



FUJITEC

70th

ANNUAL REPORT 2018

Japan's Only Manufacturer That Engages in Comprehensive Operations from Research & Development to Modernization of Transportation Systems

Fujitec is the only manufacturer in Japan engaging in comprehensive operations, which include research and development, sales, manufacturing, installation, maintenance and modernization of elevators, escalators, moving walks and other transportation systems. Since its founding in 1948, Fujitec has pursued the development of safe, reliable and comfortable products based on our global mission statement: “Respecting people, technologies, and products, we collaborate with people from nations around the world to develop beautiful and functional cities that meet the needs of a new age.” In February 2018, we celebrated our 70th anniversary. Since establishing the first overseas base in the Japanese elevator and escalator industry in 1964, we have been operating global businesses in 24 countries and regions.



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Forward-Looking Statements
This annual report contains forecasts and projections regarding the plans, strategies and performance of Fujitec Co., Ltd. and its consolidated subsidiaries. These forecasts and projections constitute forward-looking statements that are based on assumptions and beliefs in accordance with data available to management. These statements are subject to various risks and uncertainties that could cause results to differ from those projected or implied. These include, but are not limited to, unforeseen factors or fluctuations in the economy, industry competition, demand, foreign exchange rates, tax laws and/or regulations. In conclusion, Fujitec cautions readers that actual results may differ from those projected.

Creating Sustainable Value through a Unique Business Model

Utilizing four strengths, Fujitec supplies a full line of products through an integrated structure covering all aspects, from R&D to maintenance and modernization. Through this unique business model, we respond to diverse needs from around the world and strive to create sustainable value.



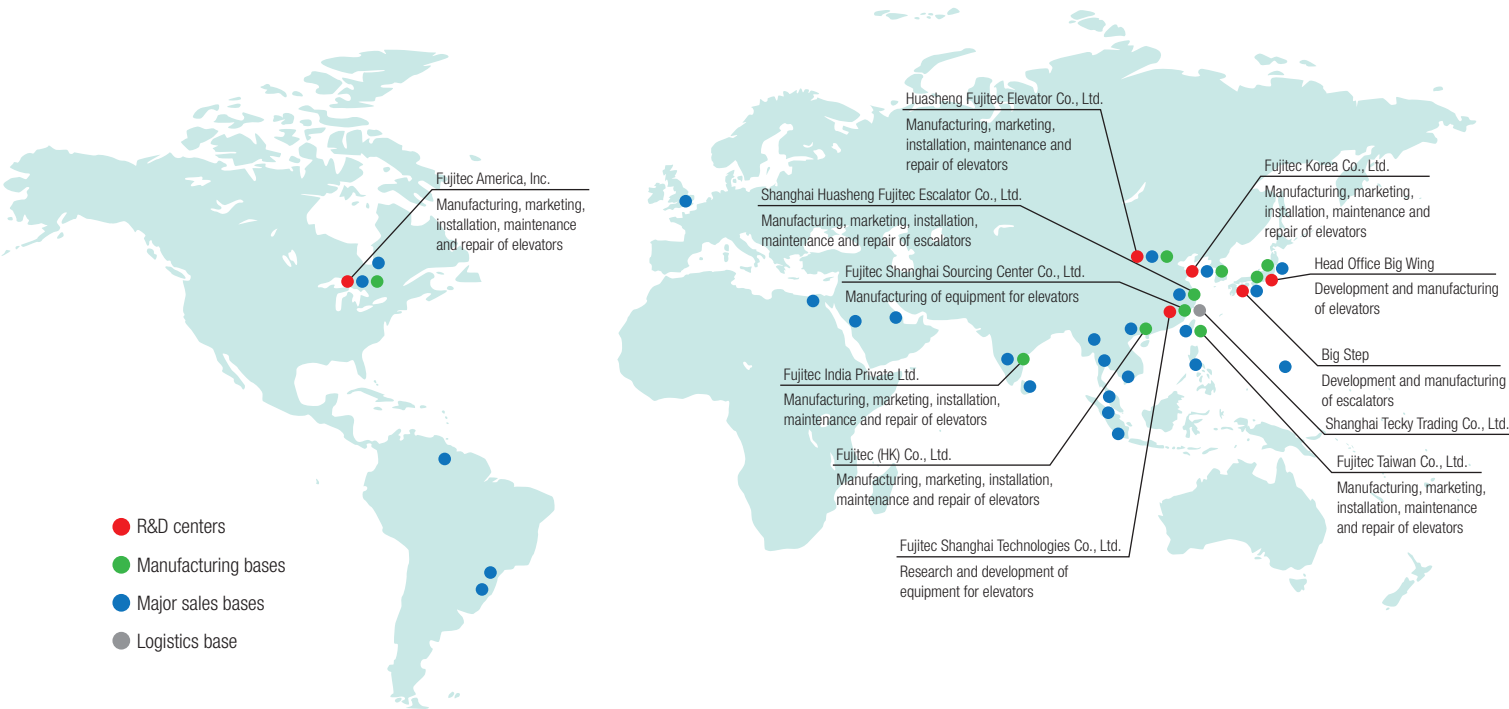
Integrated Structure

We efficiently produce a full line of safe, reliable and comfortable products such as elevators, escalators, moving walks and other transportation systems through an integrated structure that covers design, development, manufacturing, sales, installation, maintenance and modernization. Numerous products brought forth through long-accumulated technologies and knowledge have earned the deep trust and support of customers around the world. Feedback from customers is reflected in future design and development to produce even better products.



Global Supply Chain

Fujitec was the first company in the Japanese elevator and escalator industry to venture overseas, establishing Fujitec (HK) Co., Ltd. in 1964. Since then, we have been proactively promoting global business, which encompasses six R&D centers and 10 manufacturing bases in 24 countries and regions. Each base is connected by our sales order management system and global design division to establish a global supply chain network.



Financial Highlights

| Fiscal years ended March 31 | Millions of yen | | | | | Thousands of U.S. dollars |
|--------------------------------------------------|-----------------|----------|----------|----------|----------|---------------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 |
| Net sales | ¥147,054 | ¥165,297 | ¥177,128 | ¥167,442 | ¥168,795 | \$1,592,406 |
| Domestic | 58,338 | 61,508 | 60,381 | 62,798 | 64,935 | 612,595 |
| Overseas | 88,716 | 103,789 | 116,747 | 104,644 | 103,860 | 979,811 |
| Operating income | 12,871 | 13,488 | 14,449 | 12,687 | 10,665 | 100,613 |
| Profit attributable to owners of parent | 7,664 | 8,356 | 8,807 | 8,564 | 8,857 | 83,557 |
| Comprehensive income | 19,450 | 19,343 | 6,533 | 6,530 | 10,907 | 102,896 |
| R&D expenses | 1,976 | 2,023 | 2,179 | 2,302 | 2,323 | 21,915 |
| Capital investment | 1,867 | 4,071 | 4,138 | 4,149 | 2,175 | 20,519 |
| Depreciation and amortization | 2,237 | 2,373 | 2,748 | 2,751 | 2,915 | 27,500 |
| Acquisition of property, plant and equipment | 2,007 | 3,867 | 4,210 | 3,610 | 2,973 | 28,047 |
| Total assets | 154,265 | 179,856 | 171,872 | 173,007 | 183,218 | 1,728,472 |
| Net assets | 93,501 | 104,620 | 100,406 | 103,847 | 111,822 | 1,054,925 |
| Cash flows from operating activities | 9,294 | 10,753 | 8,932 | 14,360 | 11,870 | 111,981 |
| Cash flows from investing activities | (2,655) | (619) | (5,319) | (6,957) | (5,346) | (50,434) |
| Cash flows from financing activities | (3,823) | (3,225) | (11,532) | (6,757) | (3,858) | (36,396) |
| Cash and cash equivalents at end of year | 20,903 | 30,602 | 21,833 | 20,910 | 24,043 | 226,821 |
| Net income per share (exact yen/dollars) | 82.32 | 90.84 | 109.36 | 106.35 | 109.82 | 1.04 |
| Diluted net income per share (exact yen/dollars) | 82.31 | 90.79 | 109.28 | 106.26 | 109.73 | 1.04 |
| Net assets per share (exact yen/dollars) | 912.40 | 1,074.82 | 1,102.66 | 1,148.36 | 1,243.46 | 11.73 |
| Cash dividends per share (exact yen/dollars) | 22.00 | 24.00 | 30.00 | 30.00 | 35.00 | 0.33 |
| Shareholders' equity ratio (%) | 54.8 | 51.9 | 51.6 | 53.5 | 54.8 | — |
| Return on assets (ROA) (%) | 5.5 | 5.0 | 5.0 | 5.0 | 5.0 | — |
| Return on equity (ROE) (%) | 9.8 | 9.4 | 9.7 | 9.4 | 9.2 | — |
| Order backlogs | 143,881 | 166,745 | 195,339 | 184,738 | 199,602 | 1,883,038 |
| Domestic | 40,692 | 47,779 | 55,475 | 57,200 | 60,431 | 570,104 |
| Overseas | 103,189 | 118,966 | 139,864 | 127,538 | 139,171 | 1,312,934 |
| Number of employees (persons) | 8,539 | 9,057 | 9,486 | 9,832 | 9,931 | — |
| Domestic (persons) | 2,714 | 2,758 | 2,824 | 2,875 | 2,919 | — |
| Overseas (persons) | 5,825 | 6,299 | 6,662 | 6,957 | 7,012 | — |

1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥106 to US\$1.00, which was the exchange rate on March 31, 2018.

2. During the fiscal year ended March 31, 2015, the accounts of Fujitec M&E Sdn. Bhd. were newly included in the consolidation.

3. During the fiscal year ended March 31, 2016, the accounts of Fujitec Lanka (Private) Ltd. were newly included in the consolidation.

4. During the fiscal year ended March 31, 2016, the accounts of Fujitec (Thailand) Co., Ltd. were removed from the consolidation.

5. During the fiscal year ended March 31, 2018, the accounts of Fujitec Deutschland GmbH were removed from the consolidation because the Company transferred its entire holdings on February 15, 2018.

6. Net income per share amounts are computed based on the weighted average number of shares outstanding during each fiscal year. Net assets per share amounts are computed based on the number of shares outstanding at each fiscal year-end.

To Our Shareholders and Investors

Promoting Global Business Activities by Taking Advantage of the Group's Strengths in Our Efforts to Further Raise Our Corporate Value

China Market Stagnates While Other Markets Remain Strong

The demand environment of the elevator and escalator market was stable with the global economy undergoing modest growth. North America experienced a robust market environment due to economic growth, while Asian countries also saw steady demand. However, the world's largest market for elevators and escalators in China has been a difficult market due to decelerating growth. Under these conditions, the Fujitec Group continued to regard China as its most important market and proactively promoted various measures in an effort to expand operations.

Meanwhile, Japan saw a steady market environment mainly in hotels and distribution facilities. Additionally, the modernization sector, which updates older elevator and escalator systems, enjoyed strong sales of product packages for replacing control devices with the latest models. We will continue to accelerate measures for enhancing our presence and increasing our shares of the global and Japanese markets.

Record-High Net Sales and Operating Income Achieved in Japan for Two Consecutive Fiscal Years

Our consolidated performance for the fiscal year ended March 31, 2018 is as follows. Consolidated net sales increased 0.8%

year over year to ¥168,795 million, with domestic net sales of ¥64,935 million, up 3.4%, and overseas net sales of ¥103,860 million, down 0.8%. Operating income fell 15.9% year over year to ¥10,665 million, achieving the target that was revised in the middle of the term.

Looking at performance by segment, both sales and profits rose in Japan due to an increase in orders for the new installation business and a rise in profits from our after-sales market business. As a result, we achieved record-high net sales and operating income in Japan for the second consecutive fiscal year.

In North America, sales increased due to orders received for modernization in addition to the increased frequency of orders for new installations, mainly in major U.S. cities. Both sales and profits were up in South Asia due to steady performance in Malaysia and Indonesia along with an expansion of our after-sales market business in Singapore.

In East Asia, our performance was strong in Hong Kong and Taiwan. In China, although we received orders for a record number of elevators and escalators, both sales and profits decreased due to a decline in sales prices, which was attributed to the fierce competition for orders, as well as rising materials costs. While the Chinese market continues to be tough, we will strive to increase orders by taking appropriate measures that correspond with the market environment.

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

The three-year Mid-Term Management Plan "No Limits! Push Forward Together!" got underway in April 2016. Under this plan, we aim to provide safe and reliable products to people around the world for sustainable enhancement of our corporate value in the global market.

For the fiscal year and final year of the management plan ending March 31, 2019, our targets are net sales of ¥170,000 million and operating income of ¥10,300 million. To achieve these targets, we have undertaken various measures for both the global market and the Japanese market under the following four key objectives of the action vision: 1) Increase Fujitec's market share by identifying and supporting specific regional needs; 2) Increase competitiveness through the unification of product specifications; 3) Innovate procurement systems and establish a new global network for product design; and 4) Enhance the quality of Fujitec's corporate management.

Proactively Carrying Out Business Activities by Anticipating Market Needs

To increase Fujitec's market share and support specific regional needs, we are making efforts to receive orders from high-profile projects in global and Japanese markets. Our most recent achievement is the order received for high-speed elevators traveling at 720 meters per minute for the Snowland Project in Zhangjiakou, China. Running through the mountain, this will be the world's longest traveling elevator with a distance of 638 meters when complete.

In Japan, demand is expected for tourism-related facilities for inbound visitors and we are striving to strengthen our sales activities to win orders. With strong demand for modernization, we are making product proposals matched to customer requests.

