | ¥ (51) | ¥ (51) | ¥ — |
| Derivatives with hedge accounting | **—** | **—** | **—** | — | — | — |

| | Thousands of U.S. Dollars (Note 1) | | |
|---|---|---|---|
| | 2016 | | |
| | Carrying amount | Fair value | Difference |
| Assets: | | | |
| Cash and deposits | $386,708 | $386,708 | $ — |
| Trade notes and accounts receivable | 464,619 | 449,743 | (14,876) |
| Investment securities | 55,850 | 55,850 | — |
| Long-term loans | 2,504 | 2,504 | — |
| Total | $909,681 | $894,805 | $(14,876) |
| Liabilities: | | | |
| Trade notes and accounts payable | $127,566 | $127,566 | $ — |
| Electronically recorded obligations | 35,133 | 35,133 | — |
| Short-term debt | 65,531 | 65,531 | — |
| Long-term debt*1 | 13,124 | 13,062 | (62) |
| Total | $241,354 | $241,292 | $ (62) |
| Derivatives*2: | | | |
| Derivatives without hedge accounting | $ (841) | $ (841) | $ — |
| Derivatives with hedge accounting | — | — | — |

*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 15.

**(2) Financial instruments whose fair value cannot be reliably determined at March 31, 2016 and 2015 are as follows:**

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Investment securities: | | | |
| Unlisted stocks | **¥ 123** | ¥ 123 | **$ 1,088** |
| Investments in unconsolidated subsidiaries and affiliates | **¥ 1,163** | ¥ 956 | **$10,292** |

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, 2016 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 | **¥ 43,698** | **¥ —** | **¥ —** |
| Trade notes and accounts receivable | **48,216** | **3,788** | **498** |
| Long-term loans | **1** | **282** | **—** |
| Total | **¥ 91,915** | **¥ 4,070** | **¥ 498** |

| | Thousands of U.S. Dollars (Note1) | | |
|---|---|---|---|
| | Due within one year | Due after one year through five years | Due after five years through ten years |
| Cash and deposits | **$386,708** | **$ —** | **$ —** |
| Trade notes and accounts receivable | **426,690** | **33,522** | **4,407** |
| Long-term loans | **9** | **2,496** | **—** |
| Total | **$813,407** | **$36,018** | **$ 4,407** |

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

## 15. Derivative Financial Instruments

**(1) Derivative transactions, to which hedge accounting is not applied, at March 31, 2016 and 2015 are as follows:**

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | **2016** | | | 2015 | | |
| | Contract amount | Fair value | Unrealized gain (loss) | Contract amount | Fair value | Unrealized gain (loss) |
| Foreign currency forward contracts: | | | | | | |
| Buying | **¥ 3,601** | **¥ (95)** | **¥ (95)** | ¥3,598 | ¥ (51) | ¥(51) |

| | Thousands of U.S. Dollars (Note1) | | |
|---|---|---|---|
| | **2016** | | |
| | Contract amount | Fair value | Unrealized gain (loss) |
| Foreign currency forward contracts: | | | |
| Buying | **$31,867** | **$ (841)** | **$(841)** |

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, 2016 and 2015 are as follows:**

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | **2016** | | | 2015 | | |
| | 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 | **¥ 513** | **¥ 200** | **¥ —** | ¥ 668 | ¥334 | ¥ — |

| | Thousands of U.S. Dollars (Note1) | | |
|---|---|---|---|
| | **2016** | | |
| | Contract amount | Due after one year | Fair value |
| Interest rate swap contracts: | | | |
| Variable interest received, fixed interest paid | **$ 4,540** | **$1,770** | **$ —** |

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.

## 16. Stock Options, etc.

### (1) Expenses and accounts related to stock options

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Selling, general and administrative expenses | **¥5** | ¥20 | **$44** |

### (2) 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, 2016 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.

| | Before vesting (shares) | | | | | Vested (shares) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Resolution date | At the end of March 31, 2015 | Granted | Lapsed | Vested | Unvested | At the end of March 31, 2015 | Vested | Exercised | Lapsed | Unexercised |
| November 8, 2013 | — | — | — | — | — | 36,000 | — | — | — | 36,000 |

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

| | Before vesting (shares) | | | | | Vested (shares) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Resolution date | At the end of March 31, 2015 | Granted | Lapsed | Vested | Unvested | At the end of March 31, 2015 | Vested | Exercised | Lapsed | Unexercised |
| August 7, 2014 | — | — | — | — | — | 24,000 | — | — | — | 24,000 |

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

| | Before vesting (shares) | | | | | Vested (shares) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Resolution date | At the end of March 31, 2015 | Granted | Lapsed | Vested | Unvested | At the end of March 31, 2015 | Vested | Exercised | Lapsed | Unexercised |
| August 7, 2015 | — | 7,000 | — | 7,000 | — | — | 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, 2016**

a) Appraisal method used

The Black-Scholes model

b) Main underlying figures and estimates

3rd Stock Acquisition Rights of Fujitec Co., Ltd. (Stock-compensation-type Stock Options)

(Resolved at a meeting of its Board of Directors held on August 7, 2015)

| | | |
|---|---|---|
| Volatility | (Note 1) | 38.451% |
| Expected residual period | (Note 2) | 15 years |
| Expected dividends | (Note 3) | ¥24 per share |
| Risk-free interest rate | (Note 4) | 0.770% |

Notes: 1. Estimated based on the stock price performance in 15 years (from August 25, 2000 to August 25, 2015)
2. Calculated on the assumption that the stock acquisition rights would be exercised at the middle point of the exercise period
3. Actual cash dividends for the year ended March 31, 2015
4. Yield of Japanese government bonds with the same years to maturity as the above expected residual period

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

All of the stock acquisition rights are vested when granted.

## 17. Subsequent Event

The following appropriation of retained earnings at March 31, 2016 was approved at the annual meeting of shareholders held on June 23, 2016:

| | Millions of Yen | Thousands of U.S. Dollars (Note 1) |
|---|---|---|
| Cash dividends | **¥1,215** | **$10,752** |