

To Our Shareholders and Investors

Net Sales, Operating Income and Ordinary Income Reach Record Highs for the Fourth Consecutive Year



Takakazu Uchiyama
President and Chief Executive Officer

North American Market Remains Strong While Asian Region Is in Flux

During the fiscal year ended March 31, 2016, the elevator and escalator industry saw a decline in demand in China amid the tough market environment in which real estate investment continued to slow. While demand also declined in other Asian countries, it remained strong in North America. In Japan, there were greater moves to pull back on new construction due to rising construction costs, but development projects for office buildings and other large-scale multi-purpose facilities made progress in the Tokyo metropolitan area.

Under these conditions, new escalator sales declined (including retail stores) but new elevator installations increased for office and multi-unit dwellings primarily in the Tokyo metropolitan area. Our modernization division (upgrading and/or retrofitting outdated equipment with new technology) experienced solid returns on the sale of control panels and safety enhancement packages, but saw an overall order decrease due in part to the saturation of demand.

Domestic Sales Decrease 1.8% and Overseas Sales Rise 12.5%

Reflecting these factors, net sales increased 7.2% year over year to ¥177,128 million, with domestic sales of ¥60,381 million, down 1.8%, and overseas sales of ¥116,747 million, up 12.5%. The actual percentage increase in overseas sales, excluding the effect of foreign exchange fluctuations, was 0.7%.

North America achieved profitability by contributing to the aforementioned 12.5% sales increase, after posting an operating loss in the fiscal year ended March 31, 2015. Additionally, Japan increased overall company profitability by improving the level of efficiency in the new installation business sector. As a result, operating income rose 7.1% year over year to ¥14,449 million, ordinary income edged up 2.3% to ¥15,162 million and profit attributable to owners of parent increased 5.4% to ¥8,807 million. These developments helped net sales, operating income and ordinary income reach record highs for the fourth consecutive year.

● Business Results (Fiscal Years Ended March 31)

	2015	2016	Increase/Decrease (%)
Net sales	165,297	177,128	7.2
Domestic	61,508	60,381	(1.8)
Overseas	103,789	116,747	12.5
Operating income	13,488	14,449	7.1
Ordinary income	14,826	15,162	2.3
Profit attributable to owners of parent	8,356	8,807	5.4

Initial Net Sales Target Achieved under the Previous Mid-Term Management Plan

The fiscal year ended March 31, 2016 was the final year of the three-year Mid-Term Management Plan “Grow Together! Yes, Fujitec Can.” We achieved the targets of ¥175,000 million in net sales and ¥14,000 million in operating income as planned.

Under the plan, a collective effort set the following key objectives: 1) Enhance Fujitec’s ability to supply products and be cost-competitive as a producer of full-line products in the global market; 2) Accelerate Fujitec’s production reorganization in the Asian region, including Japan, to revamp its global supply chain; 3) Place the highest priority on safety and quality to earn customers’ trust and meet their expectations; and 4) Provide resources to improve training programs that support Fujitec’s global collaboration initiative.

Strengthening Development and Production Capabilities with a Focus on China

With regard to production during the period of the Mid-Term Management Plan, Fujitec focused on the reorganization of a global supply chain in China and East Asia in an effort to strengthen our development and production capabilities.

In March 2014, Huasheng Fujitec Elevator Co., Ltd., located in the suburbs of Beijing, completed the Xiangyun elevator research tower (height: 151 meters) to improve its elevator research and development functions. In Shanghai, an experiment building of the Shanghai R&D Center was constructed in July 2014, and was soon followed by the completion of the Shanghai Procurement Center in July 2015. In October 2015, construction of the second plant was

completed at Shanghai Huasheng Fujitec Escalator Co., Ltd. In October 2014 in Korea, we renovated the Incheon Plant and constructed the MARUNA81 elevator research tower (height: 81 meters) at Fujitec Korea Co., Ltd., with an aim to manufacture products with higher performance and quality.

We are also accelerating the global development of the modernization business, which is enhancing its presence mainly in mature markets. For example, we completed the renovation of the Hsinchu Plant of Fujitec Taiwan Co., Ltd. in March 2016. As a production base for modernization-related equipment, this plant will play an important role in responding to global demand mainly from East Asia and South Asia.

Releasing New Global Standard Models

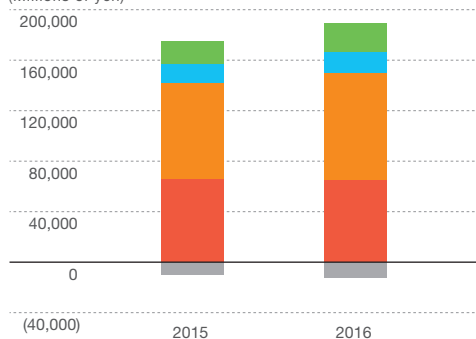
Regarding our product strategy, we intend to accelerate our efforts in raising product supply capabilities and strengthening cost competitiveness as a full-line producer that offers an array of highly market competitive products. These will range anywhere from standard elevators on up to the high-speed or more custom-made applications.