Commencing Full-Fledged Sales of Global Standard Elevators

To increase competitiveness through the unification of product specifications, we are consolidating our global standard



Takakazu Uchiyama
President and Chief Executive Officer

elevators into ZEXIA (with machine room) and REXIA (without machine room) for release to the global market. For escalators, we have developed a new method in which a new escalator is retrofitted to the existing truss (structure that supports the weight of the escalator and movable load) and began sales in Japan and the global market.

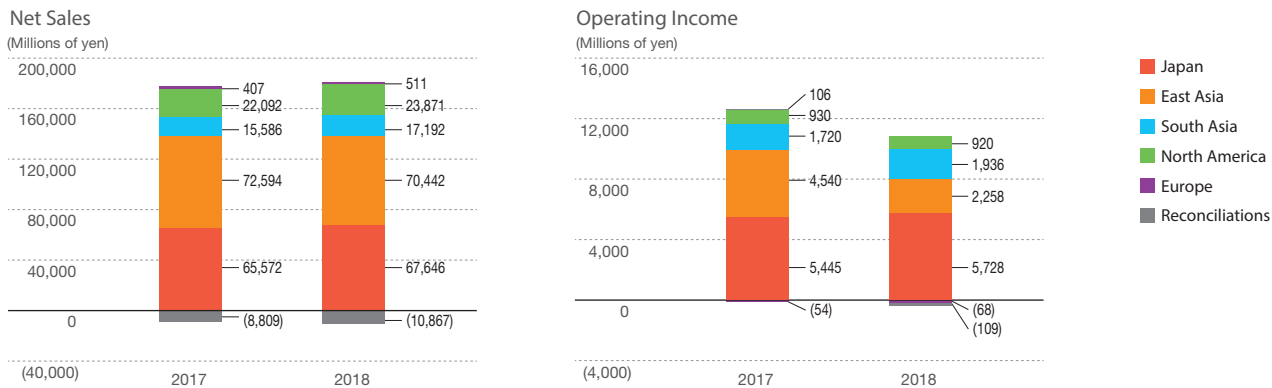
To innovate procurement systems and establish a new global network for product design, we are working to reduce costs by standardizing components and purchasing in bulk to respond to the commercialization of global standard elevators.

As part of our efforts to establish a new flow of commerce on a global level, a new logistics site was set up in Shanghai. Further, we are building an information network that connects

● Business Results (Fiscal Years Ended March 31)

| | 2017 | 2018 | Percentage Change (%) |
|-----------------------------------------|---------|----------------|-----------------------|
| Net sales | 167,442 | 168,795 | 0.8 |
| Domestic | 62,798 | 64,935 | 3.4 |
| Overseas | 104,644 | 103,860 | (0.8) |
| Operating income | 12,687 | 10,665 | (15.9) |
| Ordinary income | 13,110 | 11,911 | (9.1) |
| Profit attributable to owners of parent | 8,564 | 8,857 | 3.4 |

● Performance by Segment (Fiscal Years Ended March 31)



To Our Shareholders and Investors

sales and manufacturing sites worldwide to make the best use of design resources within the Fujitec Group.

To enhance the quality of Fujitec’s corporate management, we are working to create a better workplace environment featuring smartphones and internally developed applications.

Increase in Sales and Decline in Profits Expected in the Fiscal Year Ending March 31, 2019

In the fiscal year ending March 31, 2019, the elevator and escalator market in Japan is expected to see steady demand in the Tokyo metropolitan area, where large-scale development projects are ongoing. Demand in North America and South Asia is anticipated to remain strong overall. In East Asia, however, profitability is expected to continue to decline due to the fierce price competition in China.

Under these conditions, we expect both sales and profits to rise in Japan due to strong demand. In East Asia, both sales and profits are likely to decline due to rising costs in South Korea in addition to the harsh environment in China. Profits are also anticipated to decline in South Asia because of stagnant demand in Singapore and other countries despite expected growth in demand in India. In North America, demand is expected to remain strong and an increase in profits is anticipated mainly in the service business. In Europe, sales are expected to decrease due to the sell-off of a subsidiary in Germany.

Given these factors, we are projecting an increase in net sales of 0.7% year on year and a decline in operating income of 3.4% year on year.

Annual Dividends of ¥42 Planned for the Fiscal Year Ending March 31, 2019

Thanks to the support of our shareholders and investors, we celebrated our 70th anniversary on February 9, 2018, and I

hereby express my sincerest gratitude.

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.

For the fiscal year ended March 31, 2018, reflecting the consolidated results for the fiscal year, the year-end cash dividends amounted to ¥20 per share, including an ordinary dividend of ¥15 and a 70th anniversary commemorative dividend of ¥5. Combined with the interim dividend of ¥15 per share, total dividends per share amounted to ¥35 for the fiscal year. For the fiscal year ending March 31, 2019, we plan to pay dividends of ¥42 per share in total.

We will continue to promote global business activities by taking advantage of the strengths of the Fujitec Group in our efforts to further raise our corporate value. We hope our shareholders and investors will continue to lend us their support and cooperation.

June 22, 2018

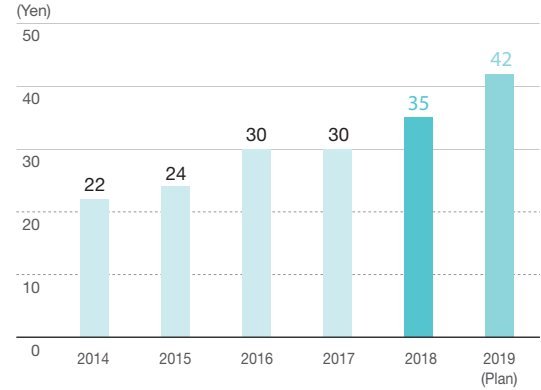
Takakazu Uchiyama

Takakazu Uchiyama
President and Chief Executive Officer

● Targets by Segment for Fiscal Year Ending March 31, 2019

| | Net Sales | Operating Income | Operating Margin (%) |
|---------------------|----------------|------------------|----------------------|
| (Millions of yen) | | | |
| Japan | 71,000 | 5,800 | 8.2 |
| East Asia | 68,000 | 1,800 | 2.6 |
| South Asia | 17,000 | 1,800 | 10.6 |
| North America | 24,000 | 1,100 | 4.6 |
| Europe | 300 | 0 | — |
| Total | 180,300 | 10,500 | 5.8 |
| Reconciliations | (10,300) | (200) | — |
| Consolidated | 170,000 | 10,300 | 6.1 |

● Annual Dividends (Fiscal Years Ended March 31)



Special
Feature

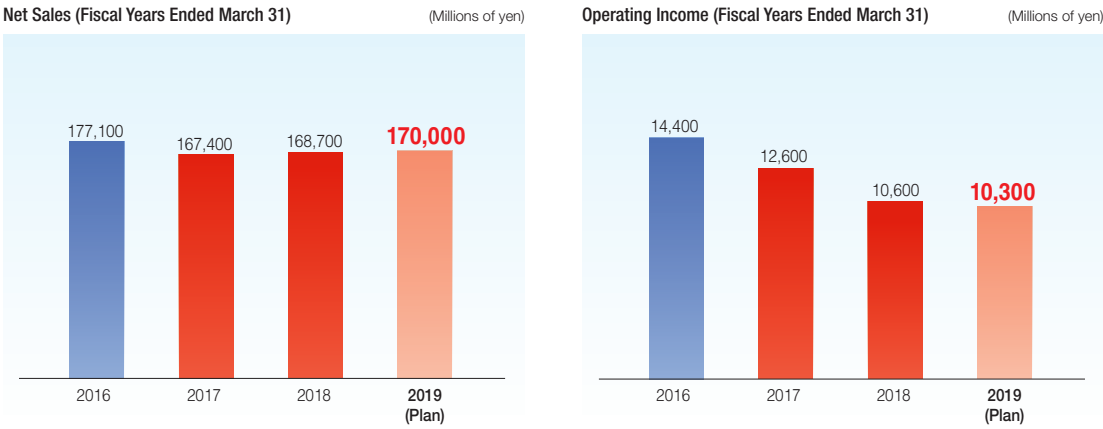
Marking the Final Year of the
Mid-Term Management Plan

Undertaking Various Initiatives in Global and Japanese Markets Based on Action Vision to Achieve Targets

Fujitec’s three-year Mid-Term Management Plan “No Limits! Push Forward Together!” was launched in April 2016 to focus on the sustainable enhancement of our corporate value. As the culmination of the plan in the fiscal year ending March 31, 2019, we are pushing hard to achieve final targets in global and Japanese markets based on our action vision.

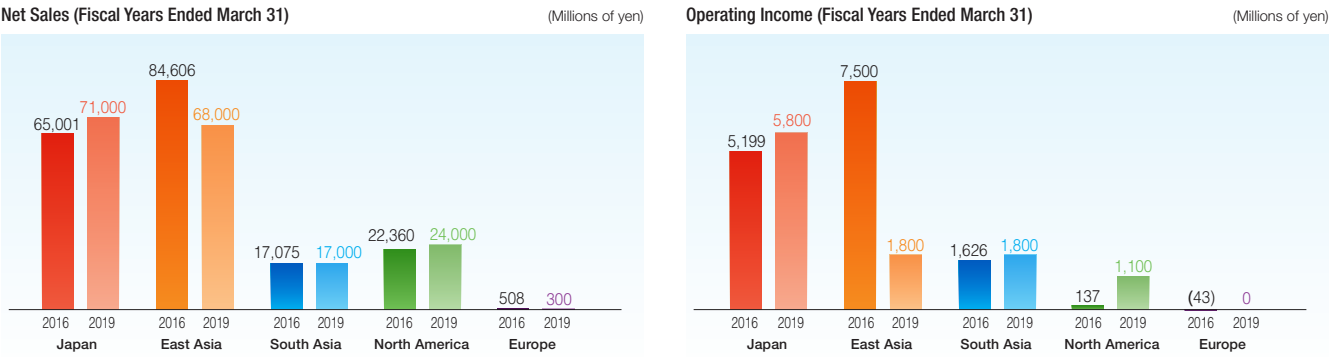
Numerical Targets in the Final Year of the Plan

Our target management indicators for the fiscal year ending March 31, 2019, which is the final year of the Mid-Term Management Plan, are net sales of ¥170,000 million, operating income of ¥10,300 million and an operating margin of 6.1% on a consolidated basis.



Segment-Specific Targets

Compared with the fiscal year ended March 31, 2016, for the fiscal year ending March 31, 2019, we expect increases in sales and profits in Japan and North America; an increase in sales but a decrease in profits in South Asia and Europe; and decreases in both sales and profits in East Asia.



Action Vision

To achieve targets laid out in the Mid-Term Management Plan, we have set up four key objectives of the action plan: Increase Fujitec's market share by identifying and supporting specific regional needs; increase competitiveness through the unification of product specifications; innovate procurement systems and establish a new global network for product design; and enhance the quality of Fujitec's corporate management. Accordingly, we have proactively implemented various measures in the global and Japanese markets.

1

Increase Fujitec's market share by identifying and supporting specific regional needs.

2

Increase competitiveness through the unification of product specifications.

3

Innovate procurement systems and establish a new global network for product design.

4

Enhance the quality of Fujitec's corporate management.

1

Increase Fujitec's Market Share by Identifying and Supporting Specific Regional Needs

In emerging countries, we strive not only to expand market share but to also enhance Fujitec's brand recognition by improving customer satisfaction and receiving orders for high-profile properties. Meanwhile, regarding the modernization business in mature markets, we are focusing on the proactive delivery of product proposals matched to customer requests and expanding sales to respond to robust demand in Japan and overseas.

In addition, with Japan experiencing a boom in the number of visitors from overseas, we are strengthening sales activities to meet the expanding demand for tourism-related facilities.

Enhancing Fujitec's Brand Recognition



We received an order for three elevators that, when complete, will have the world's longest travel. (China)

2

Increase Competitiveness through the Unification of Product Specifications

We are introducing new global models by standardizing products among global manufacturing bases, including those located in Japan.

We have consolidated our global standard elevators into ZEXIA (with machine room) and REXIA (without machine room) and plan to release these products to the global market. As for escalators, we have developed the "unit in truss" method, which enables retrofitting a new escalator into an existing truss, and have since commenced sales in Japan and overseas.

Additionally, our R&D base facility WING SQUARE was established at the Head office, Big Wing, in 2017. Here, we engage in research to apply cutting-edge engineering and IT to promote the development of global models that possess even greater market competitiveness.

Strengthening market competitiveness through the introduction of new global models around the world



3

Innovate Procurement Systems and Establish a New Global Network for Product Design

With the commercialization of global standard models, we are promoting procurement innovation to develop an optimal manufacturing framework and reduce costs by establishing a unified purchasing and management structure throughout the Fujitec Group. In order to curtail distribution costs, the newly established logistics site in Shanghai aims to play a functional and efficient role in streamlining a new flow of commerce on a global scale.

We are additionally integrating our sales order management system by organically connecting sales sites in 24 countries and regions and 10 manufacturing sites in an attempt to improve the efficiency in manufacturing, sales and logistics on a global scale. We are also building a global network that enables the sharing of design information at respective sites to make the best use of resources accumulated throughout the Fujitec Group.

Globally sharing design information



New Flow of Global Commerce and Unification of Sales Order Management System



4

Enhance the Quality of Fujitec's Corporate Management

We have been striving to enhance the quality of Fujitec's corporate management by promoting a better workplace environment that utilizes smartphones and other IT tools. For example, we utilize smartphones and an internally developed attendance record app, map app and maintenance-related app for more efficient work procedures.

