

Financial Information

Management Discussion and Analysis

Operating Results

Net Sales

Consolidated net sales for the fiscal year ended March 31, 2019 were ¥170,759 million, an increase of 1.2% compared with the previous fiscal year. Domestic net sales were ¥69,050 million, an increase of 6.3% compared with the previous fiscal year, and overseas net sales were ¥101,709 million, a decrease of 2.1% compared with the previous fiscal year. The effect of foreign exchange fluctuations on overseas sales was insignificant.

Order Backlogs

In Japan, order backlogs were ¥65,856 million, an increase of 9.0% compared with the end of the previous fiscal year. Overseas, order backlogs were ¥142,327 million, up 2.3% compared with the end of the previous fiscal year, because of an increase in North America. As a result, the total amount of order backlogs was ¥208,183 million, an increase of 4.3% compared with the level at the end of the previous fiscal year. Excluding the effect of foreign exchange fluctuations, the percentage increase in total order backlogs overseas was 2.1%.

Operating Income and Profit Attributable to Owners of Parent

Operating income was ¥10,313 million, a decrease of 3.3% compared with the previous fiscal year, due to a decrease in Japan. Ordinary income was ¥11,922 million, an increase of 0.1% compared with the previous fiscal year. Profit before income taxes was ¥12,524 million, an increase of 6.0% compared with the previous fiscal year, due to gain on sales of investment securities and other factors. Profit attributable to owners of parent was ¥9,220 million, an increase of 4.1% compared with the previous fiscal year.

Financial Position

Assets, Liabilities and Net Assets

Total assets at March 31, 2019 were ¥184,690 million, an increase of ¥2,187 million compared with the end of the previous fiscal year. This was due mainly to increases in cash and deposits and in trade notes and accounts receivable, offset by sales of investment securities and a decrease in the fair value of investment securities due to lower stock prices.

Total liabilities were ¥70,767 million, an increase of ¥86 million compared with the end of the previous fiscal year. The increase was due mainly to increases in electronically recorded obligations and net defined benefit liability, which were partially offset by a decrease in provision for losses on construction contracts.

Net assets were ¥113,923 million, an increase of ¥2,101 million compared with the end of the previous fiscal year. This was due mainly to an increase in retained earnings of ¥1,706 million due to profit attributable to owners of parent, payment of cash dividends and cancellation of treasury stock, partially offset by a ¥1,015 million

decrease in net unrealized gains on securities and a ¥2,719 million decrease in foreign currency translation adjustments.

Treasury stock and retained earnings each decreased ¥4,283 million due to cancellation of treasury stock carried out on May 18, 2018. The shareholders' equity ratio at March 31, 2019 was 55.7%, an increase of 0.7 percentage points compared with the end of the previous fiscal year, and net assets per share were ¥1,271.28, an increase of ¥2782 compared with the end of the previous fiscal year.

Cash Flows

Cash and cash equivalents at March 31, 2019 were ¥25,902 million, an increase of ¥1,859 million compared with the end of the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥9,589 million, a decrease of ¥2,281 million compared with the previous fiscal year. The decrease was mainly attributable to an increase in trade notes and accounts receivable and payment of income taxes, while profit before income taxes was ¥12,524 million and depreciation and amortization was ¥3,055 million.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥2,160 million, a decrease in expenditures of ¥3,186 million compared with the previous fiscal year. The decrease was attributable mainly to an increase in time deposits, net of ¥1,228 million and acquisitions of property, plant and equipment of ¥2,848 million, offset by factors including sales of investment securities and interest and dividend income received.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥4,199 million, an increase in expenditures of ¥341 million compared with the previous fiscal year, due mainly to repayment of long-term debt and cash dividends paid.

Capital Investment

Total capital investment during the fiscal year ended March 31, 2019 was ¥2,721 million. Of that total, capital investment in Japan was ¥1,983 million, mainly for additional facilities for elevator development and manufacturing bases as well as after-sales service bases. Overseas, the Fujitec Group made capital investment of ¥738 million for manufacturing bases in South Asia and East Asia.

R&D Expenses

Total R&D expenses during the fiscal year ended March 31, 2019 were ¥2,425 million. Of that total, R&D expenses in Japan amounted to ¥2,279 million, and overseas R&D expenses were ¥146 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, operating results and financial position could be significantly and adversely affected by any risk factors 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 over 20 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, and therefore 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 operating results.

Development of New Products

The Fujitec Group continually carries out activities for the development of new products that are matched to customer needs. In the elevator and escalator industry, where the Fujitec Group operates, customer needs are diversifying in step with the maturing of markets. On the other hand, product development competition among leading manufacturers worldwide is fierce and there is a possibility of being driven out of the 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 position and operating 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, the trend toward business dominance by increasing market share is expected to continue. 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 position and operating 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 an incident resulting in equipment damage 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 position and operating 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 good 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 position and operating 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 operating 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 operating 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 position. 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 operating results.

Exchange Rate Fluctuations

The Fujitec Group operates 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 operating results. However, an unexpectedly rapid and large fluctuation in exchange rates could have an adverse impact on the Fujitec Group's financial position and operating 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 position.

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 position and operating results.

Consolidated Balance Sheets

Fujitec Co., Ltd. and Consolidated Subsidiaries (As of March 31, 2019 and 2018)

ASSETS	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	(Note 1)
Current assets:			
Cash and deposits (Note 15)	¥ 52,244	¥ 49,856	\$ 470,667
Trade notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	1,177	912	10,603
Other	53,504	52,499	482,018
Allowance for doubtful accounts	(2,039)	(2,102)	(18,369)
	52,642	51,309	474,252
Inventories:			
Finished goods and semi-finished goods	5,891	5,554	53,072
Work in process	6,169	7,976	55,577
Raw materials and supplies	9,232	8,335	83,171
	21,292	21,865	191,820
Other current assets	5,004	4,501	45,081
Total current assets	131,182	127,531	1,181,820
Investments and long-term loans:			
Investment securities in unconsolidated subsidiaries	1,155	1,161	10,405
Investment securities (Note 4)	7,641	9,408	68,838
Long-term loans	3	216	27
Total investments and long-term loans	8,799	10,785	79,270
Property, plant and equipment, at cost (Note 7):			
Buildings and structures	35,276	35,485	317,802
Machinery, vehicles, tools, furniture and fixtures	19,837	19,702	178,712
Lease assets (Note 8)	429	15	3,865
	55,542	55,202	500,379
Accumulated depreciation	(28,912)	(28,052)	(260,469)
	26,630	27,150	239,910
Land	6,921	6,939	62,351
Construction in progress	397	300	3,577
Total property, plant and equipment, at cost	33,948	34,389	305,838
Other assets:			
Deferred tax assets (Note 5)	3,390	2,715	30,541
Goodwill	213	320	1,919
Intangible assets	3,662	3,710	32,991
Retirement benefit asset	473	—	4,261
Investments in capital of unconsolidated subsidiaries	690	603	6,216
Allowance for doubtful accounts	(113)	(125)	(1,018)
Other	2,446	2,575	22,036
Total	¥184,690	¥182,503	\$1,663,874

The accompanying notes are an integral part of these statements.

