

# New Mid-Term Management Plan



### Our Policy

We aim to provide safe and reliable products to people around the world for sustainable enhancement of our corporate value in the global market.

#### Mid-Term Management Plan Goals for the Fiscal Year Ending March 31, 2022 (Consolidated Basis)

<b>Net sales:</b>	<b>¥180 billion</b> (2019.3 results + 5.4%)	<b>Operating margin:</b>	<b>7.2%</b> (2019.3 results +1.2 points)
<b>Operating income:</b>	<b>¥13.0 billion</b> (2019.3 results +26.1%)	<b>ROE:</b>	<b>8.0%</b> or more

FX Rate: 2019.3 = ¥110/USD; 2022.3 = ¥105/USD

	2019.3			2022.3		
	Net Sales	Operating Income	Operating Margin	Net Sales	Operating Income	Operating Margin
Japan	72,485	5,206	7.2%	75,000	6,200	8.3%
East Asia	69,308	2,270	3.3%	69,000	3,500	5.1%
South Asia	16,572	1,851	11.2%	21,000	2,100	10.0%
North America & Europe*	24,046	893	3.7%	28,000	1,400	5.0%
Sub-total	182,411	10,220	5.6%	193,000	13,200	6.8%
Reconciliations	(11,652)	93	—	(13,000)	(200)	—
<b>Total (Consolidated)</b>	<b>170,759</b>	<b>10,313</b>	<b>6.0%</b>	<b>180,000</b>	<b>13,000</b>	<b>7.2%</b>

FX Rate: ¥110/USD

FX Rate: ¥105/USD

Note: The segments of "North America" and "Europe" were consolidated as "North America & Europe" in the fiscal year ending March 31, 2020. For convenience of comparison, the two segments are presented as "North America & Europe" for the fiscal year ended March 31, 2019.

# Message from the President

One of our core strengths as a specialized manufacturer of elevators and escalators is our integrated structure that contributes to making beautiful and functional cities a reality.

**Takakazu Uchiyama**

President and CEO



### A specialist in the elevator and escalator industry

Fujitec is a specialized manufacturer of elevators and escalators. Founded in Osaka in 1948 after World War 2, we contributed to urban reconstruction through the repair of elevators, while also pursuing sales of new installations. We actively developed and adopted overseas technology and were quickly recognized by the industry because of our success. We began receiving orders from all over Japan, and during a period of rapid economic growth in 1964, we expanded our business overseas ahead of other Japanese manufacturers. Our motto, "The world is a single market" led us to establish a local subsidiary in Hong Kong to meet the construction demands for high-rise buildings there. Since then, we have been actively expanding and growing our business globally, and currently have bases in over 20 countries and regions around the world.

To further contribute to the development of beautiful and functional cities around the world and to respond more effectively to various needs, we must be highly adaptable, and I am confident that Fujitec can do that.

This belief is backed by our unique business model as a specialized manufacturer of elevators and escalators, and our integrated structure. The installation and maintenance of elevators and escalators requires extensive experience and knowledge in many diverse fields. Only a specialized manufacturer dedicated to honing its elevator expertise can meet the needs of a diversified customer base and changing needs. Our integrated structure encompasses research and development, sales, manufacturing, installation, maintenance and modernization. This, along with our full lineup of products and comprehensive capabilities, helps us provide customer solutions quickly and efficiently. From R&D that foresees design and development processes for potential modernization projects, to engineers participating in sales activities to create customer proposals, our corporate culture is to work as a unified team. The deployment of this globally integrated structure allows us to meet the needs of customers all over the world.

### Increase in sales for the second consecutive year and record-high net income\* under the previous Mid-Term Management Plan “No Limits! Push Forward Together!”

Under the previous Mid-Term Management Plan “No Limits! Push Forward Together!” (April 2016 to March 2019), we aimed to provide safe and reliable products to earn the trust of customers and to firmly establish our position in the global market based on the following four key objectives of our Action Vision.