More efficient work procedures using smartphones



Review of Operations

(For the Fiscal Year Ended March 31, 2018)



Segment Information

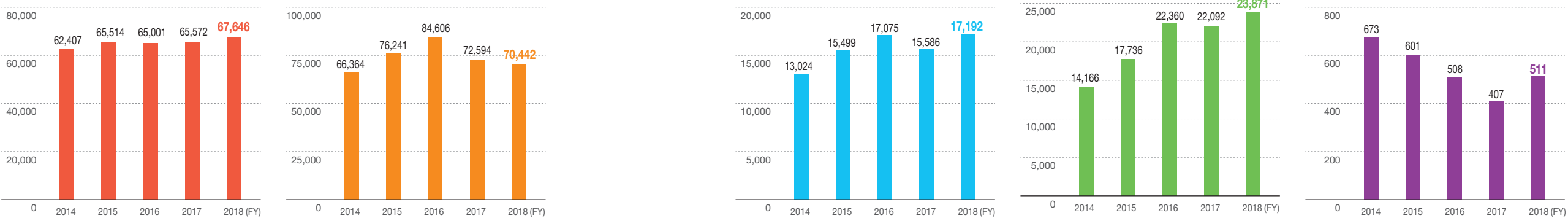
(Consolidated subsidiaries only for net sales, operating income (loss) and the number of employees)

| | | | | | | | | | |
|----------------------|-----------------------------------------|----------------------|-------------------------------------------------|----------------------|--------------------------------------------------------------------------------------------------|----------------------|--------------------------------------------------------|----------------------|---------------------------------------------------------------------------------------------|
| Net sales | ¥67,646 million (Up 3.2% YoY) | Net sales | ¥70,442 million (Down 3.0% YoY) | Net sales | ¥17,192 million (Up 10.3% YoY) | Net sales* | ¥23,871 million (Up 8.1% YoY) | Net sales* | ¥511 million (Up 25.4% YoY) |
| Operating income | ¥5,728 million (Up ¥283 million YoY) | Operating income | ¥2,258 million (Down ¥2,282 million YoY) | Operating income | ¥1,936 million (Up ¥216 million YoY) | Operating income* | ¥920 million (Down ¥10 million YoY) | Operating loss* | (¥68 million) (Operating loss of ¥54 million in the previous fiscal year) |
| Number of affiliates | 3 | Number of affiliates | 9 (7 of which are consolidated subsidiaries) | Number of affiliates | 12 (8 of which are consolidated subsidiaries) | Number of affiliates | 7 (2 of which are consolidated subsidiaries) | Number of affiliates | 3 (1 of which is a consolidated subsidiary) |
| Number of employees | 2,919 | Number of employees | 4,667 | Number of employees | 1,548 | Number of employees* | 786 | Number of employees* | 11 |
| Areas covered | All over Japan | Areas covered | China, Taiwan, Hong Kong and Korea | Areas covered | Singapore, Malaysia, the Philippines, Thailand, Vietnam, Indonesia, India, Sri Lanka and Myanmar | Areas covered | U.S.A., Canada, Venezuela, Argentina, Uruguay and Guam | Areas covered | U.K., Saudi Arabia, Egypt and UAE A subsidiary in Germany was sold off in February 2018. |

*The figures are for North America only.

*The figures are for Europe only.

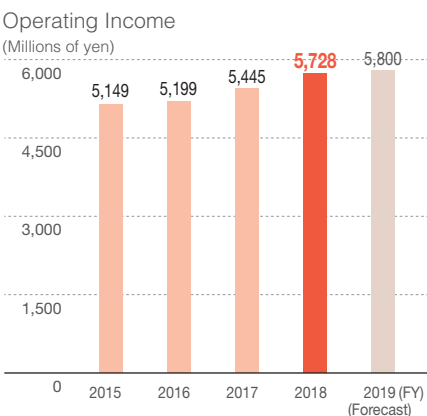
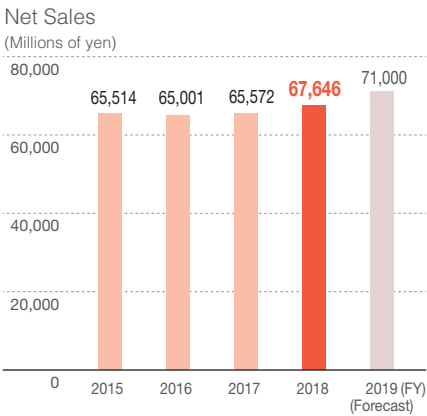
Net Sales (Millions of yen)



Main Projects



Review of Operations



Fiscal years ended March 31



SORATIO SQUARE of Teikyo University (Tokyo)

Initiatives in the Fiscal Year Ended March 31, 2018

Net sales rose 3.2% from the previous fiscal year due to an increase in sales from both the new installation business and after-sales market business. Operating income increased ¥283 million year on year despite a rise in subcontracting costs and labor costs in the new installation business, which was offset by an increase in sales from modernization and service businesses. As a result, Fujitec posted record-high net sales and operating income for the second consecutive year.

New Installation Business

In the new installation business, orders for hotel products increased, as well as for retail outlets and distribution facilities.

In the Tokyo metropolitan area, Fujitec saw the consecutive completion of redevelopment construction projects, including “SHIBUYA CAST.,” a complex facility, and “Cross Garden Chofu,” a large-scale commercial facility. Fujitec supplied 16 elevators and escalators for the former and 22 elevators and escalators for the latter, respectively. We also delivered a total of 16 elevators and escalators for “SORATIO SQUARE,” new school buildings at Teikyo University in Hachioji City for which Phase II construction was completed. In Yokohama City, we received an order for eight elevators for the “Keikyu Group Head Office Building (tentative name)” being constructed in the Minato Mirai 21 district.

In the Kinki area, we supplied 11 elevators for “XIV Rokko Sanctuary Villa,” a members-only resort hotel in Kobe City, and 14 elevators and escalators for “Mizuno Osaka Chayamachi,” a commercial facility in Osaka City. In the Hokuriku area, we supplied 11 elevators and escalators for the “central building of Kanazawa Medical University Hospital.”



SHIBUYA CAST. (Tokyo)
“SHIBUYA CAST.” opened in spring 2017 as part of the ongoing large-scale redevelopment project in the area around Shibuya Station. It is a complex facility designed under the concept of “a space for living, working and relaxing that accepts diversity and inspires creativity.” We supplied 16 elevators and escalators for this facility.

After-Sales Market Business

In the modernization business (updating of existing elevators and escalators), we focus on updating equipment with the latest safety standards and control systems. A steady increase in sales was posted, mainly from control panel replacement packages for the latest elevators, in addition to safety enhancement modernization packages that combine Unintended Car Movement Protection (UCMP), P-wave sensor-equipped earthquake control operation and seismic reinforcement.

We also developed and began offering a new “unit in truss method” in which all of the equipment is replaced with the latest standard escalator while retaining only the truss of the existing escalator. Not requiring the use of large, heavy equipment for carrying in materials, this method is expected to be used in a wide variety of fields, including the modernization of escalators at subway stations where the delivery of materials is difficult.

Outlook and Initiatives for the Next Fiscal Year

In Japan, there are moves to pull back on new construction due to rising construction costs, but demand is expected to remain steady in the Tokyo metropolitan area, where development projects for large-scale buildings are ongoing.

Amid this environment, we expect an increase in orders and sales in the new installation business by carrying out proactive sales promotional activities for standard models. We also anticipate orders and sales to increase in the after-sales market business, driven by maintenance services. As for profits, despite anticipated increases in labor costs and other expenses, we will strive to increase profits by offsetting rising fixed costs through cost reduction activities and improved productivity.

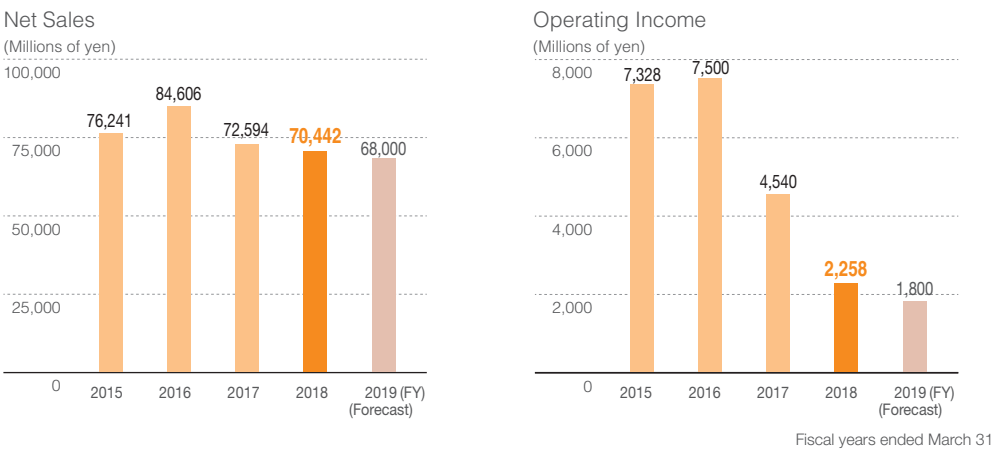


XIV Rokko Sanctuary Villa (Kobe)



Central Building of Kanazawa Medical University Hospital (Kanazawa)

Review of Operations



Initiatives in the Fiscal Year Ended March 31, 2018

In East Asia, we recorded decreases in both sales and profits from the previous fiscal year despite a strong performance in Hong Kong, Taiwan, South Korea and other countries. These decreases reflect the tough market environment in China, which is mainly attributed to a decline in new installations, lower sales prices and rising materials costs.

Notwithstanding, the new installation business in China received new record-high orders for both elevators and escalators. We supplied 24 elevators and escalators for “Yiwu World Trade Center,” a skyscraper in Yiwu, Zhejiang Province, and 51 elevators and escalators for “Beicheng Times,” a large-scale complex facility in Hubei Province. We also received orders for 327 elevators and escalators for “Shenzhen Metro Lines 4 and 10” in Shenzhen, Guangdong Province, and 115 escalators for “Shenyang Metro Line 9” in Shenyang, Liaoning Province.

In Taiwan, we received orders for 22 elevators for “China Life Insurance New HQ Building,” a complex facility in Taipei, and 35 elevators and escalators for “Tonlin Department Store Taoyuan,” a commercial facility in Taoyuan City. In Hong Kong, we received an

order for 29 elevators and escalators for “West Kowloon Government Office,” a government facility. We supplied and installed 34 elevators and escalators for “Young City,” an office building in Seoul Special Metropolitan City in South Korea.

Outlook and Initiatives for the Next Fiscal Year

The Chinese economy is expected to maintain stable growth, partly reflecting strong domestic and external demand and signs of bottoming out for fixed asset investment. However, the decline in profitability attributed to fierce price competition is expected to continue in the elevator and escalator industry. On the other hand, Hong Kong and Taiwan continue to see steady economic growth, while there are signs of economic recovery in South Korea.

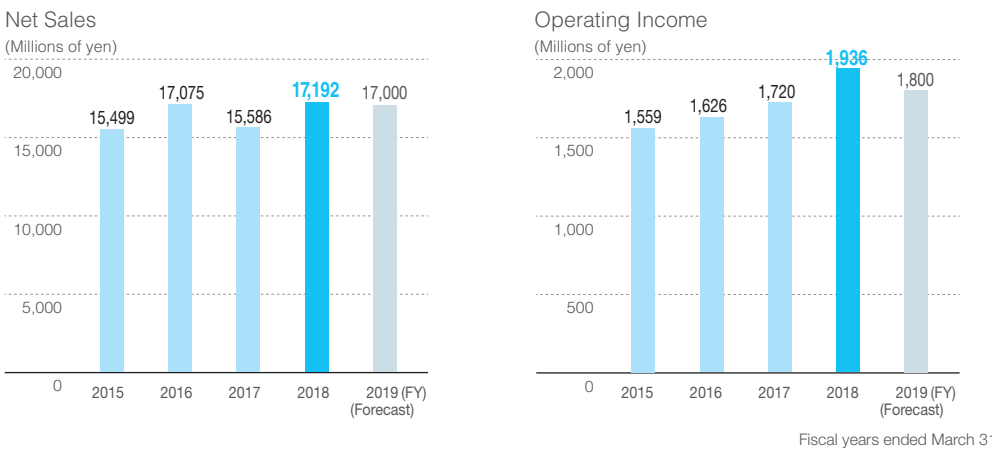
Under such circumstances, Fujitec will continue to position China as its most important market to invest management resources. At the same time, we will improve the break-even point by seeking cost reductions and additionally related measures. In the mature markets of Hong Kong, Taiwan and South Korea, we will focus on promoting modernization operations. We expect both sales and profits to decline in the fiscal year ending March 31, 2019.



China Life Insurance New HQ Building (Taiwan)



West Kowloon Government Office (Hong Kong)



Initiatives in the Fiscal Year Ended March 31, 2018

In South Asia, Fujitec enjoyed double-digit growth for both net sales and operating income despite a slump in orders received for the new installation business in India. This was offset by the strong performance of the after-sales market business and other businesses in Singapore and the ASEAN region.

In Vietnam, we received orders for 12 elevators for “Athena Complex,” a commercial complex in Hanoi. In Singapore, we delivered 98 elevators and escalators for “Marina One,” a large-scale complex facility in the Marina Bay district, and 73 elevators, escalators and moving walks for “Our Tampines Hub,” a large-scale complex facility in the Tampines district.

In Thailand, we received an order for 10 elevators for “Plum Condo Chaengwattana,” a residential building in Bangkok. In Malaysia, we supplied 83 escalators and moving walks for “Paradigm Mall Johor Bahru,” a large-scale complex facility in Johor Bahru. We also received an order for 75 escalators and moving walks for “Tropicana Gardens,” a commercial facility in Petaling Jaya.