More specifically, we will review the design and components of each system as it relates to their market segment to help standardize products for optimal efficiency. Moreover, we will reorganize our product lineup by combining modules that maximize the benefits of large-scale procurement. In November 2014, we launched ZEXIA, a new global standard elevator for which sales are increasing, in the Chinese market. In Japan, we added globally standardized traction machines and control panels to the large-capacity type and custom-made type of XIOR (standard elevators) in

● Performance by Segment (Fiscal Years Ended March 31)

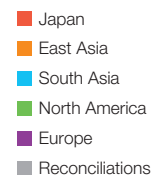
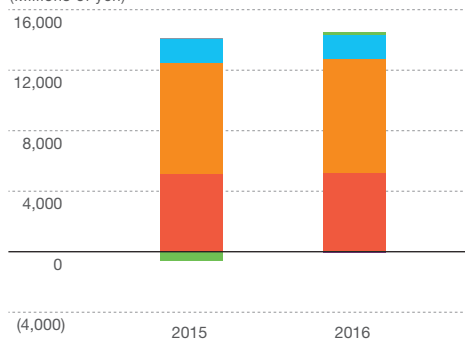
Net Sales

(Millions of yen)



Operating Income

(Millions of yen)



To Our Shareholders and Investors

December 2015. In the modernization business, we steadily added more models that are globally compatible with the control panel replacement package to expand our product lineup.

Strengthening Sales Capability in the Entire Asia Region

In the area of sales, with China being the region of greatest priority, we focused our efforts on expansion in Beijing and Shanghai where we have production and sales bases as well as the major cities of Guangzhou, Chongqing and Chengdu. In regard to the sales network, we proactively looked for new distributors in inland areas, where demand is expected to grow, in addition to developing our network of existing distributors that extends across China.

There are plans to modernize products we delivered in Singapore and Hong Kong in the past, and we expanded our lineup for renewal products and focused our efforts on capturing the demand for modernization. In India, we strived to supply products that meet customer needs while expanding the sales network and exporting products to other South Asian countries. In addition, we worked to strengthen our sales capabilities throughout the entire Asia region with the establishment of Fujitec Lanka (Private) Ltd. in Sri Lanka in October 2014 and Fujitec Myanmar Co., Ltd. in Myanmar in June 2015.

In Japan, we aimed to increase our market share in the new installation business. At the same time, we continued to proactively manage the modernization business in the after-sales service market, where demand is expected to be brisk.

Sales and Profits Expected to Decline in the Fiscal Year Ending March 31, 2017 due in Part to the Impact of Exchange Rate Fluctuations

Looking at the elevator and escalator market in the fiscal year ending March 31, 2017, demand is forecast to decline in China and emerging countries in Asia, where the economy is expecting a continued slowdown. On the other hand, demand in North America is anticipated to remain strong. Although there are moves to pull back on new construction due to rising construction costs in Japan, demand is expected to remain steady in the Tokyo metropolitan area.

Under these conditions, the business environment surrounding the Fujitec Group is expected to grow tougher, with price competition becoming fierce in China and Japan.

As a result of these factors, we are projecting net sales of ¥170,000 million for the fiscal year ending March 31, 2017, down 4.0% year over year. At the profit level, due to the decline in China and impact of exchange rate fluctuations, we are projecting operating income of ¥12,000 million, down 17.0% year on year; ordinary income of ¥13,000 million, down 14.3%; and profit attributable to owners of parent of ¥8,500 million, down 3.5% (with an assumed average exchange rate of ¥110 to US\$1).

Launch of the New Mid-Term Management Plan

In April 2016, the Fujitec Group launched the new three-year Mid-Term Management Plan “No Limits! Push Forward Together!” the final year of which is the fiscal year ending March 31, 2019.

This slogan conveys our strong resolve to make concerted



Xiangyun Research Tower (elevator research tower) constructed at Huasheng Fujitec Elevator Co., Ltd. in China (March 2014)



Renovation of the Incheon Plant completed at Fujitec Korea Co., Ltd. (October 2014)



Renovation of the Hsinchu Plant completed at Fujitec Taiwan Co., Ltd. (March 2016)

efforts throughout the Fujitec Group and do our best together to achieve our goals rather than merely maintaining the status quo. Our targets for the final fiscal year are net sales of ¥200,000 million, operating income of ¥16,000 million and an operating margin of 8.0%.

To achieve these targets, we have set the following four key objectives of the action vision: 1) Increase Fujitec's market share by identifying and supporting specific regional needs (Regional Strategy); 2) Increase competitiveness through the unification of product specifications (Product and Technology Strategy); 3) Innovate procurement systems and establish a new global network for product design (Operation Strategy); and 4) Enhance the quality of Fujitec's corporate management (Corporate Strategy).

We will strive to achieve the targets for the final fiscal year by implementing the respective strategies for regions, products and technologies, operations and corporate matters.

Basic Policy on Profit Distribution and Dividends for the Fiscal Year Ended March 31, 2016 and Fiscal Year Ending March 31, 2017

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

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

R&D. Fujitec also executes repurchases of treasury stock.

As announced on May 13, 2015, the company paid year-end cash dividends per share of ¥15. Together with interim cash dividends per share of ¥15, total dividends per share for the fiscal year ended March 31, 2016 therefore amounted to ¥30.

For the fiscal year ending March 31, 2017, we plan to pay interim and year-end cash dividends per share of ¥15, respectively, amounting to total dividends per share of ¥30 for the fiscal year.

We position the new Mid-Term Management Plan "No Limits! Push Forward Together!" as an important plan for moving toward a new era. We hope our shareholders and investors will continue to lend us their support and cooperation.

June 23, 2016



Takakazu Uchiyama
President and Chief Executive Officer

● Targets by Segment for Fiscal Year Ending March 31, 2017

	(Millions of yen)		
	Net Sales	Operating Income	Operating Margin (%)
Japan	66,000	52,000	7.9
East Asia	80,000	52,000	6.5
South Asia	15,000	1,400	9.3
North America	21,000	300	1.4
Europe	500	0	—
Total	182,500	12,100	6.6
Reconciliations	(12,500)	(100)	—
Consolidated	170,000	12,000	7.1

● Annual Dividends (Fiscal Years Ended March 31)