LIABILITIES	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	(Note 1)
Current liabilities:			
Short-term debt (Note 7)	¥ 3,299	¥ 3,452	\$ 29,721
Current portion of long-term debt (Note 7)	256	525	2,306
Lease obligations (Note 8)	88	2	793
Trade notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	16	37	144
Other	15,995	16,114	144,099
Electronically recorded obligations	5,386	4,714	48,522
Advances from customers	21,176	21,841	190,775
Accrued income taxes (Note 5)	1,849	1,403	16,658
Provision for bonuses to employees	2,513	2,471	22,640
Provision for bonuses to directors	82	83	739
Provision for losses on construction contracts	4,696	5,957	42,306
Provision for warranties for completed construction	759	919	6,838
Other current liabilities	10,127	9,304	91,234
Total current liabilities	66,242	66,822	596,775
Non-current liabilities:			
Long-term debt (Note 7)	222	435	2,000
Lease obligations (Note 8)	251	8	2,261
Deferred tax liabilities (Note 5)	66	69	595
Net defined benefit liability (Note 10)	3,782	3,145	34,072
Long-term other accounts payable	181	179	1,631
Asset retirement obligation	23	22	207
Other non-current liabilities	0	1	0
Total non-current liabilities	4,525	3,859	40,766
Total liabilities	70,767	70,681	637,541
NET ASSETS			
Net assets:			
Shareholders' equity (Note 9):			
Common stock:			
Authorized: 300,000,000 shares			
Issued: 90,067,000 shares at March 31, 2019 and 93,767,317 shares at March 31, 2018	12,534	12,534	112,919
Capital surplus	14,569	14,569	131,252
Retained earnings	96,087	94,381	865,649
Treasury stock, at cost: 9,198,282 shares at March 31, 2019 and 13,053,197 shares at March 31, 2018	(10,631)	(15,083)	(95,775)
Total shareholders' equity	112,559	106,401	1,014,045
Accumulated other comprehensive income:			
Net unrealized gains on securities	2,200	3,215	19,820
Deferred gains or losses on hedges	(1)	(26)	(9)
Foreign currency translation adjustments	(11,000)	(8,281)	(99,099)
Remeasurements of defined benefit plans	(951)	(944)	(8,568)
Total accumulated other comprehensive income	(9,752)	(6,036)	(87,856)
Stock acquisition rights (Note 19)	40	61	360
Non-controlling interests	11,076	11,396	99,784
Total net assets	113,923	111,822	1,026,333
Total	¥184,690	¥182,503	\$1,663,874

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Fujitec Co., Ltd. and Consolidated Subsidiaries (Years ended March 31, 2019 and 2018)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Net sales	¥170,759	¥168,795	\$1,538,369
Operating costs and expenses:			
Cost of sales (Note 11 and 12)	134,793	133,361	1,214,351
Selling, general and administrative expenses (Note 11 and 13)	25,653	24,769	231,108
Total operating costs and expenses	160,446	158,130	1,445,459
Operating income	10,313	10,665	92,910
Other income (expenses):			
Interest and dividend income	1,301	1,138	11,720
Interest expense	(144)	(77)	(1,297)
Rent income	157	154	1,414
Loss on abandonment of inventories	—	(117)	—
Litigation expenses	(1)	(104)	(9)
Foreign currency exchange gain, net	206	78	1,856
Other, net	90	174	811
Total other income (expenses)	1,609	1,246	14,495
Ordinary income	11,922	11,911	107,405
Special items:			
Gain on sales of property, plant and equipment (Note 14)	23	8	207
Gain on sales of investment securities	810	47	7,297
Gain on sales of investments in capital of subsidiaries and affiliates	—	46	—
Subsidy income	57	—	514
Loss on sales and disposal of property, plant and equipment (Note 14)	(122)	(80)	(1,099)
Impairment loss	—	(10)	—
Loss on sales of investment securities	(1)	—	(9)
Office transfer expenses	(165)	(111)	(1,486)
Total special items	602	(100)	5,424
Profit before income taxes	12,524	11,811	112,829
Income taxes (Note 5):			
Current	2,869	2,688	25,847
Deferred	(328)	(200)	(2,955)
Total income taxes	2,541	2,488	22,892
Profit	9,983	9,323	89,937
Profit attributable to non-controlling interests	763	466	6,874
Profit attributable to owners of parent	¥ 9,220	¥ 8,857	\$ 83,063
Per share information (Note 21):	Yen		U.S. Dollars (Note 1)
Net income per share	¥ 114.14	¥ 109.82	\$ 1.03
Diluted net income per share	114.07	109.73	1.03
Cash dividends applicable to the year	45.00	35.00	0.41

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, 2019 and 2018)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Profit	¥ 9,983	¥ 9,323	\$ 89,937
Other comprehensive income (Note 3):			
Net unrealized gains on securities	(1,015)	736	(9,144)
Deferred gains or losses on hedges	30	(134)	270
Foreign currency translation adjustments	(3,434)	650	(30,937)
Remeasurements of defined benefit plans	(7)	332	(63)
Other comprehensive income, net	(4,426)	1,584	(39,874)
Comprehensive income	¥ 5,557	¥10,907	\$ 50,063
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	¥ 5,504	¥10,114	\$ 49,586
Comprehensive income attributable to non-controlling interests	53	793	477

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Fujitec Co., Ltd. and Consolidated Subsidiaries (Years ended March 31, 2019 and 2018)

	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, 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 April 1, 2018	93,767	12,534	14,569	94,381	(15,083)	106,401
Cumulative effects of changes in accounting policies				10		10
Restated balance		12,534	14,569	94,391	(15,083)	106,411
Change in treasury shares of parent arising from transactions with non-controlling shareholders			0			0
Cash dividends				(3,242)		(3,242)
Change in scope of consolidation				6		6
Profit attributable to owners of parent				9,220		9,220
Purchase of treasury stock					(0)	(0)
Disposal of treasury stock				(5)	169	164
Cancellation of treasury stock	(3,700)			(4,283)	4,283	—
Net change of items other than shareholders' equity						
Balance at March 31, 2019	90,067	¥12,534	¥14,569	¥96,087	¥(10,631)	¥112,559

	Millions of Yen						
	Accumulated other comprehensive income						
	Net unrealized gains on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Stock acquisition rights	Non-controlling interests
Balance at April 1, 2017	¥ 2,479	¥ 86	¥ (8,582)	¥(1,276)	¥(7,293)	¥ 61	¥11,222
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
Balance at April 1, 2018	3,215	(26)	(8,281)	(944)	(6,036)	61	11,396
Cumulative effects of changes in accounting policies							10
Restated balance	3,215	(26)	(8,281)	(944)	(6,036)	61	11,396
Change in treasury shares of parent arising from transactions with non-controlling shareholders							0
Cash dividends							(3,242)
Change in scope of consolidation							6
Profit attributable to owners of parent							9,220
Purchase of treasury stock							(0)
Disposal of treasury stock							164
Cancellation of treasury stock							—
Net change of items other than shareholders' equity	(1,015)	25	(2,719)	(7)	(3,716)	(21)	(320)
Balance at March 31, 2019	¥ 2,200	¥ (1)	¥(11,000)	¥ (951)	¥(9,752)	¥ 40	¥11,076