Outlook and Initiatives for the Next Fiscal Year

We expect strong sales in the after-sales market business in Singapore, including maintenance and modernization, although the new installation business will decline due to the stagnant new installation market. Profits in Singapore are expected to decrease, reflecting increases in labor costs and expenses. We plan to increase profits based on the strong modernization business in Indonesia and Malaysia, although the stagnant new installation market is expected to have a negative impact.

With market expansion expected in India, the introduction of the Real Estate (Regulation and Development) Act, which came into force in May 2017, and the Goods and Services Tax that came into effect in July 2017 resulted in economic deceleration. However, as the upward momentum of the economy gathers strength, demand is expected to increase.

Although expansion is expected in India, we expect sales and profits to decline in the fiscal year ending March 31, 2019 due to stagnation in Singapore and other countries as well as increases in labor costs and expenses.



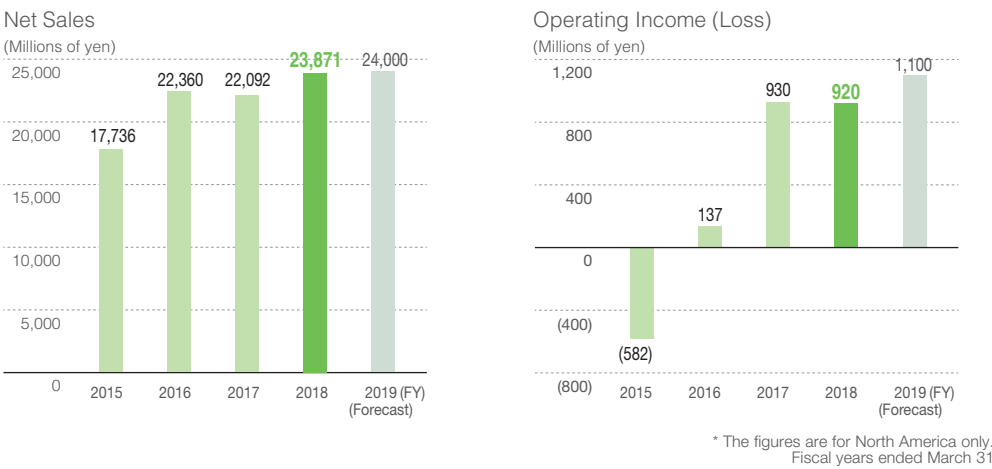
Our Tampines Hub (Singapore)



Marina One (Singapore)

Review of Operations

North & South America



Initiatives in the Fiscal Year Ended March 31, 2018

With North and South American economies expanding steadily, the overall elevator and escalator industry witnessed strong sales. Fujitec posted an increase in sales thanks to strong modernization and service businesses.

We received elevator orders for high-rise complexes in New York, including seven elevators for “138 Willoughby Street” and 11 elevators for “Court Square City View Tower,” respectively. In Dallas, we received orders for the modernization of 22 elevators for complex facility “Park West” and 38 elevators and escalators, including double-deck elevators, for “Bank of America Plaza.” We additionally received an order for the modernization of 18 elevators at the complex facility “Five Hundred Boylston” in Boston.

In Buenos Aires, Argentina, we supplied and installed 17 elevators and escalators for “Alvear Icon Hotel & Residence” and 10 elevators for the “headquarters building of Banco Galicia.” We additionally received an order for 12 elevators for “Torre Catalinas,” an office building with 30 above-ground floors. In Punta del Este, Uruguay, we received an order for 13 elevators for the luxury residential building “Trump Tower.”



Bank of America Plaza (U.S.A.)

Outlook and Initiatives for the Next Fiscal Year

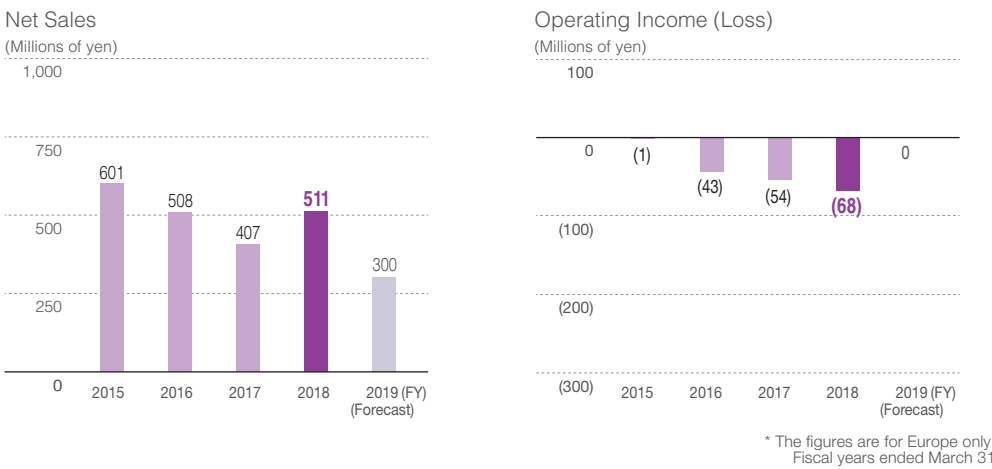
In North America, new demand is anticipated to be stagnant in Canada. In the United States, however, growth is expected to accelerate under further tax cuts, with increased demand for new installations expected in the elevator and escalator market as well. In South America, demand for condominiums is expected to expand, while fierce price competition continues in the new installation market of Argentina.

Fujitec will proactively strive to expand market share by implementing sales activities to capture new installation orders in large cities, while also strengthening product capabilities in the modernization sector. Net sales for the fiscal year ending March 31, 2019 are anticipated to increase slightly; however, double-digit growth of operating income is expected due mainly to the contribution of service business.



Trump Tower (Uruguay)

Europe & Middle East



Initiatives in the Fiscal Year Ended March 31, 2018

In Europe, we achieved double-digit growth of net sales due to an increase in new installations. However, Fujitec posted an operating loss due in part to the negative impact of exchange rate fluctuations.

In the Middle East, we successively received orders and completed construction projects in Saudi Arabia. We received an order for 12 elevators, including six observation-model elevators for “Saleem Sheikh Hotel,” a luxury 30-story hotel in Mecca. We also delivered 12 elevators for “Bin Bishr 22,” another luxury hotel in Mecca. In Jeddah, we supplied and installed 12 elevators for the lower-level floors and higher-level floors of “Farci Seven,” a high-rise complex that includes luxury residential units.

In the United Arab Emirates (UAE), we received an order of 30 elevators for residential units of “Town Square,” a large-scale residential development project in Dubai. Currently under construction, Fujitec received an order for 17 elevators at a luxury residential building in Dubai called “Marina 106.”

Outlook and Initiatives for the Next Fiscal Year

In the Middle East, the market environment of the UAE, where Dubai EXPO will be held in 2020, has been favorable. In addition,



Town Square (Dubai)



Saleem Sheikh Hotel (Saudi Arabia)

strong markets have materialized in Bahrain, where the construction of a complex facility consisting of offices, a hotel and a commercial facility is planned in the Gulf area, as well as in Lebanon, where demand for condominiums in Beirut is driving the market. Further, the elevator and escalator market of Saudi Arabia shows high potential.

In the United Kingdom, growth of the construction market is expected on the back of an increase in domestic investments, including plans to construct condominiums and a commercial facility in south London.

Under these conditions, we have obtained the latest European safety standards certification for ZEXIA and REXIA, our global standard elevator models, and are working to expand their sales to regions where such standards apply. In the fiscal year ending March 31, 2019, net sales are expected to decline by about ¥200 million due in part to the sell-off of a subsidiary in Germany.

Corporate Social Responsibility (CSR)

Fujitec's global mission statement states, "Respecting people, technologies and products, we collaborate with people from nations around the world to develop beautiful and functional cities that meet the needs of a new age." Recognizing that the implementation of this mission statement represents the genuine essence of our CSR, we work in unison to undertake CSR activities. Fujitec also collaborates with its stakeholders to carry out diverse CSR activities as part of efforts to coexist harmoniously with society and nature while achieving sustainability and added-value initiatives.

Initiatives for Safety

● Maintenance Operations

Elevators require proper management, maintenance and regular inspection to continue operating safely and comfortably at all times. Fujitec offers an integrated system of in-house development, manufacturing and maintenance, thereby contributing to the development of safe social infrastructure. As a benchmark, we perform not only maintenance inspections of elevators by specialists once every one to three months, but also remote monitoring and automatic inspection for 24/7 to provide stable, high-quality services.



Elevator maintenance operations

● Safety Enhancement Modernization Packages

Fujitec provides safety enhancement modernization packages as countermeasures for existing elevators. In addition to providing functions that prevent elevators from moving with their doors open and prevent people from being trapped inside during an earthquake or power outage, these packages include seismic reinforcement to prevent rope displacement or entanglement as well as derailment. Bringing these enhancements into a single package, the product enables elevator owners to comply with the latest legal and safety standards at minimal cost and effort.

● Raising the Level of Safety Awareness

To raise the level of safety awareness on a global basis, the Fujitec Group conducts safety training in respective regions. We gather field engineers from bases around the world at our Human Resources Development Center in Japan to hold safety-related training on a periodic basis. Participants then bring back knowledge and effectively conduct training sessions for field engineers at their respective subsidiaries. In addition, we have established training centers at overseas bases to help field engineers improve their skills.

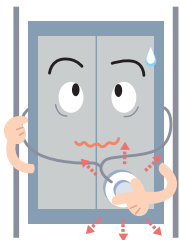
Earthquake Response Package

The most crucial elements in the earthquake response of elevators are to prevent people from being trapped inside and to restore service as soon as possible. Specifically, elevators should be able to detect an earthquake early and stop at the closest floor to let people out while restoring service quickly after an earthquake. Fujitec's Earthquake Response Package is its latest product that combines the P-wave sensor-equipped earthquake control operation with a restart function and the temporary restoration of elevator operation through automatic self-diagnosis.



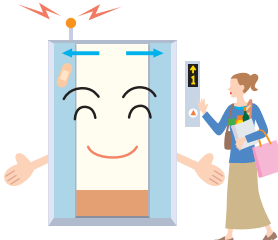
Occurrence of a widespread earthquake!

Usually, elevators cannot be put back in service until field engineers arrive. In some cases, it may take hours if not days.



Auto diagnosis

Elevators check whether there are abnormalities in devices by performing self-diagnosis on automatic operation, opening/closing of doors and other functions.



Temporary restoration

If there are no abnormalities in devices after automatic self-diagnosis, the temporary restoration of elevator operation becomes available until field engineers arrive.

Developing Human Resources and Handing Down Technologies

● Fifth National Installation/Renovation Technique Competition

Fujitec holds the National Installation/Renovation Technique Competition, aimed at raising elevator and escalator installation skills, and the National Maintenance Technique Competition for increasing the level of maintenance skills. Each competition is held every two years.

At the Fifth National Installation/Renovation Technique Competition held at the Human Resources Development Center in Osaka in July 2017, 13 elite teams consisting of 26 engineers from all over Japan participated. Over two days, participants competed in a variety of events, including "quadrathlon (welding, inspection, installation and construction)," paper tests, creation of electric circuits and customer dialogue simulations.



● First Global Field Engineering Skill Competition Held Overseas

In October 2017, the Fujitec Global Field Engineering Skill Competition was held at the training center of Fujitec Taiwan Co., Ltd., and for the first time was held overseas. The goals of the event were to improve field engineering skills, share technical information on a global level and develop human resources who will play a

significant part in our future maintenance business. A total of eight pairs from Taiwan, Hong Kong and Japan showcased their skills in six categories (paper tests, creation of electric circuits, breakdown response/survey, inspection, repair/revamping and disassembly/assembly).



Holding Global Business Leader Training

Since 2012, Fujitec has been conducting a 10-month Global Business Leader Training for young employees selected widely from sales, field and internal operations. The training includes negotiations and presentations conducted in English, how to give instructions in the field, along with mastering finance and accounting expertise. The training is yielding positive results, with numerous trainees landing prominent roles with the Fujitec Group's overseas subsidiaries. With an expanding international business, we will continue to commit ourselves to developing global human resources.



Presentation training

Social Contribution Activities

● Providing Assistance to Fire Prevention Drill in Hikone City

In February 2018, Hikone City's 2018 Spring Fire Prevention Drill was held at the Head Office, Big Wing, in Shiga Prefecture, with more than 150 people in attendance. People from the Hikone City Fire Headquarters, Hikone City Fire Department, Hikone City Fire Brigade and other organizations, along with 26 command vehicles and fire engines and 16 fire bikes took part in the activities. Assuming that a fire started in the Big Wing's Plant No. 2 and was spreading, we conducted water-discharge exercises. As an active participant in the community, we continue to cooperate in disaster prevention activities.



Water discharge exercise



Fire prevention drill for the entire community

● Holding Safety Classes for Elementary School Children around the World



Safety class at the Head Office Big Wing



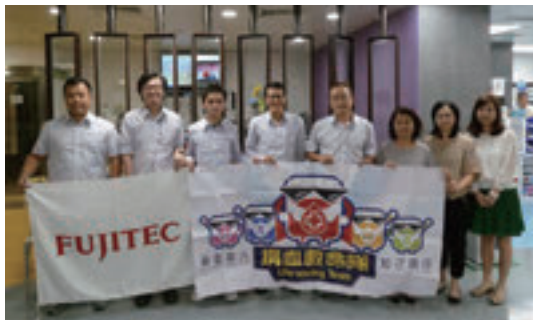
Safety class in China

Since 2013, Fujitec has been holding safety classes for elementary school children that teach proper safety techniques when riding elevators and escalators. We strive to incorporate ingenuity to make it interesting for the children by showing a safety education DVD in which Fujitec's mascot Tecky appears, distributing safety notebooks, inviting participants to a research tower tour and giving quizzes using an actual elevator.