The first key objective was “Increase Fujitec’s market share by identifying and supporting specific regional needs.” To that end, we focused on proactive sales activities and product proposals, with the aim of improving customer satisfaction and increasing orders. We targeted high-profile properties to expand market share and enhance the global recognition of the Fujitec brand. Under the second objective, “Increase competitiveness through the unification of product specifications,” we strengthened our competitiveness by commercializing global standard elevator models and developing methods for modernization of escalators. For the third objective, “Innovate procurement systems and establish a new global network for product design,” we promoted innovation of procurement systems by building a unified Group procurement and management structure. We also worked to establish an optimal manufacturing system and reduce costs. Under the fourth objective,

“Enhance the quality of Fujitec’s corporate management,” we made progress in establishing corporate governance rules, as well as in enhancing work efficiency by improving facilities through the introduction of IT. At the same time, we also worked to strengthen initiatives for passing on technical know-how, such as by developing global human resources and encouraging employees to acquire qualifications.

As a result, net sales were ¥170,759 million in the fiscal year ended March 31, 2019, an increase for the second consecutive year. The success of cost-cutting initiatives and gain on sales of investment securities contributed to record-high net income\* of ¥9,220 million.

On the other hand, the operating margin declined due to costs related to market share expansion. In improving work efficiency, we recognize the need to further accelerate efforts for preventive maintenance using AI and construction of remote monitoring systems utilizing IoT, as well as automation and mechanization at factories. Although profitability in China is gradually improving, we must establish a structure to ensure sustainable profit growth if we are to continue our global expansion.

\*Profit attributable to owners of parent

### Promoting the new Mid-Term Management Plan “Innovation, Quality & Speed” to transition to a highly profitable and robust corporate structure

The outlook for the global elevator and escalator market is becoming increasingly uncertain due to factors such as heightened trade friction between the United States and China, economic turmoil caused by the United Kingdom’s withdrawal from the European Union, and deceleration in the Chinese economy. Fujitec’s operating environment is also becoming increasingly severe, and it will become more important than ever to strike a balance between 1) the strategy to expand market share while remaining aware of an appropriate business scale, 2) improvement of earning capacity and 3) enhancement of brand recognition. We also recognize the new challenges arising from the drastic changes in business models that are occurring due to digitalization, and from the acceleration of technological obsolescence. In view of this, we must put

#### Action Vision

##### Regional Strategy

- 1 Expansion of Fujitec standard model in our products throughout the world and enhancement of our profitability with customers’ satisfaction

##### Product and Technology Strategy

- 2 Reinforcement of our technical platform to enhance corporate growth and value

##### Operational Strategy

- 3 Process innovation to meet changing needs of customers at their required speed

##### Corporate Strategy

- 4 Enhancement of quality of management with SDGs approach

in place measures to optimize manufacturing and logistics frameworks throughout the Group.

Under the new Mid-Term Management Plan “Innovation, Quality & Speed” that was launched in April 2019, we set out the goal of making the transition to a highly profitable and robust corporate structure that is able to adapt to changes in the market environment. We formulated the Action Vision based on the basic policy of “We aim to provide safe and reliable products to people around the world for sustainable enhancement of our corporate value in the global market.” Specifically, we have established the following four objectives: “Expansion of

Fujitec standard model in our products throughout the world and enhancement of our profitability with customers’ satisfaction” as the regional strategy; “Reinforcement of our technical platform to enhance corporate growth and value” as the product and technology strategy; “Process innovation to meet changing needs of customers at their required speed” as the operational strategy; and “Enhancement of quality of management with SDGs approach” as the corporate strategy. The entire Group will work to achieve these objectives.

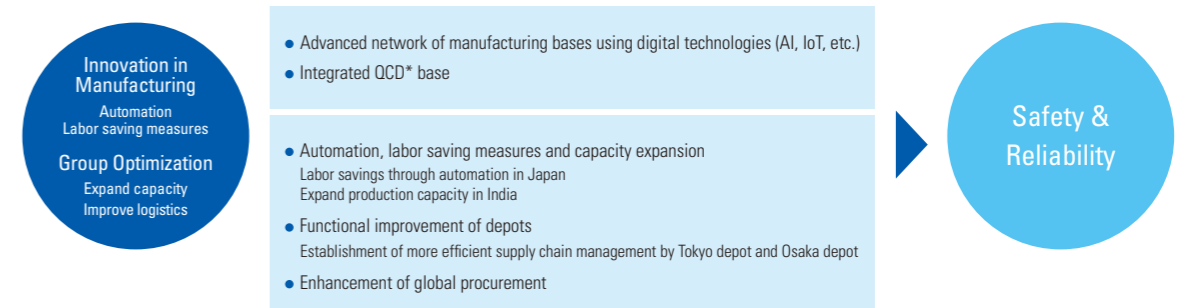
### Product and Technology Strategy

- Enhancement of competitiveness and efficiency of the development process
- Creation of added value through the development of advanced technologies