	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, 2018	93,767	\$112,919	\$131,252	\$850,279	\$(135,883)	\$ 958,567
Cumulative effects of changes in accounting policies				90		90
Restated balance		112,919	131,252	850,369	(135,883)	958,657
Change in treasury shares of parent arising from transactions with non-controlling shareholders			0			0
Cash dividends				(29,207)		(29,207)
Change in scope of consolidation				54		54
Profit attributable to owners of parent				83,063		83,063
Purchase of treasury stock					(0)	(0)
Disposal of treasury stock				(45)	1,523	1,478
Cancellation of treasury stock	(3,700)			(38,585)	38,585	—
Net change of items other than shareholders' equity						
Balance at March 31, 2019	90,067	\$112,919	\$131,252	\$865,649	\$(95,775)	\$1,014,045

	Thousands of U.S. Dollars (Note 1)						
	Accumulated other comprehensive income						
	Net unrealized gains on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Stock acquisition rights	Non-controlling interests
Balance at April 1, 2018	\$28,964	\$(233)	\$(74,604)	\$(8,505)	\$(54,378)	\$ 550	\$102,667
Cumulative effects of changes in accounting policies							90
Restated balance	28,964	(233)	(74,604)	(8,505)	(54,378)	550	102,667
Change in treasury shares of parent arising from transactions with non-controlling shareholders							0
Cash dividends							(29,207)
Change in scope of consolidation							54
Profit attributable to owners of parent							83,063
Purchase of treasury stock							(0)
Disposal of treasury stock							1,478
Cancellation of treasury stock							—
Net change of items other than shareholders' equity	(9,144)	224	(24,495)	(63)	(33,478)	(190)	(2,883)
Balance at March 31, 2019	\$19,820	\$(9)	\$(99,099)	\$(8,568)	\$(87,856)	\$ 360	\$ 99,784

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, 2019 and 2018)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Cash flows from operating activities:			
Profit before income taxes	¥12,524	¥11,811	\$112,829
Depreciation and amortization	3,055	2,915	27,523
Increase (decrease) in allowance for doubtful accounts	57	243	513
Increase (decrease) in provision for bonuses to employees	75	(374)	676
Increase (decrease) in provision for losses on construction contracts	(1,410)	(1,254)	(12,703)
Interest and dividend income	(1,300)	(1,138)	(11,712)
Interest expense	144	77	1,297
Decrease (increase) in trade notes and accounts receivable	(3,541)	(2,088)	(31,901)
Decrease (increase) in inventories	(699)	(734)	(6,297)
Increase (decrease) in trade notes and accounts payable	1,793	691	16,153
Loss (gain) on sales of investment securities	(809)	(47)	(7,288)
Increase (decrease) in advances from customers	1,028	2,538	9,261
Loss (gain) on sales and retirement of property, plant and equipment	99	72	892
Increase (decrease) in net defined benefit liability	230	325	2,072
Other, net	763	1,956	6,874
Sub-total	12,009	14,993	108,189
Payment of income taxes	(2,420)	(3,123)	(21,802)
Net cash provided by operating activities	9,589	11,870	86,387
Cash flows from investing activities:			
Decrease (increase) in time deposits, net	(1,228)	(1,288)	(11,063)
Acquisitions of property, plant and equipment	(2,848)	(2,973)	(25,658)
Proceeds from sales of property, plant and equipment	31	18	279
Purchase of investment securities	(1)	(1,233)	(9)
Proceeds from sales of investment securities	991	87	8,928
Purchase of intangible assets	(184)	(541)	(1,658)
Collection of loans receivable	156	142	1,405
Interest and dividend income received	1,198	1,159	10,793
Payments for sales of investments in capital of subsidiaries resulting in change in scope of consolidation	—	(48)	—
Other, net	(275)	(669)	(2,477)
Net cash used in investing activities	(2,160)	(5,346)	(19,460)
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	(76)	(400)	(685)
Proceeds from long-term debt	227	—	2,045
Repayment of long-term debt	(748)	(505)	(6,739)
Purchase of treasury stock	(0)	(0)	(0)
Payment of interest	(86)	(69)	(775)
Cash dividends paid	(3,242)	(2,432)	(29,207)
Cash dividends paid to non-controlling interests	(358)	(609)	(3,225)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(3)	(6)	(27)
Other, net	87	163	784
Net cash used in financing activities	(4,199)	(3,858)	(37,829)
Effect of exchange rate changes on cash and cash equivalents	(1,371)	467	(12,351)
Net increase in cash and cash equivalents	1,859	3,133	16,747
Cash and cash equivalents at beginning of year	24,043	20,910	216,604
Cash and cash equivalents at end of year (Note 15)	¥25,902	¥24,043	\$233,351

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, 2019 and 2018)

1. Basis of Presentation

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

to present the accompanying financial statements in a form more familiar to readers outside Japan.

U.S. dollar amounts, included in the accompanying consolidated financial statements solely for the convenience of readers, have been arithmetically translated from all yen amounts on a basis of ¥111=\$1, the prevailing exchange rate as of March 31, 2019. 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, 2019 and 2018 include the accounts of the Company and the following 18 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 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)
Shanghai Tecky Trading 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)

From the fiscal year ended March 31, 2019, Fujitec Holdings Sdn. Bhd. (Malaysia) was removed from the consolidation due to liquidation in December 2018 and Shanghai Tecky Trading Co., Ltd. (China) was newly included in the consolidation.

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 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 account receivables 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. Hedge accounting is not applied to foreign currency forward contracts of some consolidated subsidiaries.

(3) Hedging instruments and hedged items

(Hedging instruments)

Foreign currency forward contracts

(Hedged items)

Forecasted transaction 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 interests 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.

(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 2018 financial statements to conform to the presentation in 2019.

(S) Consumption taxes

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

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

The consolidated subsidiaries that apply IFRS adopted IFRS 15 (Revenue from Contract with Customers) from the beginning of the consolidated fiscal year ended March 31, 2019.

As a result, the impact on net sales, operating income, ordinary income and profit before income taxes for the consolidated fiscal year ended March 31, 2019 is immaterial.

Some consolidated subsidiaries that apply IFRS adopted IFRS 16 (Lease) from the beginning of the consolidated fiscal year ended March 31, 2019. As a result, the impact on total assets for the consolidated fiscal year ended March 31, 2019 is immaterial.

(U) Accounting standards issued but not yet effective 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.

(V) Changes in presentation**Consolidated statements of cash flows**

In the fiscal year under review, "Loss (gain) on sales of investment securities," which was included in "Other, net" under "Cash flows from operating 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, ¥1,909 million that was presented in "Other, net" under "Cash flows from operating activities" in the previous fiscal year has been reclassified to "Loss (gain) on sales of investment securities" of minus ¥47 million and "Other, net" of ¥1,956 million.

In the fiscal year under review, "Proceeds from sales 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 ¥582 million that was presented in "Other, net" under "Cash flows from investing activities" in the previous fiscal year has been reclassified to "Proceeds from sales of investment securities" of ¥87 million and "Other, net" of minus ¥669 million.

Application of Partial Amendments to Accounting Standard on Tax Effect Accounting

The Company has adopted "Partial Amendments to Accounting Standard on Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the consolidated fiscal year ended March 31, 2019. Accordingly, deferred tax assets and deferred tax liabilities are presented under other assets and non-current liabilities, respectively and the note for income taxes (Note 5) is changed.