In 2017, we held safety classes in Japan, China and Hong Kong. During the safety class in Japan, children were invited to ride a high-speed elevator up to the lobby of Fujitec's elevator research tower (170 meters high). They were very excited to see the landscape of the city, which they would normally not be able to view.

● CSR Activities at Overseas Bases

Fujitec Group companies around the world also engage proactively in CSR activities. As an example, Fujitec (HK) Co., Ltd. held a blood donation day in cooperation with the Hong Kong Red Cross in November 2017. We carry out similar activities in Japan on a regular basis. We will continue to implement various activities to contribute to local communities.



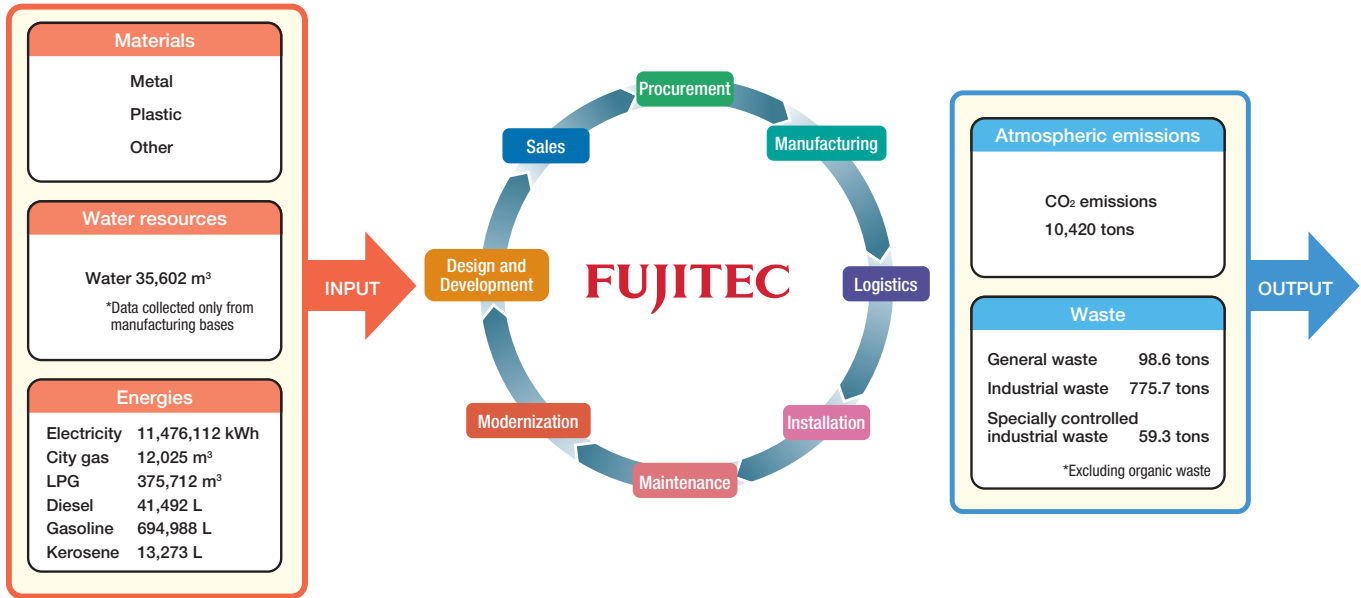
Participants in Hong Kong

Environmental Activities

Fujitec implements environmental initiatives as one of its top management priorities for the sustainable development of society. Aiming for coexistence between social and economic development and the earth's environment, we strive to accurately assess the environmental impact of development, design, manufacturing, field services and actual products. We then formulate environmental goals and targets, making unified group-wide efforts to attain these objectives.

● Overall Environmental Load (Fiscal Year Ended March 31, 2018)

Scope for data collection: Head office, factories, branch offices, branch operation bases, sales offices and services centers in Japan



● Participating in Volunteer Activity to Cut Reeds

In February 2018, Fujitec participated in a volunteer activity to cut down reeds sponsored by the Iba Satoumi Creation Council and Higashiomi City. Reeds on the shore of Lake Biwa play an important role in purifying water and preserving the lake's ecosystem. Cutting down overgrown reeds in winter facilitates young reeds to grow healthily. The harvested reeds are used to produce reed paper, which is sold for use as notebooks and copy paper. The profits are in turn used to grow reeds.

● Activities for Removing Invasive Fish Species

Shiga Prefecture is focusing on measures to remove invasive fish species (black bass, bluegill, etc.) from Lake Biwa that are having an adverse impact on the lake's ecosystem. Fujitec agrees with the intent of this project and participates in these activities every year.

In October 2017, Fujitec held the Seventh Annual Fujitec Invasive Fish Removal Event, in which Fujitec's angler circle provided instructions so that first-time anglers could understand and appreciate the initiative as well. The landed invasive fish are picked up by a non-profit organization and then processed into compost, which is distributed to neighboring farmers.



Volunteer activity to cut down reeds

Corporate Governance

Basic Policy

Basic Approach to Corporate Governance

Fujitec's global mission statement is "Respecting people, technologies and products, we collaborate with people from nations around the world to develop beautiful and functional cities that meet the needs of a new age." To accomplish this mission, we believe that it is essential to gain stakeholders' trust and fulfill our social responsibilities. With our steadfast reputation, we will work to meet the expectations of all our stakeholders and to increase their trust in us. To this end, we will construct and establish the corporate governance structure we require to ensure sound and transparent group management.

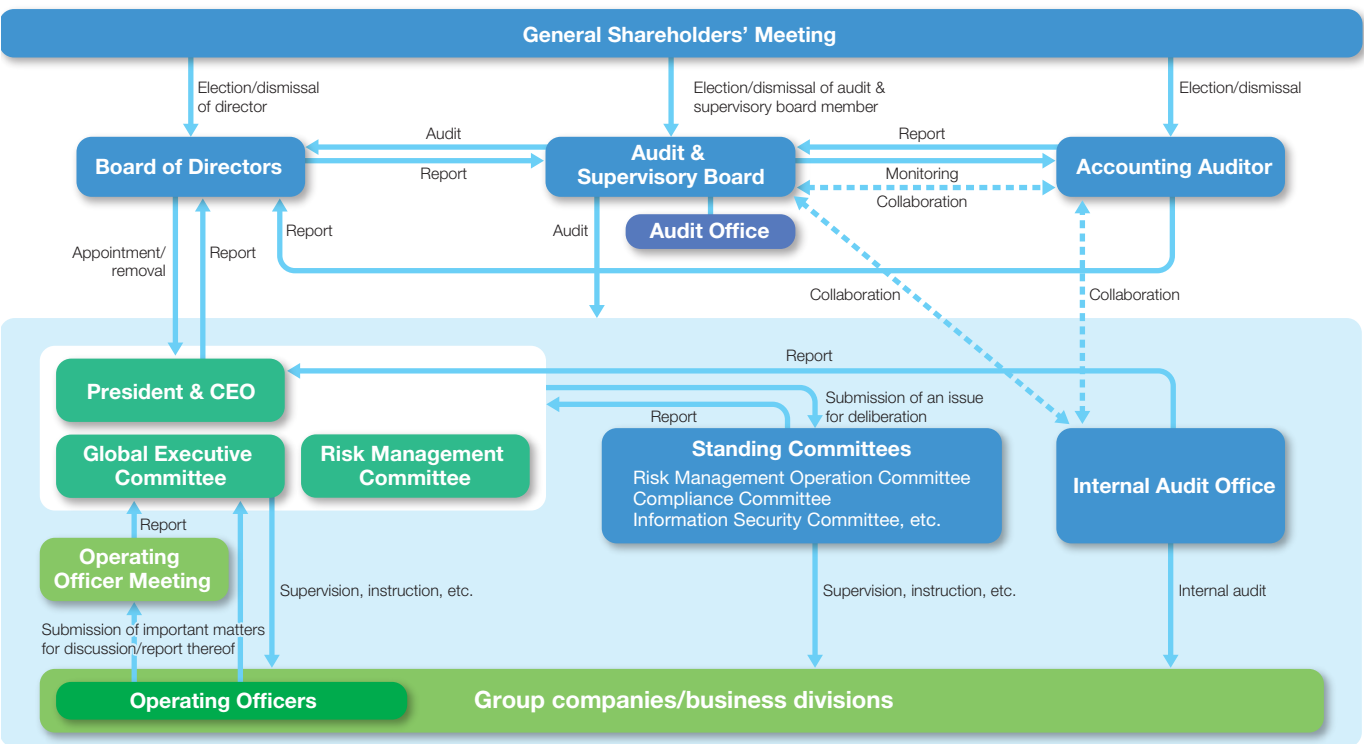
Management Structure

Matters Related to Functions of Business Execution, Audits and Oversight, Nominations and Determination of Compensation (Overview of Current Corporate Governance Structure)

Fujitec is a company with a Board of Directors and an Audit & Supervisory Board. The Board of Directors is comprised of seven directors (including three outside directors) and is responsible for deciding on important matters relating to business management and overseeing directors' performance of their duties. At the same time, the Audit & Supervisory Board comprised of four audit & supervisory board members (including three outside audit & supervisory board members) audits the directors' performance of their duties.

The business execution framework of the company and its subsidiaries is the subject of the important conferences of the Global Executive Committee, which meets on a quarterly basis to deliberate on important issues in group management, including business promotion in Japan and abroad, and the Operating Officer Meeting, which is held on a monthly basis to deliberate on important issues regarding business in Japan. All operating officers serving concurrently as directors attend the Global Executive Committee, including the standing audit & supervisory board members. At the Operating Officer Meeting, all directors in Japan concurrently serving as operating officers attend. In addition, the proceedings and results of these important conferences are reported to outside directors following each meeting.

Corporate Governance Structure



Reason for Selecting the Current Corporate Governance Structure

In line with the company's basic approach to corporate governance, the company seeks to strengthen guidance and management through standing committees, such as the Risk Management Committee, while overseeing the status of business execution through the attendance of directors serving concurrently as operating officers in important meetings and other means. Moreover, the proceedings and results of important meetings are reported to the outside directors so that they can give appropriate advice. The company also promotes the sharing of information of audits by the audit & supervisory board members, accounting audits and internal audits, which are undertaken independently of business execution, and strives to optimize the governance structure so that each of these can perform its role and function effectively.

Internal Control

Basic Approach and Status of the Internal Control System

The Fujitec Group has enacted the Basic Policy on Internal Control by a resolution of the Board of Directors based on the Global Mission Statement, the Fujitec Philosophy of Human Resource Management and the Fujitec Corporate Action Rules. Based on

this policy, Fujitec has an Internal Control Department to promote related activities. That Department also responds to evaluations and audits of the internal control system by working to understand the operation processes of each business execution division and upgrading the internal control system. We have also established dedicated committees for compliance, risk management and information management systems, and these provide the necessary guidance and management for effective business execution.

Risk Management

To reduce various operating risks, the company has established the Risk Management Committee, chaired by the CEO. The Committee works to promote compliance, including risk management at all group companies, and information security measures, as well as to achieve early detection of risk factors that could have a major social impact, such as ensuring product safety, and countermeasures for those factors. Underneath the Committee there are standing committees that investigate and study each risk factor. The Risk Management Operation Committee collects information swiftly and accurately and ensures proper direction and the management of business execution to ensure that risk management functions effectively throughout the company.

Internal Control Structure

1. Structure for assuring that directors and employees of Fujitec Co., Ltd. as well as directors, executives and employees of Fujitec Co., Ltd.'s subsidiaries execute their duties in compliance with laws and regulations as well as the Articles of Incorporation
2. Structure concerning storage and management of information related to execution of duties by directors
3. Structure for rules and other matters related to management of risks for exposure to losses of Fujitec Co., Ltd. and its subsidiaries
4. Structure for assuring that directors of Fujitec Co., Ltd. as well as directors and executives of Fujitec Co., Ltd.'s subsidiaries execute their duties efficiently
5. Structure concerning reporting to Fujitec Co., Ltd. matters related to execution of duties by directors and executives of subsidiaries as well as other structures for assuring the appropriateness of business operations of the corporate group comprising Fujitec Co., Ltd. and its subsidiaries
6. Matters concerning employees assigned to assist audit & supervisory board members; matters concerning the

independence of such employees from directors; and matters for assuring the effectiveness of instructions from audit & supervisory board members to such employees

7. Structure for reporting by directors and employees to audit & supervisory board members; structure for reporting to audit & supervisory board members of Fujitec Co., Ltd. by directors, audit & supervisory board members, persons who perform work duties such as employees and persons who are assigned to positions equivalent to these of Fujitec Co., Ltd.'s subsidiaries as well as by Fujitec Co., Ltd.'s employees and persons who receive reports from these persons; other structures concerning reporting to audit & supervisory board members; and structure for assuring that audits carried out by audit & supervisory board members are performed effectively
8. Structure for assuring that persons who made reports to audit & supervisory board members are not unjustly treated as a result of making such reports
9. Matters concerning the advance payment of expenses that arise from the execution of duties by audit & supervisory board members; matters concerning expenses that arise from reimbursement procedures and the execution of such procedures; and matters concerning policies related to the disposal of liabilities

Compliance

The Compliance Committee promotes compliance with the laws, regulations and corporate ethics necessary for promoting appropriate corporate activities and disseminates these to group employees and other concerned persons as cohesively as possible. The Committee formulates the Compliance Action Plan every year and promotes compliance activities. As part of these activities, in addition to group training for all employees or on-demand education through e-learning, the company holds seminars, etc., for employees according to their position and department as deemed necessary to ensure that laws and regulations are made known to employees together with carrying out activities to raise employee awareness. The company has also established an internal reporting system to curb fraud. This includes a Compliance Consultation Desk as an internal reporting system related to compliance that allows all employees to consult directly regardless of organizational lines and which will receive employee reports.