	Elevators	Escalators
Commercialization New technologies	High-speed, high-end models Comfort, design, safety and reliability	Safety and convenience (Congestion detection systems, etc.)
Expand applications Cost saving	Global standard models Optimal specifications based on local needs	Global standard models Improvement in basic design Standardization of specifications and parts
	Modernization projects (Customized proposals)	
Services	Promotion of automation and diagnosis efficiency Line-up of maintenance services	
HR Processes	HR development and integrated management of technologies Promotion of BPR, process control and global technical support	

### Operational Strategy

- Innovation of manufacturing technologies through automation and labor saving measures
- Construction of an optimal manufacturing and logistics framework



\* Quality, cost, delivery (QCD). The three main pillars of the manufacturing industry.

Under the regional strategy, we will provide added value by meeting the individual needs of customers in each region, and continue to expand our market share. At the same time, we will work to enhance recognition of the Fujitec brand. (For details, please refer to “Strategy by Segment” on pages 13 to 17).

Regarding the product and technology strategy, we aim to optimize specifications that are suited to the needs of each region in order to expand the sale of global standard elevator models. Furthermore, we will apply Fujitec’s unique ability to develop cutting-edge technology to commercialize high-end elevators targeted at customers with needs for high-speed models, while pursuing ease-of-use, design, and safety and reliability. For escalators, we aim to enhance safety and convenience through means such as developing congestion detection systems. To do so, we will take a proactive approach to human resource development and create a global support system with the aim of improving our technological capabilities on a global scale.

We implemented manufacturing reforms such as automation and labor saving measures, and the development of an optimal Group manufacturing and logistics framework. These initiatives are the pillar of our operational strategy. We aim to expand overall production capacity by pursuing greater efficiency through an automated production system in Japan, as well as by establishing a system for increasing production in India. Furthermore, by strengthening collaboration between our operational bases through the use of digital

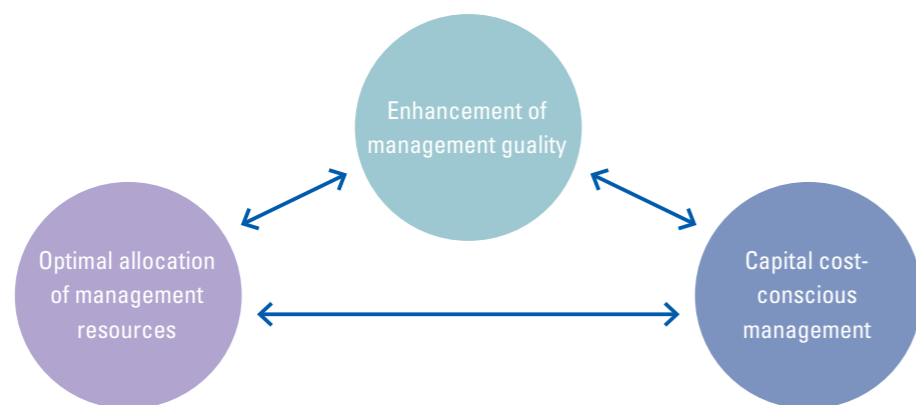
technology, and developing a production process and management system that is common to all manufacturing bases, we aim to achieve the shared KPI of developing the most effective methods. We will work to improve domestic logistics functions, build a more efficient supply chain, and further enhance global procurement functions.

For the corporate strategy, we will further strengthen our corporate governance system to ensure the effectiveness of our internal control and risk management systems. In addition, we will promote capital investment and investment in human resource development, and pursue M&A opportunities, with a view to achieving optimal allocation of management resources. We will also establish a capital strategy that focuses on capital cost, and continue to use management resources to achieve further growth. In implementing these initiatives, we will remain conscious of the need to maintain a balance between retaining internal reserves and returning profit to our shareholders.