Consequently, in the consolidated balance sheet as of March 31, 2018, "Deferred tax assets" of ¥3,325 million previously included in "Current assets" and "Deferred tax liabilities" of ¥715 million previously included in "Non-current liabilities" are included in "Deferred tax assets" of ¥2,715 million under "Other assets" and "Deferred tax liabilities" of "Non-current liabilities" is changed to ¥69 million.

In addition, notes on Accounting Standard on Tax Effect Accounting (No. 8 of annotations) (excluding total of valuation allowance) and (No. 9 of annotations) provided in Items 3 to 5 of the Partial Changes to Accounting Standard for Tax Effect Accounting have been added to the note for income taxes (Note 5).

(W) 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, 2019 and 2018 were ¥230 million (US\$2,072 thousand) and 213 thousand shares, and ¥373 million and 346 thousand shares, respectively.

(3) The book value of loans recorded using the gross price method as of March 31, 2019 and 2018 was ¥31 million (US\$279 thousand) and ¥220 million, respectively.

3. Other Comprehensive Income

Reclassification adjustments and tax effect of each component of other comprehensive income for the years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Net unrealized gains on securities:			
Arising during the fiscal year	¥ (613)	¥1,103	\$ (5,523)
Reclassification adjustment	(810)	(47)	(7,297)
Sub-total, before tax	(1,423)	1,056	(12,820)
Tax effect	408	(320)	3,676
Net unrealized gains on securities	(1,015)	736	(9,144)
Deferred gains or losses on hedges:			
Arising during the fiscal year	29	(133)	261
Reclassification adjustment	1	(1)	9
Sub-total, before tax	30	(134)	270
Tax effect	—	—	—
Deferred gains or losses on hedges	30	(134)	270
Foreign currency translation adjustments:			
Arising during the fiscal year	(3,434)	607	(30,937)
Reclassification adjustment	—	43	—
Sub-total, before tax	(3,434)	650	(30,937)
Tax effect	—	—	—
Foreign currency translation adjustments	(3,434)	650	(30,937)
Remeasurements of defined benefit plans:			
Arising during the fiscal year	(272)	110	(2,450)
Reclassification adjustment	261	369	2,351
Sub-total, before tax	(11)	479	(99)
Tax effect	4	(147)	36
Remeasurements of defined benefit plans	(7)	332	(63)
Total other comprehensive income	¥(4,426)	¥1,584	\$(39,874)

4. Investment Securities

(1) Available-for-sale securities at March 31, 2019 and 2018 are summarized as follows:

	Millions of Yen					
	2019			2018		
	Book value (Estimated fair value)	Acquisition cost	Gross unrealized gains (losses)	Book value (Estimated fair value)	Acquisition cost	Gross unrealized gains (losses)
Securities whose book value exceeds their acquisition cost:						
Equity securities	¥6,585	¥3,373	¥3,212	¥9,116	¥4,513	¥4,603
Sub-total	6,585	3,373	3,212	9,116	4,513	4,603
Securities whose book value does not exceed their acquisition cost:						
Equity securities	943	997	(54)	79	101	(22)
Other	—	—	—	100	100	0
Sub-total	943	997	(54)	179	201	(22)
Total	¥7,528	¥4,370	¥3,158	¥9,295	¥4,714	¥4,581

	Thousands of U.S. Dollars (Note 1)		
	2019		
	Book value (Estimated fair value)	Acquisition cost	Gross unrealized gains (losses)
Securities whose book value exceeds their acquisition cost:			
Equity securities	\$59,324	\$30,387	\$28,937
Sub-total	59,324	30,387	28,937
Securities whose book value does not exceed their acquisition cost:			
Equity securities	8,496	8,982	(486)
Other	—	—	—
Sub-total	8,496	8,982	(486)
Total	\$67,820	\$39,369	\$28,451

The carrying amounts of equity securities whose fair value is not readily determinable are ¥113 million (US\$1,018 thousand) and ¥113 million for the years ended March 31, 2019 and 2018, respectively.

(2) Available-for-sale securities sold for the years ended March 31, 2019 and 2018 are summarized as follows:

	Millions of Yen					
	2019			2018		
	Sales proceeds	Gains on sales	Losses on sales	Sales proceeds	Gains on sales	Losses on sales
Equity securities	¥1,056	¥810	¥—	¥87	¥47	¥—
Other	99	—	(1)	—	—	—
Total	¥1,155	¥810	¥(1)	¥87	¥47	¥—

	Thousands of U.S. Dollars (Note 1)		
	2019		
	Sales proceeds	Gains on sales	Losses on sales
Equity securities	\$ 9,514	\$7,297	\$—
Other	892	—	(9)
Total	\$10,406	\$7,297	\$(9)

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 30.62% and 30.86% for the years ended March 31, 2019 and 2018, respectively. Income tax rates of the consolidated foreign subsidiaries range from 16.38% to 34.00% for the years ended March 31, 2019 and 2018.

(1) The major components of deferred tax assets and liabilities at March 31, 2019 and 2018 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Deferred tax assets:			
Tax loss carryforwards ²	¥2,483	¥2,509	\$22,369
Net defined benefit liability	865	818	7,793
Provision for bonuses to employees	575	608	5,180
Provision for losses on construction contracts	1,160	1,550	10,451
Allowance for doubtful accounts	549	567	4,946
Other	1,555	1,573	14,009
Total deferred tax assets	7,187	7,625	64,748
Valuation allowance related to net tax loss carryforwards ²	(2,202)	(2,509)	(19,838)
Valuation allowance related to the total of future deductible amount, etc.	(487)	(853)	(4,387)
Less: valuation allowance ¹	(2,689)	(3,362)	(24,225)
Total deferred tax assets	4,498	4,263	40,523
Deferred tax liabilities:			
Unrealized gains on securities	(957)	(1,365)	(8,622)
Dividend income received from subsidiaries	(38)	(38)	(342)
Other	(179)	(214)	(1,613)
Total deferred tax liabilities	(1,174)	(1,617)	(10,577)
Net deferred tax assets	¥3,324	¥2,646	\$29,946

1. The main reason for a decrease in valuation allowance of ¥673 million is deemed to be recoverable for valuation allowance related to the net tax loss carryforwards in Fujitec America Inc. ¥281 million.

2. The amount of net tax loss carryforwards and amounts of deferred tax assets by carryforwards period at March 31, 2019 and 2018 is as follows:

	Millions of Yen						
	2019						
	Within 1 year	After 1 years through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Net tax loss carryforwards	¥ 47	¥ 47	¥ 55	¥ 119	¥ 50	¥ 2,165	¥ 2,483
Valuation allowance	(47)	(47)	(55)	(119)	(50)	(1,884)	(2,202)
Deferred tax assets	—	—	—	—	—	281	281

	Millions of Yen						
	2018						
	Within 1 year	After 1 years through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Net tax loss carryforwards	¥ —	¥ 53	¥ 84	¥ 62	¥ 133	¥ 2,177	¥ 2,509
Valuation allowance	—	(53)	(84)	(62)	(133)	(2,177)	(2,509)
Deferred tax assets	—	—	—	—	—	—	—

Thousands of U.S. Dollars (Note 1)

	2019						Total
	Within 1 year	After 1 years through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	
Net tax loss carryforwards	\$ 423	\$ 423	\$ 496	\$ 1,072	\$ 450	\$ 19,505	\$ 22,369
Valuation allowance	(423)	(423)	(496)	(1,072)	(450)	(16,974)	(19,838)
Deferred tax assets	—	—	—	—	—	2,531	2,531

a) The net tax loss carryforwards is an amount multiplied by the statutory tax rate.