Information Management (Information Security)

To protect information assets with a view toward maintaining and improving security, the Information Security Committee formulates the security policy and countermeasure standards. Also, upon deliberating and discussing the use, handling and management of information networks, systems and devices, the Committee provides instruction and promotes educational activities in these areas.

Auditing System

Internal Auditing

To raise the effectiveness of the internal control system, the Internal Audit Office, which is composed of internal auditors with an appreciable level of knowledge on finance and accounting, formulates the auditing plan for each fiscal year based on the Internal Audit Basic Regulations decided by a resolution of the Board of Directors and implements internal audits centered on the examination and assessment of risk at group companies.

Auditing by Audit & Supervisory Board Members

Audit & supervisory board members determine audit standards, policies and plans at the Audit & Supervisory Board. Full-time audit & supervisory board members properly audit the execution of business duties by directors by attending the Global Executive Committee, which deliberates on important matters concerning management and the implementation of businesses in Japan and overseas, as well as by getting reports on the status of the execution of business duties.

As the secretariat for audit & supervisory board members and the Audit & Supervisory Board, we have set up the Audit Office, which is independent from business execution departments and exclusively plays an ancillary role in audit operations, and established a structure for promoting smooth audit operations.

Mutual Collaboration among the Internal Auditors, Audit & Supervisory Board Members and Accounting Auditors and Relationship with Internal Control Department

The audit & supervisory board members, accounting auditors and Internal Audit Office regularly hold liaison meetings for formulating audit policies and plans for each fiscal year to share auditing information with audited departments and implement activities for carrying out effective audits.

The results of the internal audit are reported to the Board of Directors as well as the Audit & Supervisory Board and the Internal Control Department. The Internal Control Department cooperates with the Internal Audit Office and the accounting auditors, while undertaking activities to raise the level of internal control. Each half year, it reports on plans and the status of these efforts to the Board of Directors, in which outside directors and outside audit & supervisory board members participate.

Outside Directors and Outside Audit & Supervisory Board Members

The company has three outside directors and three outside audit & supervisory board members. The outside directors possess a wealth of experience and knowledge in corporate management and provide useful advice and recommendations from objective perspectives to the company's management. We also believe the outside audit & supervisory board members can utilize their abundant experience and knowledge in legal matters, finance and accounting in the company's audits and execute proper audits from objective and specialist perspectives.

Additionally, the company reports to outside directors on the proceedings and results from the Global Executive Committee and the Operating Officer Meeting. The company reports to outside audit & supervisory board members on the proceedings of liaison meetings held by the full-time audit & supervisory board members, accounting auditors and Internal Audit Office for the purpose of sharing audit-related information. In this manner, we collaborate with and support outside directors and outside audit & supervisory board members by providing them with information on the company and its group companies that is necessary for oversight and audits.

Mr. Terumichi Saeki, Fujitec's outside director, is a partner/attorney at Kitahama Partners (a foreign law joint enterprise). Fujitec commissions its legal business for individual matters to the law firm. He also serves as an outside audit & supervisory board member of Toyo Tire & Rubber Co., Ltd. Fujitec has business dealings with Toyo Tire and its subsidiaries in the areas of receiving orders for installation and maintenance of Fujitec's elevators and other products. In addition, he is an outside audit & supervisory board member of Watabe Wedding Corporation, a Fujitec business partner. Fujitec has business dealings with Watabe Wedding's subsidiaries in the areas of receiving orders for installation and maintenance of Fujitec's elevators and other products as well as real estate leasing.

Mr. Nobuki Sugita, Fujitec's outside director, is a professor at Ritsumeikan University, which is run by The Ritsumeikan Trust and one of Fujitec's business partners. Fujitec has business dealings with companies in which the trust independently invests

in the areas of receiving orders for installation and maintenance of Fujitec's elevators and other products.

Mr. Shigeru Yamazoe, Fujitec's outside director, is Vice Chairman of Marubeni Corporation. Fujitec has business dealings with Marubeni's subsidiaries in the areas of receiving orders for installation and maintenance of Fujitec's elevators and other products as well as real estate leasing.

Mr. Kenichi Ishikawa, Fujitec's outside audit & supervisory board member, worked for Resona Bank Limited, which is one of Fujitec's shareholders and deals with Fujitec's financial transactions, and retired from the bank on June 23, 2014. The Resona Bank holds 4,051 thousand shares of Fujitec's total shares, while Fujitec holds 258 thousand shares of total shares of Resona Holdings Inc., the parent company of the bank. Fujitec also has business dealings with the bank and Resona Holdings' subsidiaries in the areas of receiving orders for installation and maintenance of Fujitec's elevators and other products as well as borrowing funds.

Outside Directors Terumichi Saeki, Nobuki Sugita and Shigeru Yamazoe as well as Outside Audit & Supervisory Board Members Masanobu Nakano and Tatsuo Ikeda are designated as independent members of management as stipulated by the regulations of Tokyo Stock Exchange, Inc. and registered with the securities exchange accordingly.

Compensation for Executives

Policy Regarding the Determination of Amounts of Compensation for Executives

Fujitec determines the compensation and other benefits for directors based on the compensation rules resolved by the Board of Directors within the limit for compensation approved at the General Shareholders' Meeting. The amount of compensation for each director is deliberated based on these rules by directors and other executives appointed by the Board of Directors and determined by taking into account such factors as each director's performance, the standard level at other companies and employees' salaries. In addition, in order to instill management awareness and raise the motivation of directors toward enhancing and expanding business performance, a portion of the compensation is contributed to the Director Shareholding Association. Fujitec determines the compensation and other benefits for audit & supervisory board members within the limit for compensation approved at the General Shareholders' Meeting. The amount of compensation is deliberated by audit & supervisory board members by taking into account such factors as whether or not he/she is a standing audit & supervisory board member and assigned duties.

Measures Related to Granting of Incentives to Directors

Fujitec has introduced a performance-based remuneration system and a stock option system. In the stock option system, Fujitec issues subscription rights to new shares to internal directors in the amount of up to ¥100 million per fiscal year. The unit per stock is set at 1,000 shares and a maximum of 400 units is allocated.

Anti-Takeover Measures

Request for Provision of Information and Setting of Waiting Period for Large-Scale Purchase of Fujitec's Shares

To ensure and improve Fujitec's corporate value and the common interest of shareholders, the Large-Scale Purchase Rules lay out the procedures for the Board of Directors to proceed with negotiations with large-scale purchasers. Specifically, the rules require that when a large-scale purchase is initiated, the Board of Directors requests that (1) a large-scale purchaser provide necessary and sufficient information related to the large-scale purchase beforehand and (2) a large-scale purchaser give sufficient time for the Board of Directors to collect and assess information on the large-scale purchase, after which (3) the Board of Directors provides shareholders with Fujitec management's plan or alternative plan. At the same time, the Board of Directors requests that a large-scale purchaser and its shareholder groups commence a large-scale purchase after all the procedural transactions prescribed in the Large-Scale Purchase Rules are complete in order to achieve the purpose and goals of the large-scale purchase.

Establishing and Consulting with an Independent Committee

In order to appropriately operate the Large-Scale Purchase Rules and eliminate the risk of the Board of Directors making arbitrary judgments, Fujitec has established an independent committee comprised of outside directors, outside audit & supervisory board members or outside experts (company managers, attorneys, certified public accountants, academics and others) who are independent from Fujitec's top management. The Large-Scale Purchase Rules stipulate that countermeasures will not be set forth unless predetermined objective conditions are not complied with. In addition, the rules prescribe that in cases when requesting a large-scale purchaser to provide additional information, when making resolutions to extend the consideration period of a large-scale purchase by the Board of Directors, when adopting a countermeasure through the gratis allotment of the stock acquisition rights or when making other important decisions regarding a large-scale purchase, the Board of Directors will consult with the independent committee and pay the highest degree of respect to its recommendations. In this way, Fujitec has a mechanism in place to ensure the transparent operation of the Large-Scale Purchase Rules within the scope that serves to protect Fujitec's corporate value and the common interest of shareholders.

Directors, Audit & Supervisory Board Members and Operating Officers

(As of June 22, 2018)

Directors



Representative Director, President and CEO
General Manager of Global Business HQ; General Manager of Japan Business HQ; In charge of East Asia

Takakazu Uchiyama

Jul. 2005 Chief Executive Officer (current)
Jun. 2002 Representative Director and President (current)
Apr. 1976 Joined the company



Director
Deputy General Manager of Global Business HQ; General Manager of Global Operations; In charge of China; Deputy General Manager of Japan Business HQ

Takao Okada

Jun. 2012 Director of the company (current)
Apr. 2012 Senior Executive Operating Officer (current)
Apr. 1976 Joined the company



Director
General Manager of Finance HQ

Yoshiichi Kato

Jun. 2017 Director of the company (current)
Apr. 2017 Senior Executive Operating Officer (current)
Apr. 2012 General Manager of Finance HQ (current)
Apr. 1977 Joined the company



Director
General Manager of Product Development HQ
President of Fujitec Shanghai Technologies Co., Ltd.

Takashi Asano

Jun. 2017 Director of the company (current)
Apr. 2017 Senior Executive Operating Officer (current)
Oct. 2012 General Manager of Product Development HQ, Global Business HQ (current)
Apr. 1977 Joined the company



Outside Director

Terumichi Saeki

Mar. 2016 Outside Audit & Supervisory Board Member of Toyo Tire & Rubber Co., Ltd. (current)
Jun. 2014 Director of the company (current)
Jun. 2012 Outside Audit & Supervisory Board Member of Watabe Wedding Corporation (current)
Jun. 2010 Outside Director of IwaiCosmo Holdings, Inc. (current)
Apr. 1968 Registered as an attorney (Osaka Bar Association)



Outside Director

Nobuki Sugita

Jun. 2017 Director of the company (current)
Apr. 2015 Professor at the College of Economics, Ritsumeikan University (current)
Jun. 2013 President of Economic and Social Research Institute, Cabinet Office, Government of Japan
Aug. 2009 Professor at the Faculty of School of Economics, Nagoya University
Jun. 1995 Chief, Office of Public Affairs, Planning Division, Director General's Secretariat at the Economic Planning Agency



Outside Director

Shigeru Yamazoe

Jun. 2018 Director of the company (current)
Apr. 2015 Senior Executive Vice President of Marubeni Corporation
Apr. 2012 Senior Managing Executive Officer of Marubeni
Jun. 2010 Managing Executive Officer of Marubeni
Apr. 1978 Joined Marubeni

Audit & Supervisory Board Members

Audit & Supervisory Board Member (Standing)

Haruo Inoue

Jun. 2016 Audit & Supervisory Board Member of the company (current)
Apr. 2009 Operating Officer of the company
Apr. 1976 Joined the company

Outside Audit & Supervisory Board Member (Standing)

Kenichi Ishikawa

Jun. 2014 Audit & Supervisory Board Member of the company (current)
Apr. 1985 Joined Daiwa Bank, Ltd. (currently Resona Bank, Ltd.)

Outside Audit & Supervisory Board Member

Masanobu Nakano

Jun. 2007 Audit & Supervisory Board Member of the company (current)
Mar. 2005 Established tax accounting corporation, TAS representative member (current)
Oct. 2002 Registered as a tax accountant (current)
Oct. 1975 Registered as a certified public accountant (current)

Outside Audit & Supervisory Board Member

Tatsuo Ikeda

Jun. 2016 Audit & Supervisory Board Member of the company (current)
Nov. 2005 Registered as an attorney (current)
Apr. 2004 Professor at the Osaka University Law School (current)

Operating Officers

| | |
|------------------------------------|--------------------|
| President and CEO | Takakazu Uchiyama* |
| Senior Executive Operating Officer | Takao Okada* |
| Senior Executive Operating Officer | Yoshiichi Kato* |
| Senior Executive Operating Officer | Takashi Asano* |
| Executive Operating Officer | Keiji Tsuyama |
| Executive Operating Officer | Katsuji Okuda |
| Executive Operating Officer | Yasuo Utsunomiya |
| Executive Operating Officer | Masayoshi Harada |
| Executive Operating Officer | Masashi Tsuchihata |
| Executive Operating Officer | Kenji Tomooka |
| Executive Operating Officer | Yasuyuki Uchiyama |
| Executive Operating Officer | Hiroshi Maruyama |
| Operating Officer | Kunihiko Tsutsui |
| Operating Officer | Asami Araki |
| Operating Officer | Yasuhiko Kimura |
| Operating Officer | Tadahisa Nakayama |
| Operating Officer | Ikuo Masuda |
| Operating Officer | Shiro Adachi |
| Operating Officer | Yoshitaka Nakao |

*Concurrently serving as directors

Financial Section

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Management Discussion and Analysis