We will contribute to the realization of the United Nations SDGs based on the overarching goal of reducing environmental burden. Fujitec’s Global Mission Statement is “Respecting people, technologies, and products, we collaborate with people from nations around the world to develop beautiful and functional cities that meet the needs of a new age.” We aim to develop high-quality social infrastructure, while at the same time contributing to the sustainable development of society as set out in the SDGs.

### Corporate Strategy: Approach to Management

- Optimal allocation of management resources
- Capital cost-conscious management



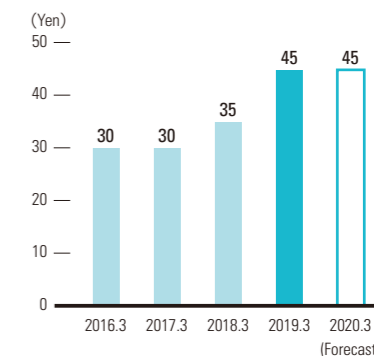
### Corporate Strategy: Themes of SDGs

Theme	Measures	Connection with the environment and society
Reinforcement of corporate governance	<ul style="list-style-type: none"> <li>• More effective internal control system</li> <li>• More effective risk management system</li> </ul>	<ul style="list-style-type: none"> <li>• Faithful execution of Action Vision and Fujitec policies</li> </ul> 
Promote digitization of business	<ul style="list-style-type: none"> <li>• Cooperation, integration and automation of business</li> <li>• Automation of services and optimization of QCD through AI, IoT, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Development of high-quality social infrastructure</li> <li>• Reform of working practices through process innovation</li> </ul> 
Reduction of environmental burden	<ul style="list-style-type: none"> <li>• Adoption of EN Code</li> <li>• Promote maintenance and modernization</li> <li>• Improvements in logistics</li> </ul>	<ul style="list-style-type: none"> <li>• Strict adherence to environmental regulations</li> <li>• Energy saving through use of the latest technologies</li> <li>• Reduction of environmental burden through improvements in repair services and logistics</li> </ul> 
Global human resource development	<ul style="list-style-type: none"> <li>• Establishment of Experience Centre</li> <li>• HR development in Tokyo and Singapore aimed at enhancement of service quality</li> </ul>	<ul style="list-style-type: none"> <li>• Development of high-quality social infrastructure through the pursuit of safety and reliability</li> </ul> 

In keeping with the basic policy and action vision strategies of the new Mid-Term Management Plan “Innovation, Quality & Speed,” we have set various quantitative targets. For the fiscal year ending March 31, 2022, which is the final year of the plan, our targets are net sales of ¥180 billion, operating income of ¥13 billion, and an operating margin of 7.2%. We have also set a ROE target as one of our management targets for the first time, and aim to achieve ROE of 8.0% or more. We plan for capital investments of ¥4.6 billion and R&D expenses of ¥2.4 billion for the fiscal year ending March 31, 2020.

For the fiscal year ended March 31, 2019, we plan to pay a year-end dividend of ¥25 per share, reflecting the record-high net income. Combined with the interim dividend, total dividends per share for the year will be ¥45. Going forward, the return of profits to our shareholders will remain a priority issue for management, and we will

• Annual Dividends per Share



distribute profits while considering the balance with retaining internal reserves, in order to ensure the long-term stability of our corporate structure.

### Realization of beautiful and functional cities

To date, Fujitec has consistently promoted global business activities by harnessing the strengths of the entire Group. Under the new Mid-Term Management Plan “Innovation, Quality & Speed,” we will strengthen our technical platform to enable us to respond promptly and accurately to rapidly changing customer needs, while enhancing both customer satisfaction and profitability. At the same time, we will also proactively

develop global standard models with greater price competitiveness, and strive to secure new markets and expand sales. To continue to earn the trust of our customers, we aim to create beautiful and functional cities around the world while realizing the sustainable growth of the Company and contributing to achieving the SDGs. We look forward to the continued support of our shareholders and investors.