(2) A reconciliation between the Company's statutory tax rate and the effective tax rate at March 31, 2019 and 2018 is as follows:

	2019	2018
Statutory tax rate	30.62%	30.86%
Non-deductible expenses	0.29	0.29
Valuation allowance for deferred tax assets	(5.57)	0.14
Per capita inhabitant tax	1.01	1.08
Net loss of consolidated subsidiaries	0.64	(3.64)
Effect of foreign tax rate differences	(5.65)	(6.12)
Difference of change in tax rate	0.16	(0.17)
Other	(1.21)	(1.38)
Effective tax rate	20.29%	21.06%

6. Contingent Liabilities

Contingent liabilities at March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Trade notes receivable discounted	¥ —	¥135	\$ —
Guarantees of bank loan in unconsolidated subsidiary	¥ —	¥ 1	\$ —

7. Short-term Debt and Long-term Debt

(1) Short-term debt at March 31, 2019 and 2018 consists of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Loans, mainly from banks at weighted-average interest rates of 1.41% in 2019 and 1.19% in 2018.	¥3,299	¥3,452	\$29,721

(2) Long-term debt at March 31, 2019 and 2018 consists of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Loans, mainly from banks and insurance companies due through 2021 at weighted-average interest rates of 2.65% in 2019 and 1.99% in 2018 for current portion of long-term debt, and 3.94% in 2019 and 1.77% in 2018 for long-term debt, respectively.	¥478	¥960	\$4,306
	478	960	4,306
Less: portion due within one year	256	525	2,306
	¥222	¥435	\$2,000

(3) The aggregate annual maturities of long-term debt outstanding as of March 31, 2019 are as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 1)
2020	¥256	\$2,306
2021	222	2,000
Total	¥478	\$4,306

Note: As of March 31, 2019, the following assets and liabilities are pledged as collateral for transactions with a bank:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Building and structure (at net book value)	¥2,320	¥2,561	\$20,901
Machinery, vehicles, tools, furniture and fixtures (at net book value)	75	110	676
Land	262	280	2,360
	¥2,657	¥2,951	\$23,937
Short-term debt	¥ 36	¥ 190	\$ 324

8. Leases

(1) The amounts related to finance lease assets at March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Machinery and equipment:			
Acquisition costs	¥429	¥15	\$3,865
Accumulated depreciation	(96)	(6)	(865)
Book value	¥333	¥ 9	\$3,000
Future minimum lease payments:			
Due within one year	¥ 88	¥ 2	\$ 793
Due after one year	251	8	2,261
Total	¥339	¥10	\$3,054

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, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Future minimum lease payments:			
Due within one year	¥ 917	¥ 976	\$ 8,261
Due after one year	1,736	2,538	15,640
Total	¥2,653	¥3,514	\$23,901

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, 2019 and 2018 are summarized as follows:

Type of share	Number of shares (Thousands)			
	2019			
	April 1, 2018	Increase	Decrease	March 31, 2019
Common stock ¹	93,767	—	3,700	90,067

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

1. The decrease in the number of shares of issued shares of 3,700 thousand shares is due to cancellation of treasury stock.

(2) Treasury stock

Increase and decrease in treasury stock for the years ended March 31, 2019 and 2018 are summarized as follows:

Type of share	Number of shares (Thousands)			
	2019			
	April 1, 2018	Increase	Decrease	March 31, 2019
Common stock ¹	13,053	0	3,855	9,198

Type of share	Number of shares (Thousands)			
	2018			
	April 1, 2017	Increase	Decrease	March 31, 2018
Common stock ²	13,162	0	109	13,053

1. The decreases in the number of shares of treasury stock consist of 3,700 thousand shares due to cancellation of treasury stock, 133 thousand shares due to sales of shares by the ESOP Trust supporting the employee shareholding association to the Company's employees shareholding association, and 22 thousand shares due to exercising stock acquisition rights.

2. 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.

(3) Stock acquisition rights

Increase and decrease in stock acquisition rights for the years ended March 31, 2019 and 2018 are summarized as follows:

			2019					
			Number of shares (Thousands)			Millions of Yen	Thousands of U.S. Dollars (Note1)	
Company name	Breakdown	Type of share	April 1, 2018	Increase	Decrease	March 31, 2019	Ended balance	Ended balance
Fujitec Co., Ltd.	Stock acquisition rights as stock options resolved by Board of Directors' meeting on November 8, 2013	—	—	—	—	—	¥21	\$189
Fujitec Co., Ltd.	Stock acquisition rights as stock options resolved by Board of Directors' meeting on August 7, 2014	—	—	—	—	—	¥16	\$144
Fujitec Co., Ltd.	Stock acquisition rights as stock options resolved by Board of Directors' meeting on August 7, 2015	—	—	—	—	—	¥ 3	\$ 27
Total			—	—	—	—	¥40	\$360

			2018				
			Number of shares (Thousands)			Millions of Yen	
Company name	Breakdown	Type of share	April 1, 2017	Increase	Decrease	March 31, 2018	Ended balance
Fujitec Co., Ltd.	Stock acquisition rights as stock options resolved by Board of Directors' meeting on November 8, 2013	—	—	—	—	—	¥36
Fujitec Co., Ltd.	Stock acquisition rights as stock options resolved by Board of Directors' meeting on August 7, 2014	—	—	—	—	—	¥20
Fujitec Co., Ltd.	Stock acquisition 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, 2019 and 2018 are as follows:

2019							
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, 2018 ^{1,2}	Common stock	¥1,621	\$14,604	¥20.00	\$0.18	March 31, 2018	June 25, 2018
Board of Directors' Meeting on November 9, 2018 ³	Common stock	¥1,621	\$14,604	¥20.00	\$0.18	September 30, 2018	December 3, 2018

1. Total dividends resolved at Annual Meeting of Shareholders on June 22, 2018 includes dividends of ¥6 million (US\$54 thousand) on the Company's shares held by the ESOP Trust Supporting Employee Shareholding Association.

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

3. Total dividends resolved at Board of Directors' Meeting on November 9, 2018 includes dividends of ¥5 million (US\$45 thousand) on the Company's shares held by the ESOP Trust Supporting Employee Shareholding Association.

2018					
Resolution	Type of share	Total dividends	Dividends per share	Recorded date	Effective date
		Millions of Yen	Yen		
Annual Meeting of Shareholders on June 22, 2017 ¹	Common stock	¥1,215	¥15.00	March 31, 2017	June 23, 2017
Board of Directors' Meeting on November 10, 2017 ²	Common stock	¥1,215	¥15.00	September 30, 2017	December 1, 2017

1. Total dividends resolved at Annual Meeting of Shareholders on June 22, 2017 includes dividends of ¥6 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, 2017 includes dividends of ¥5 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, 2019 and 2018, payable in the following fiscal year are as follows:

2019								
Resolution	Type of share	Resource of dividends	Total dividends		Dividends per share		Recorded date	Effective date
			Million of Yen	Thousand of U.S. Dollars (Note 1)	Yen	U.S. Dollars (Note 1)		
Annual Meeting of Shareholders on June 21, 2019 ¹	Common stock	Retained earnings	¥2,027	\$18,261	¥25.00	\$0.23	March 31, 2019	June 24, 2019

1. Total dividends include dividends of ¥5 million (US\$45 thousand) on the Company's shares held by the ESOP Trust Supporting Employee Shareholding Association.