Operating Results

Net Sales

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

1. Japan

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

2. North America

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

3. Europe

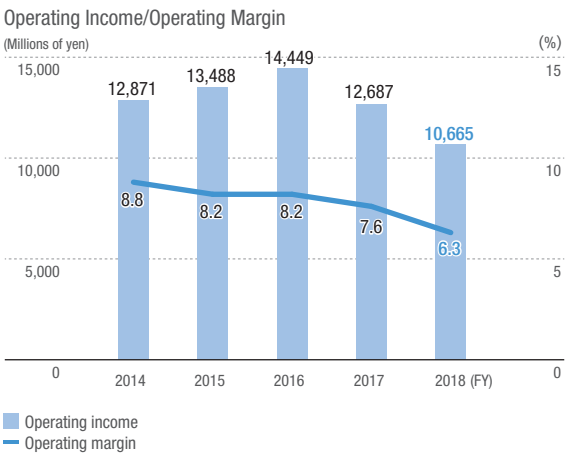
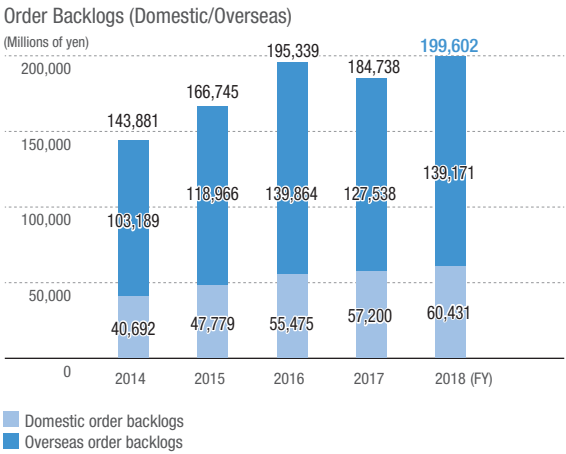
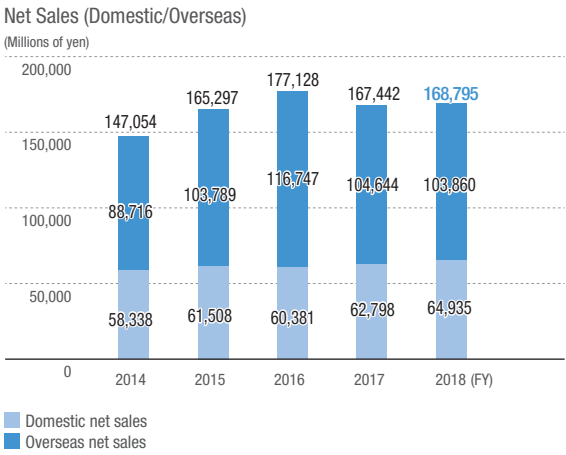
In Europe, net sales increased 25.4% compared with the previous fiscal year to ¥511 million as a result of an increase in sales of new installations. An operating loss of ¥68 million was recorded compared with an operating loss of ¥54 million in the previous fiscal year.

4. South Asia

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

5. East Asia

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



Fiscal years ended March 31

Order Backlogs

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

Operating Income and Profit Attributable to Owners of Parent

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

Financial Position

Assets, Liabilities and Net Assets

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

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

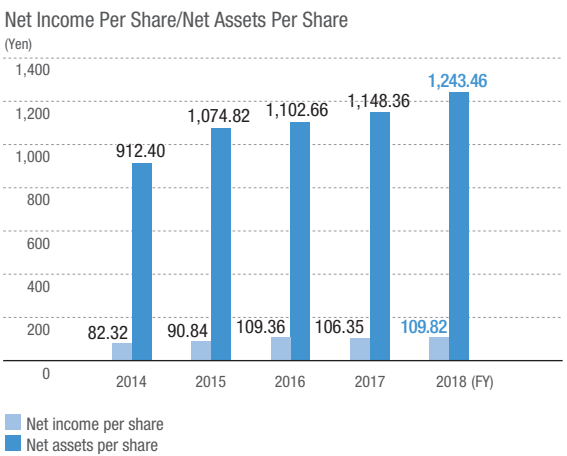
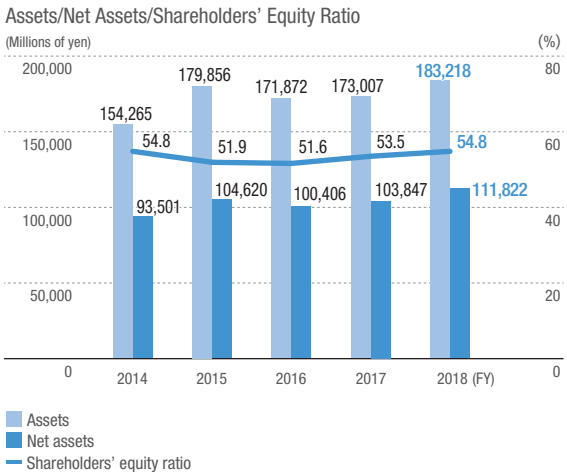
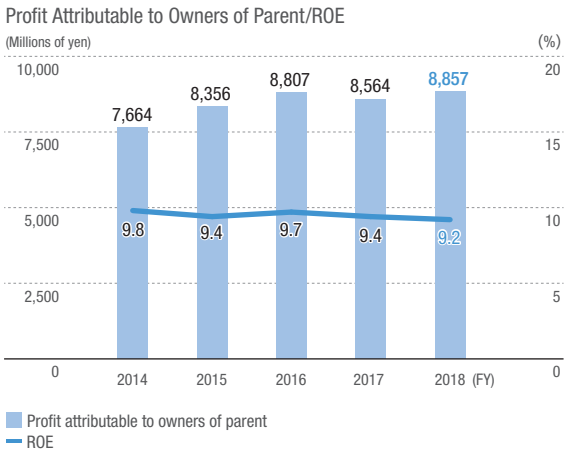
Net assets were ¥111,822 million, an increase of ¥7,975 million compared with the end of the previous fiscal year. This was due mainly to an increase in retained earnings of ¥6,426 million. The shareholders' equity ratio at March 31, 2018 was 54.8%, an increase of 1.3 percentage points compared with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

Cash Flows

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

Cash Flows from Operating Activities

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



Fiscal years ended March 31

Cash Flows from Investing Activities

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

Cash Flows from Financing Activities

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

Capital Investment

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

R&D Expenses

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

Business and Other Risks

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

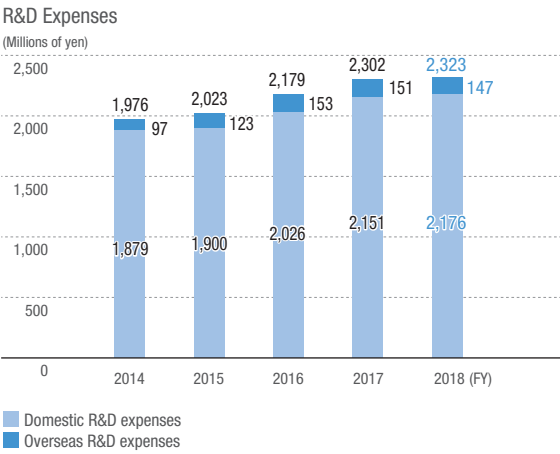
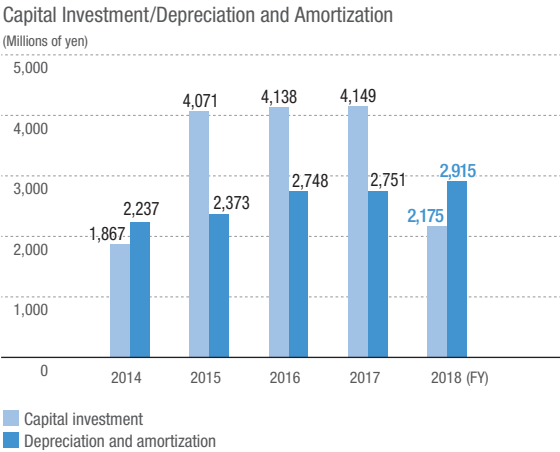
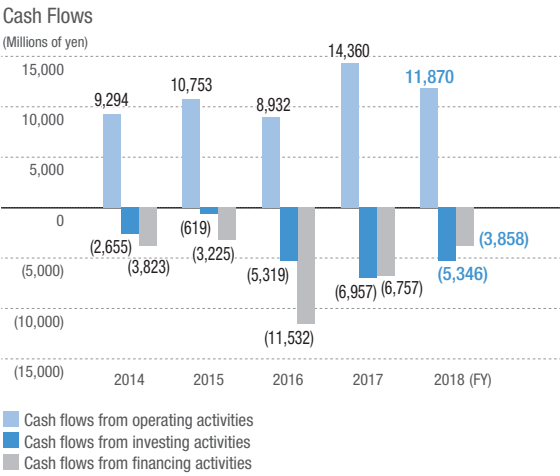
Forward-looking statements contained in this report represent judgments by the Fujitec Group as of the end of the consolidated fiscal year.

Political and Economic Circumstances

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

Development of New Products

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



Fiscal years ended March 31

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

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

Price Competition

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

Manufacturer's Liability

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

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

Joint Ventures

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

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

Latent Risks Associated with Global Business Development

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

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

Raw Materials Prices

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

Financing

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

Exchange Rate Fluctuations

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

Share Price Fluctuations

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

IT (Information Technology)-Related Risks

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

Consolidated Balance Sheets

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

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

The accompanying notes are an integral part of these statements.

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

Consolidated Statements of Income

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

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

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

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

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

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

The accompanying notes are an integral part of these statements.

Consolidated Statements of Change in Net Assets

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

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

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

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

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

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

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

| | Thousands of U.S. Dollars (Note 1) | |
|---------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------|
| | Millions of Yen | |
| | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Profit before income taxes | ¥11,811 | ¥13,055 |
| Depreciation and amortization | 2,915 | 2,751 |
| Increase (decrease) in allowance for doubtful accounts | 243 | 282 |
| Increase (decrease) in provision for bonuses to employees | (374) | (296) |
| Increase (decrease) in provision for losses on construction contracts | (1,254) | 490 |
| Interest and dividends income | (1,138) | (958) |
| Interest expense | 77 | 63 |
| Decrease (increase) in trade notes and accounts receivable | (2,088) | (701) |
| Decrease (increase) in inventories | (734) | (962) |
| Increase (decrease) in trade notes and accounts payable | 691 | 2,575 |
| Increase (decrease) in advances from customers..... | 2,538 | (95) |
| Loss (gain) on sales and retirement of property, plant and equipment | 72 | 55 |
| Increase (decrease) in net defined benefit liability | 325 | 515 |
| Other, net | 1,909 | 1,065 |
| Sub-total | 14,993 | 17,839 |
| Payment of income taxes | (3,123) | (3,479) |
| Net cash provided by operating activities..... | 11,870 | 14,360 |
| Cash flows from investing activities: | | |
| Decrease (increase) in time deposits, net..... | (1,288) | (3,729) |
| Acquisitions of property, plant and equipment | (2,973) | (3,610) |
| Proceeds from sales of property, plant and equipment | 18 | 17 |
| Purchase of investment securities..... | (1,233) | (1) |
| Purchase of intangible assets | (541) | (320) |
| Collection of loans receivable..... | 142 | 156 |
| Interest and dividend income received | 1,159 | 1,065 |
| Payments for sales of investments in capital of subsidiaries resulting in change in scope of consolidation..... | (48) | — |
| Other, net | (582) | (535) |
| Net cash used in investing activities | (5,346) | (6,957) |
| Cash flows from financing activities: | | |
| Increase (decrease) in short-term debt, net..... | (400) | (3,631) |
| Proceeds from long-term debt..... | — | 708 |
| Repayment of long-term debt..... | (505) | (677) |
| Purchase of treasury stock | (0) | (0) |
| Payment of interest..... | (69) | (48) |
| Cash dividends paid..... | (2,432) | (2,431) |
| Cash dividends paid to non-controlling interests..... | (609) | (844) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (6) | (10) |
| Other, net | 163 | 176 |
| Net cash used in financing activities..... | (3,858) | (6,757) |
| Effect of exchange rate changes on cash and cash equivalents | 467 | (1,569) |
| Net increase in cash and cash equivalents..... | 3,133 | (923) |
| Cash and cash equivalents at beginning of year | 20,910 | 21,833 |
| Cash and cash equivalents at end of year (Note 15) | ¥24,043 | ¥20,910 |

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

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

1. Basis of Presentation

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

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

2. Summary of Significant Accounting Policies

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

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

Fujitec America, Inc. (U.S.A.)
Fujitec Canada, Inc. (Canada)
Fujitec UK Ltd. (United Kingdom)
Fujitec Singapore 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 Company transferred its entire holding in Fujitec Deutschland GmbH (Germany) on February 15, 2018.

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

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

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

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

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

(B) Translation of foreign currency transactions

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

(C) Translation of consolidated foreign subsidiaries’ accounts

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

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

(D) Cash and cash equivalents

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

(E) Investments in securities

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

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

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

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

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

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

(F) Inventories

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

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

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

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

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

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

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

The estimated useful life for depreciation:

Buildings and structures: 3 to 50 years

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

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

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

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

(I) Impairment of long-lived assets

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

(J) Income taxes

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

(K) Provisions

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses to employees

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

(3) Provision for bonuses to directors

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

(4) Provision for losses on construction contracts

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

(5) Provision for warranties for completed construction

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

(L) Accounting method for retirement benefits

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

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

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

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

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

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

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

(M) Derivative and hedging activities

(1) Basis and method for valuation of derivatives

The Company applies the market value method.

(2) Method of hedge accounting

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

(3) Hedging instruments and hedged items

| | |
|-----------------------|------------------------------------------------------------------------|
| (Hedging instruments) | Interest rate swap contracts |
| | Foreign currency forward contracts |
| (Hedged items) | Debts payable |
| | Forecasted transactions denominated in foreign currencies and deposits |

(4) Hedging policies

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

(5) Evaluation of hedge effectiveness

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

(N) Leases

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

(O) Revenue recognition

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

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

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

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

(P) Research and development costs

Research and development costs are charged against income as incurred.