2018						
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, 2018 ^{1,2}	Common stock	Retained earnings	¥1,621	¥20.00	March 31, 2018	June 25, 2018

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

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

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, 2019 and 2018 (except adoption of the simplified accounting method)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Beginning balance of retirement benefit obligations	¥14,101	¥13,776	\$127,036
Service cost	939	942	8,459
Interest cost	37	36	333
Actuarial gains and losses	224	133	2,018
Retirement benefits paid	(905)	(762)	(8,152)
Other	(5)	(24)	(45)
End balance of retirement benefit obligations	¥14,391	¥14,101	\$129,649

(2) Changes to the balance of pension assets at the beginning and end of the period as of March 31, 2019 and 2018 (except adoption of the simplified accounting method)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Beginning balance of pension assets	¥12,063	¥11,512	\$108,676
Expected return on plan assets	241	230	2,171
Actuarial gains and losses	(48)	243	(432)
Employer contribution	502	496	4,522
Retirement benefits paid	(552)	(418)	(4,973)
End balance of pension assets	¥12,206	¥12,063	\$109,964

(3) Changes to the balance of net defined benefit liability at the beginning and end of the period as of March 31, 2019 and 2018 (only adoption of the simplified accounting method)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Beginning balance of net defined benefit liability	¥1,115	¥ 951	\$10,045
Retirement benefit expenses	185	171	1,667
Retirement benefits paid	(95)	(98)	(856)
Other	(81)	91	(730)
End balance of net defined benefit liability	¥1,124	¥1,115	\$10,126

(4) Changes to the balance of retirement benefit obligations and pension assets at the end of the period as of March 31, 2019 and 2018, 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)
	2019	2018	2019
Funded retirement benefit obligations	¥ 11,733	¥ 11,439	\$ 105,703
Pension assets	(12,206)	(12,063)	(109,964)
	(473)	(624)	(4,261)
Non-funded retirement benefit obligations	3,782	3,769	34,072
Net liabilities and assets recorded in the consolidated balance sheets	3,309	3,145	29,811
Net defined benefit liability	3,782	3,145	34,072
Net defined benefit asset	(473)	—	(4,261)
Net liabilities and assets recorded in the consolidated balance sheets	¥ 3,309	¥ 3,145	\$ 29,811

(5) Retirement benefit expenses and the breakdown of amounts

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Service cost	¥ 939	¥ 942	\$ 8,459
Interest cost	37	36	333
Expected return on plan assets	(241)	(230)	(2,171)
Amortization of actuarial gains and losses	259	367	2,333
Amortization of prior service costs	2	2	18
Retirement benefit expenses calculated by the simplified accounting method	186	130	1,676
Retirement benefit expenses under defined benefit plans	¥1,182	¥1,247	\$10,648

(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, 2019 and 2018 is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Prior service costs	¥ 2	¥ 2	\$ 18
Actuarial gains and losses	(13)	477	(117)
Total	¥ (11)	¥479	\$ (99)

(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, 2019 and 2018 is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Unrecognized prior service costs	¥ 5	¥ 7	\$ 45
Unrecognized actuarial gains and losses	1,366	1,353	12,306
Total	¥1,371	¥1,360	\$12,351

(8) Items related to pension assets

(A) Breakdown of main items

Ratio for each main classification for total pension assets

	2019	2018
Bonds	52%	54%
Equity securities	26	27
General accounts	10	10
Other	12	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, 2019 and 2018 is as follows:

	2019	2018
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, 2019 and 2018 are ¥90 million (US\$811 thousand) and ¥93 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, 2019 and 2018 are ¥2,425 million (US\$21,847 thousand) and ¥2,323 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, 2019 and 2018 are ¥6,128 million (US\$55,207 thousand) and ¥3,125 million, respectively.

13. Selling, General and Administrative Expenses

Primary selling, general and administrative expenses for the years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Salaries and allowances	¥9,629	¥9,242	\$86,748
Provision for bonuses	1,310	1,142	11,802
Provision for directors' bonuses	82	83	739
Retirement benefit expenses	539	588	4,856
Provision of allowance for doubtful accounts	176	223	1,586

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, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Machinery and vehicles	¥22	¥3	\$198
Tools, furniture and fixtures	1	5	9
Total	¥23	¥8	\$207

(2) Details of loss on sales of property, plant and equipment for the years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Machinery and vehicles	¥1	¥0	\$9
Tools, furniture and fixtures	0	0	0
Intangible assets	0	—	0
Total	¥1	¥0	\$9

(3) Details of loss on disposal of property, plant and equipment for the years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Buildings and structures	¥ 68	¥53	\$ 613
Machinery and vehicles	13	19	117
Tools, furniture and fixtures	12	7	108
Construction in progress	2	—	18
Intangible assets	26	1	234
Total	¥121	¥80	\$1,090

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, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Cash and deposits	¥ 52,244	¥ 49,856	\$ 470,667
Time deposits with original maturities exceeding three months	(26,342)	(25,813)	(237,316)
Cash and cash equivalents	¥ 25,902	¥ 24,043	\$ 233,351

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, 2019 and 2018 is summarized as follows:

	Millions of Yen							
	2019							
	Reporting Segment						Reconciliations	Consolidated
Japan	North America	Europe	South Asia	East Asia	Total			
Sales to customers	¥69,431	¥23,663	¥310	¥16,554	¥60,801	¥170,759	¥ —	¥170,759
Intersegment sales	3,054	59	14	18	8,507	11,652	(11,652)	—
Total sales	72,485	23,722	324	16,572	69,308	182,411	(11,652)	170,759
Segment expenses	67,279	22,786	367	14,721	67,038	172,191	(11,745)	160,446
Segment profit (loss)	5,206	936	(43)	1,851	2,270	10,220	93	10,313
Segment assets	85,431	12,078	77	18,198	90,652	206,436	(21,746)	184,690
Other items:								
Depreciation and amortization	1,775	191	0	142	947	3,055	—	3,055
Amortization of goodwill	—	97	—	—	—	97	—	97
Increase in property, plant and equipment and intangible assets	2,160	51	—	304	577	3,092	—	3,092

	Millions of Yen							
	2018							
	Reporting Segment						Reconciliations	Consolidated
Japan	North America	Europe	South Asia	East Asia	Total			
Sales to customers	¥65,213	¥23,847	¥498	¥17,192	¥62,045	¥168,795	¥ —	¥168,795
Intersegment sales	2,433	24	13	0	8,397	10,867	(10,867)	—
Total sales	67,646	23,871	511	17,192	70,442	179,662	(10,867)	168,795
Segment expenses	61,918	22,951	579	15,256	68,184	168,888	(10,758)	158,130
Segment profit (loss)	5,728	920	(68)	1,936	2,258	10,774	(109)	10,665
Segment assets	81,439	10,517	133	19,377	92,885	204,351	(21,848)	182,503
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

	Thousands of U.S. Dollars (Note 1)							
	2019							
	Reporting Segment						Reconciliations	Consolidated
Japan	North America	Europe	South Asia	East Asia	Total			
Sales to customers	\$625,504	\$213,180	\$2,793	\$149,135	\$547,757	\$1,538,369	\$ —	\$1,538,369
Intersegment sales	27,514	532	126	162	76,640	104,974	(104,974)	—
Total sales	653,018	213,712	2,919	149,297	624,397	1,643,343	(104,974)	1,538,369
Segment expenses	606,117	205,280	3,306	132,622	603,946	1,551,271	(105,812)	1,445,459
Segment profit (loss)	46,901	8,432	(387)	16,675	20,451	92,072	838	92,910
Segment assets	769,649	108,811	694	163,946	816,684	1,859,784	(195,910)	1,663,874
Other items:								
Depreciation and amortization	15,991	1,721	0	1,279	8,532	27,523	—	27,523
Amortization of goodwill	—	874	—	—	—	874	—	874
Increase in property, plant and equipment and intangible assets	19,459	459	—	2,739	5,198	27,855	—	27,855

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

- Reconciliations of segment profit (loss) for the years ended March 31, 2019 and 2018 were ¥93 million (US\$838 thousand) and minus ¥109 million, respectively, consisting of intersegment transaction eliminations of ¥0 million (US\$0 thousand) and minus ¥0 million, and adjustment of inventories of ¥93 million (US\$838 thousand) and minus ¥109 million, respectively.
 - Reconciliations of segment assets for the years ended March 31, 2019 and 2018 were minus ¥21,746 million (minus US\$195,910 thousand) and minus ¥21,848 million, respectively, consisting of intersegment transaction eliminations of minus ¥21,613 million (minus US\$194,712 thousand) and minus ¥21,630 million, and adjustment of inventories of minus ¥133 million (minus US\$1,198 thousand) and minus ¥218 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					
	2019					
	Japan	The Americas	South Asia	East Asia	Others	Total
Sales to customers	¥69,050	¥24,714	¥17,715	¥56,614	¥2,666	¥170,759

	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

	Thousands of U.S. Dollars (Note 1)					
	2019					
	Japan	The Americas	South Asia	East Asia	Others	Total
Sales to customers	\$622,072	\$222,649	\$159,594	\$510,036	\$24,018	\$1,538,369

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					
	2019					
	Japan	North America	South Asia	East Asia	Europe	Total
Property, plant and equipment	¥23,204	¥525	¥1,146	¥9,073	¥0	¥33,948

	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

	Thousands of U.S. Dollars (Note 1)					
	2019					
	Japan	North America	South Asia	East Asia	Europe	Total
Property, plant and equipment	\$209,045	\$4,730	\$10,324	\$81,739	\$0	\$305,838

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

Millions of Yen								
2019								
Reporting Segment								
	Japan	North America	Europe	South Asia	East Asia	Total	Reconciliations	Consolidated
Impairment loss on fixed assets	¥—	¥—	¥—	¥—	¥—	¥—	¥—	¥—

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

Thousands of U.S. Dollars (Note 1)								
2019								
Reporting Segment								
	Japan	North America	Europe	South Asia	East Asia	Total	Reconciliations	Consolidated
Impairment loss on fixed assets	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—

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

Millions of Yen								
2019								
Reporting Segment								
	Japan	North America	Europe	South Asia	East Asia	Total	Reconciliations	Consolidated
Goodwill	¥—	¥ 213	¥—	¥—	¥—	¥ 213	¥—	¥ 213

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

Thousands of U.S. Dollars (Note 1)								
2019								
Reporting Segment								
	Japan	North America	Europe	South Asia	East Asia	Total	Reconciliations	Consolidated
Goodwill	\$—	\$ 1,919	\$—	\$—	\$—	\$ 1,919	\$—	\$ 1,919

Note: Information on amortization of goodwill is omitted as similar information is provided "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 used to manage the market risk of fluctuations in foreign currency exchange 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					
	2019			2018		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Assets:						
Cash and deposits	¥ 52,244	¥ 52,244	¥ —	¥ 49,856	¥ 49,856	¥ —
Trade notes and accounts receivable	54,681	52,734	(1,947)	53,411	51,899	(1,512)
Investment securities	7,528	7,528	—	9,295	9,295	—
Long-term loans	3	3	(0)	216	220	4
Total	¥114,456	¥112,509	¥(1,947)	¥112,778	¥111,270	¥(1,508)
Liabilities:						
Trade notes and accounts payable	¥ 16,011	¥ 16,011	¥ —	¥ 16,151	¥ 16,151	¥ —
Electronically recorded obligations	5,386	5,386	—	4,714	4,714	—
Short-term debt	3,299	3,299	—	3,452	3,452	—
Long-term debt ¹	478	470	(8)	960	960	(0)
Total	¥ 25,174	¥ 25,166	¥ (8)	¥ 25,277	¥ 25,277	¥ (0)
Derivatives²:						
Derivatives without hedge accounting	¥ 31	¥ 31	¥ —	¥ 34	¥ 34	¥ —
Derivatives with hedge accounting	(1)	(1)	—	(31)	(31)	—
Total	¥ 30	¥ 30	¥ —	¥ 3	¥ 3	¥ —

	Thousands of U.S. Dollars (Note 1)		
	2019		
	Carrying amount	Fair value	Difference
Assets:			
Cash and deposits	\$ 470,667	\$ 470,667	\$ —
Trade notes and accounts receivable	492,621	475,081	(17,540)
Investment securities	67,820	67,820	—
Long-term loans	27	27	(0)
Total	\$1,031,135	\$1,013,595	\$(17,540)
Liabilities:			
Trade notes and accounts payable	\$ 144,243	\$ 144,243	\$ —
Electronically recorded obligations	48,522	48,522	—
Short-term debt	29,721	29,721	—
Long-term debt ¹	4,306	4,234	(72)
Total	\$ 226,792	\$ 226,720	\$ (72)
Derivatives²:			
Derivatives without hedge accounting	\$ 279	\$ 279	\$ —
Derivatives with hedge accounting	(9)	(9)	—
Total	\$ 270	\$ 270	\$ —

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, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Investment securities:			
Unlisted stocks	¥ 113	¥ 113	\$ 1,018
Investment in unconsolidated subsidiaries and affiliates	¥1,155	¥1,161	\$10,405

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, 2019 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	¥ 52,244	¥ —	¥ —
Trade notes and accounts receivable	50,711	3,101	869
Long-term loans	0	3	—
Total	¥102,955	¥3,104	¥869

	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	\$470,667	\$ —	\$ —
Trade notes and accounts receivable	456,856	27,937	7,828
Long-term loans	0	27	—
Total	\$927,523	\$27,964	\$7,828

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, 2019 and 2018 are as follows:

	2019				2018			
	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								
U.S. dollars	¥5,105	¥1,318	¥31	¥31	¥8,005	¥3,862	¥34	¥34
Total	¥5,105	¥1,318	¥31	¥31	¥8,005	¥3,862	¥34	¥34

	Thousands of U.S. Dollars (Note 1)			
	2019			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Foreign currency forward contracts:				
Buying				
U.S. dollars	\$45,991	\$11,874	\$279	\$279
Total	\$45,991	\$11,874	\$279	\$279

Notes:

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

2. The above foreign currency forward contracts were concluded for the purpose of hedging the market risk of fluctuations in foreign currency exchange rates for deposits.