(Q) Net income and cash dividends per share

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

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

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

(R) Reclassification of accounts

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

(S) Consumption taxes

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

(T) Accounting standards issued but not yet effective

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

(1) Summary

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

(2) Effective dates

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

(3) Impact of adoption of the standard and guidance

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

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

(1) Summary

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

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

(2) Effective dates

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

(3) Impact of adoption of the standard and guidance

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

(U) Changes in presentation

Consolidated statements of cash flows

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

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

(V) Additional information

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

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

(1) Outline of the transactions

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

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

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

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

3. Other Comprehensive Income

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

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

4. Investment Securities

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

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

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

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

5. Income Taxes

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

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

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

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

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

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

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

6. Contingent Liabilities

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

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

7. Short-term Debt and Long-term Debt

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

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

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

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

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

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

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

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

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

8. Leases

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

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

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

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

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

9. Shareholders' Equity

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

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

(1) Issued shares

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

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

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

(2) Treasury Stock

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

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

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

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

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

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

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

(3) Stock aquisition rights

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

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

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

(4) Dividends

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

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

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

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

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

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

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

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

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

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

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

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

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

10. Retirement Benefits

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

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

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

1. Defined benefit plans

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

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

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

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

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

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

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

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

(5) Retirement benefit expenses and the breakdown of amounts

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

(6) Remeasurements of defined benefit plans

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

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

(7) Accumulated remeasurements of defined benefit plans

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

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

(8) Items related to pension assets

(A) Breakdown of main items

Ratio for each main classification for total pension assets

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

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

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

(9) Items related to the basis for actuarial calculation

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

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

2. Defined contribution plans

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

11. Research and Development Costs

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

12. Provision for Losses on Construction Contracts

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

13. Selling, General and Administrative Expenses

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

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

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

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

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

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

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

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

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

15. Cash and Cash Equivalents

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

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

16. Segment Information

(1) Description of reporting segments

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

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

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

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

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

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

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

| | Millions of Yen | | | | | | | |
|----------------------------|-------------------|---------------|--------|------------|-----------|----------|-----------------|--------------|
| | 2017 | | | | | | | |
| | Reporting Segment | | | | | | | Consolidated |
| | Japan | North America | Europe | South Asia | East Asia | Total | Reconciliations | |
| Sales to customers..... | ¥63,028 | ¥22,030 | ¥397 | ¥15,586 | ¥66,401 | ¥167,442 | ¥ — | ¥167,442 |
| Intersegment sales | 2,544 | 62 | 10 | 0 | 6,193 | 8,809 | (8,809) | — |
| Total sales | 65,572 | 22,092 | 407 | 15,586 | 72,594 | 176,251 | (8,809) | 167,442 |
| Segment expenses..... | 60,127 | 21,162 | 461 | 13,866 | 68,054 | 163,670 | (8,915) | 154,755 |
| Segment profit (loss)..... | 5,445 | 930 | (54) | 1,720 | 4,540 | 12,581 | 106 | 12,687 |
| Segment assets..... | 80,264 | 9,436 | 329 | 17,229 | 90,089 | 197,347 | (24,340) | 173,007 |

| | | | | | | | | |
|-----------------------------------------------------------------------|-------|----|---|-----|-------|-------|---|-------|
| Other items: | | | | | | | | |
| Depreciation and amortization..... | 1,638 | 89 | 5 | 119 | 900 | 2,751 | — | 2,751 |
| Amortization of goodwill..... | — | 98 | — | — | — | 98 | — | 98 |
| Increase in property, plant and equipment and intangible assets | 3,314 | 21 | 1 | 41 | 1,100 | 4,477 | — | 4,477 |

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

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

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

(4) Information related to reporting segments

(A) Sales by geographical area are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17. Financial Instruments and Related Disclosures

(A) Policy for financial instruments

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

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

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

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

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

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

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

(C) Fair values of financial instruments

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

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

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

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

*1 Long-term debt includes current portion of long-term debt.
*2 The assets and liabilities arising from derivatives are shown at the net value with the amount in parentheses representing net liability.

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

Assets

1) Cash and deposits:

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

2) Trade notes and accounts receivable:

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

3) Investment securities:

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

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

4) Long-term loans:

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

Liabilities

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

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

2) Long-term debt:

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

3) Derivatives:

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

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

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

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

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

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

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

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

18. Derivative Financial Instruments

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

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

| | Thousands of U.S. Dollars (Note 1) | | | |
|----------------------------------------------|------------------------------------|--------------------|------------|------------------------|
| | Contract amount | Due after one year | Fair value | Unrealized gain (loss) |
| Foreign currency forward contracts: | | | | |
| Buying | | | | |
| Chinese yuan | \$ — | \$ — | \$ — | \$ — |
| U.S. dollars..... | 75,519 | 36,434 | 321 | 321 |
| Currency swap: | | | | |
| Payment in yen, receipt in U.S. dollars..... | — | — | — | — |
| Total | \$75,519 | \$36,434 | \$321 | \$321 |

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

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

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

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

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

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

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

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

19. Stock Options, etc.

(1) Contents, scale and changes in stock options

a) Contents of the stock options

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

b) Scale and changes in stock options

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

Number of stock options

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

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

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

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

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

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

Unit price information

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

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

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

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

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

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

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

Not applicable

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

All of the stock acquisition rights are vested when granted.

20. Related Party Transactions

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

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

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

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

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

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

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

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

21. Per Share Information

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

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

(Notes)

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

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

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

(A) Net income per share

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

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

(B) Dilited net income per share

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

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

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

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

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

22. Subsequent Event

Cancellation of treasury stock

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

Details are as follows:

(1) Type of stock to be cancelled

Shares of common stock

(2) Number of shares to be cancelled

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

(3) Date of cancellation

May 18, 2018

(4) Total number of issued shares after the cancellation

90,067,000 shares

(5) Total number of treasury stock after the cancellation

9,006,680 shares

23. Quarterly Information

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

(1) Cumulative period

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


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

(2) Quarterly period

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

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

Independent Auditor’s Report



INDEPENDENT AUDITOR'S REPORT

Grant Thornton Taiyo LLC
Umeda Center Bldg. 25F
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*To the Board of Directors of
Fujitec Co., Ltd.*

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

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

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

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

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

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

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

Grant Thornton Taiyo LLC
Osaka, Japan
August 27, 2018

Member of Grant Thornton International Ltd

Global Network

(As of March 31, 2018)

● R&D centers ● Manufacturing bases ● Sales bases ● Logistics base

Global (21 Countries and 3 Regions)

Consolidated subsidiaries: 18

Manufacturing bases: 10

Japan

Head Office and bases: 4

Divisions and branches: 5

Branch offices: 14

Japan

- Head Office Big Wing (Hikone City, Shiga)
Elevator development and manufacturing base
- Tokyo Head Office (Minato-ku, Tokyo)
- Big Fit (Ibaraki City, Osaka)
After-sales services base
- Big Step (Toyooka City, Hyogo)
Escalator development and manufacturing base

Headquarters/Offices

- North Japan Regional Office (Sapporo City, Hokkaido)
- Tokyo Metropolitan Area Control HQ (Minato-ku, Tokyo)
- Chubu Regional Office (Nagoya City, Aichi)
- Osaka Metropolitan Area Control HQ (Ibaraki City, Osaka)
- West Japan Regional Office (Fukuoka City, Fukuoka)



Big Wing (Japan)

East Asia

- Fujitec (HK) Co., Ltd. (Hong Kong)
- Fujitec Taiwan Co., Ltd. (Taiwan)
- Fujitec Korea Co., Ltd. (South Korea)
- Huasheng Fujitec Elevator Co., Ltd. (China)
- Shanghai Huasheng Fujitec Escalator Co., Ltd. (China)
- Fujitec Shanghai Sourcing Center Co., Ltd. (China)
- Shanghai Tecky Trading Co., Ltd. (China)
- Fujitec Shanghai Technologies Co., Ltd. (China)

South Asia

- Fujitec Singapore Corpn. Ltd. (Singapore)
- FSP Pte. Ltd. (Singapore)
- Fujitec, Inc. (Philippines)
- Fujitec (Malaysia) Sdn. Bhd. (Malaysia)
- P.T. Fujitec Indonesia (Indonesia)
- Fujitec Vietnam Co., Ltd. (Vietnam)
- Fujitec India Private Ltd. (India)
- Fujitec (Thailand) Co., Ltd. (Thailand)
- Fujitec Lanka (Private) Ltd. (Sri Lanka)
- Fujitec Myanmar Co., Ltd. (Myanmar)

North & South America

- Fujitec America, Inc. (U.S.A.)
- Fujitec Canada, Inc. (Canada)
- Fujitec Venezuela C.A. (Venezuela)
- Fujitec Argentina S.A. (Argentina)
- Fujitec Uruguay S.A. (Uruguay)
- Fujitec Pacific, Inc. (Guam)

Europe & Others

- Fujitec UK Ltd. (U.K.)
- Fujitec Saudi Arabia Co., Ltd. (Saudi Arabia)
- Fujitec Egypt Co., Ltd. (Egypt)
- Fujitec Co., Ltd. UAE (Dubai) Office (UAE)

Shareholder Information

Company Data (As of March 31, 2018)

| | |
|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| Company Name | Fujitec Co., Ltd. |
| Date of Establishment | February 9, 1948 |
| Paid-in Capital | ¥12,533,933,095 |
| Line of Business | Research and development, manufacture, marketing, installation and maintenance of elevators, escalators, moving walks, new transportation systems, etc. |
| Location Head Office | Head Office (Big Wing): 591-1, Miyata-cho, Hikone, Shiga, Japan Tokyo Head Office: 1-17-3 Shirokane, Minato-ku, Tokyo 18 |
| Consolidated Subsidiaries | |
| Number of Employees | Consolidated: 9,931 (Japan: 2,919, Overseas: 7,012) |

Note: The Tokyo Head Office relocated to the above address on April 16, 2018.

| | |
|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| Total Number of Authorized Shares (Common Stock) | 300,000,000 shares |
| Total Number of Issued Shares (Common Stock) | 93,767,317 shares |
| Number of Shareholders | 4,800 |
| Stock Exchange Listing | First Section, Tokyo Stock Exchange (Ticker Code: 6406) |
| Annual Meeting of Shareholders | The annual meeting of shareholders of the Company is held in June each year at 591-1, Miyata-cho, Hikone, Shiga, Japan |
| Auditor | Grant Thornton Taiyo LLC |
| Transfer Agent | Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan |
| Business Office | Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department 4-5-33, Kitahama, Chuo-ku, Osaka, Japan |

Note: Fujitec canceled 3,700,317 shares of treasury stock on May 18, 2018. As a result, the total number of issued shares stands at 90,067,000 shares.

Major Shareholders

| | Number of Shares Held (Hundreds) | Shareholding Ratio (%) |
|------------------------------------------------------|----------------------------------|------------------------|
| State Street Bank and Trust Company | 59,321 | 7.32 |
| Uchiyama International, Limited | 50,439 | 6.22 |
| JP Morgan Chase Bank 385632 | 44,569 | 5.50 |
| Resona Bank, Limited | 40,516 | 5.00 |
| The Master Trust Bank of Japan, Ltd. (trust account) | 35,694 | 4.40 |
| Japan Trustee Services Bank, Ltd. (trust account 4) | 31,842 | 3.93 |
| Japan Trustee Services Bank, Ltd. (trust account) | 21,708 | 2.68 |
| INVERISIS/IICS JAPAN | 21,005 | 2.59 |
| Mizuho Bank, Ltd. | 19,892 | 2.45 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.*3 | 16,638 | 2.05 |

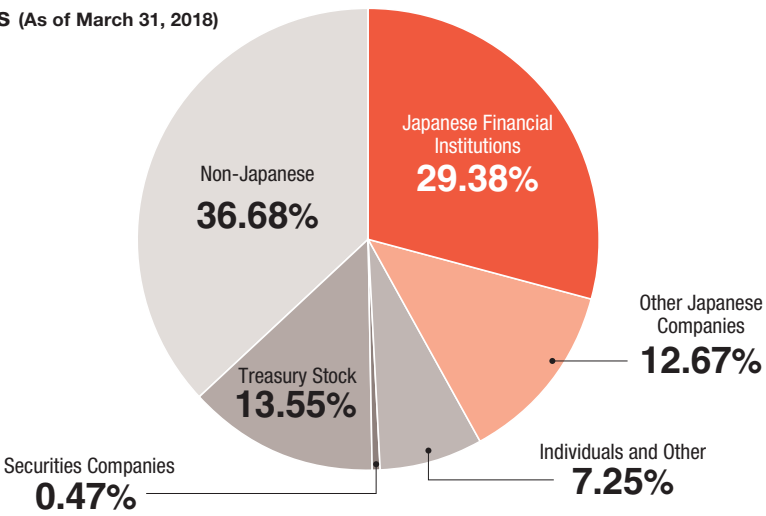
*1: The shareholding ratios are calculated based on 81,060,320 shares, being the total number of issued shares as of March 31, 2018 (93,767,317 shares) minus the number of treasury shares (12,706,997 shares) on the same date.

*2: The number of shares for Japan Trustee Services Bank, Ltd. (trust account) includes 346,200 shares held by the ESOP Trust Supporting Employee Shareholding Association.

*3: The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its name to MUFG Bank, Ltd. on April 1, 2018.

*4: Fujitec Co., Ltd. holds 12,706,997 shares of treasury stock but is excluded from the above list.

Distribution of Shareholders (As of March 31, 2018)



FUJITEC CO., LTD.