(2) Derivative transactions, to which hedge accounting is applied, at March 31, 2019 and 2018 are as follows:

Millions of Yen						
	2019			2018		
	Contract amount	Due after one year	Fair value	Contract amount	Due after one year	Fair value
Foreign currency forward contracts:						
Buying						
U.S. dollars	¥ 627	¥ —	¥ 4	¥1,075	¥153	¥(32)
Chinese yuan	400	63	(5)	147	—	1
Total	¥1,027	¥63	¥(1)	¥1,222	¥153	¥(31)

Thousands of U.S. Dollars (Note1)			
	2019		
	Contract amount	Due after one year	Fair value
Foreign currency forward contracts:			
Buying			
U.S. dollars	\$5,649	\$ —	\$ 36
Chinese yuan	3,604	568	(45)
Total	\$9,252	\$568	\$ (9)

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

Millions of Yen						
	2019			2018		
	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	¥ —	¥ —

Thousands of U.S. Dollars (Note1)			
	2019		
	Contract amount	Due after one year	Fair value
Interest rate swap contracts:			
Variable interest received, fixed interest paid	\$ —	\$ —	\$ —

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, 2019 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, 2018	Granted	Lapsed	Vested	Unvested	At the end of March 31, 2018	Vested	Exercised	Lapsed	Unexercised
November 8, 2013	—	—	—	—	—	36,000	—	15,000	—	21,000

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

Resolution date	Before vesting (shares)					Vested (shares)				
	At the end of March 31, 2018	Granted	Lapsed	Vested	Unvested	At the end of March 31, 2018	Vested	Exercised	Lapsed	Unexercised
August 7, 2014	—	—	—	—	—	24,000	—	4,000	—	20,000

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

Resolution date	Before vesting (shares)					Vested (shares)				
	At the end of March 31, 2018	Granted	Lapsed	Vested	Unvested	At the end of March 31, 2018	Vested	Exercised	Lapsed	Unexercised
August 7, 2015	—	—	—	—	—	7,000	—	3,000	—	4,000

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	1,339	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	1,378	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	1,357	696

(2) Evaluation method of fair value per unit of stock options for the year ended March 31, 2019

Not applicable

(3) 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, 2019 and 2018 are summarized as follows:

2019													
Description	Name of the company or individual	Location	Paid in capital or investment in capital (Millions of Yen)	Natures of business	Ownership ratio of voting rights	Nature of relationship	Nature of transaction	Amount of transaction ¹			Balance at year ended		
								Millions of Yen	Thousands of U.S. Dollars (Note 1)	Accounts	Millions of Yen	Thousands of U.S. Dollars (Note 1)	
Company in which directors and their relatives 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	¥ 5	\$ 45	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	¥161	\$1,450	—	—	—	
	Sunto Co., Ltd. ⁴	Kita-ku, Osaka	¥10	Real estate leasing, buying and selling investment and operation for securities	Direct 1.10%	Real estate leasing	Building leasing ⁵	¥ 48	\$ 432	Lease deposits	¥45	\$405	

2018													
Description	Name of the company or individual	Location	Paid in capital or investment in capital (Millions of Yen)	Natures of business	Ownership ratio of voting rights	Nature of relationship	Nature of transaction	Amount of transaction ¹			Balance at year ended		
								Millions of Yen	Thousands of U.S. Dollars (Note 1)	Accounts	Millions of Yen	Thousands of U.S. Dollars (Note 1)	
Company in which directors and their relatives 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	\$ 322	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	\$1,550	—	—	—	
	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	\$ 107	Lease deposits	¥45	\$405	

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, a wholly-owned subsidiary of Uchiyama International, Limited was liquidated for the year ended March 31, 2019. The amount of transaction during the period when it was a related party is presented.

4. The relative of President and Chief Executive Officer Takakazu Uchiyama directly holds 90% of the voting rights 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 year ended March 31, 2019 and 2018 are as follows:

	Yen		U.S. Dollars (Note 1)
	2019	2018	2019
Net assets per share	¥1,271.28	¥1,243.46	\$11.45
Net income per share	114.14	109.82	1.03
Diluted net income per share	114.07	109.73	1.03

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 213,500 shares and 346,200 shares for the year ended March, 31, 2019 and 2018, respectively. The average number of treasury stock during the year, which are deducted for the purpose of calculation of the net income per shares, are 282,680 shares and 400,840 shares for the years ended March 31, 2019 and 2018, respectively.

2. The basis for the calculation of net income per share and diluted net income per share for the year ended March 31, 2019 and 2018 are as follows:

(A) Net income per share

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Profit attributable to owners of parent	¥9,220	¥8,857	\$83,063
Amount not attributable to holder of common stock	—	—	—
Profit attributable to owners of parent for common stock	9,220	8,857	83,063

	Thousand shares	
	2019	2018
Average number of common stock issued and outstanding during the year	80,782	80,659

(B) Diluted net income per share

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Profit attributable to owners of parent adjustment	¥ —	¥ —	\$ —

	Thousand shares	
	2019	2018
Increase of common stock	50	66
Of which: stock acquisition rights	50	66

3. The basis for the calculation of net assets per share for the years ended March 31, 2019 and 2018 is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Total net assets	¥113,923	¥111,822	\$1,026,333
Amount deducted from total net assets	11,116	11,457	100,144
Of which: stock acquisition rights	40	61	360
Of which: non-controlling interests	11,076	11,396	99,784
Total net assets for common stock	¥102,807	¥100,365	\$ 926,189

	Thousand shares	
	2019	2018
Number of common stock issued and outstanding at the end of fiscal year for the purpose of calculation of net assets per share	80,868	80,714

22. Quarterly Information

Quarterly information for the year ended March 31, 2019 is as follows:

(1) Cumulative period

	Millions of Yen			
	2019			
	1st quarter	2nd quarter	3rd quarter	Year ended
Net sales	¥36,312	¥77,482	¥122,331	¥170,759
Profit before income taxes	1,489	5,484	8,778	12,524
Profit attributable to owners of parent	1,061	3,935	6,119	9,220
Net income per share (Yen)	13.15	48.74	75.77	114.14

	Thousands of U.S. Dollars (Note 1)			
	2019			
	1st quarter	2nd quarter	3rd quarter	Year ended
Net sales	\$327,135	\$698,036	\$1,102,081	\$1,538,369
Profit before income taxes	13,414	49,405	79,081	112,829
Profit attributable to owners of parent	9,559	35,450	55,126	83,063
Net income per share (U.S. Dollars)	0.12	0.44	0.68	1.03

(2) Quarterly period

	Yen			
	2019			
	1st quarter	2nd quarter	3rd quarter	4th quarter
Net income per share	¥13.15	¥35.58	¥27.03	¥38.36

	U.S. Dollars (Note 1)			
	2019			
	1st quarter	2nd quarter	3rd quarter	4th quarter
Net income per share	\$0.12	\$0.32	\$0.24	\$0.35

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Fujitec Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019, 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, 2019, 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, 2019 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 20, 2019

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