



FUJITEC REPORT

2020

For the fiscal year ended March 31, 2020



“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.”

— Fujitec Global Mission Statement



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Editorial Policy

In this report, we present non-financial information such as corporate social responsibility (CSR) activities in addition to information on management direction and strategy, and a review of operations. Our aim is to give an overall view of the Fujitec Group's management and corporate activities.

Forward-Looking Statements

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

History of the Fujitec Brand

Fujitec was the first Japanese elevator and escalator manufacturer to expand into overseas markets and has promoted technological achievements based on the experience it has accumulated as a specialized manufacturer. Our overseas sales ratio currently exceeds 50%, and the number of completed projects in landmark buildings in various countries is steadily increasing as we work to accelerate expansion of the Fujitec brand.

1948— Foundation

Overseas expansion ahead of other companies

Fujitec was founded in February 1948. It began as a specialized manufacturer of elevators, and its business ranged from research and development to maintenance and modernization. In 1964, the year of the Tokyo Olympics, Fujitec started operations in Hong Kong, expanding overseas ahead of other Japanese companies in the elevator and escalator industry. With “The world is a single market” as its motto, Fujitec accelerated its business expansion worldwide.

1970— Technological Innovation

Completion of the world’s tallest and largest elevator research tower

In 1975, Fujitec finished building what was then the world’s tallest and largest elevator research tower. Standing at 150 meters, the research tower was used to promote technological development. The following year, Fujitec developed the world’s first elevator with a speed of 600 meters per minute. It also built a computer-controlled control system equipped with learning functions that are related to today’s AI technology.

1990— Expansion of Operations

Business expansion with a focus on East Asia

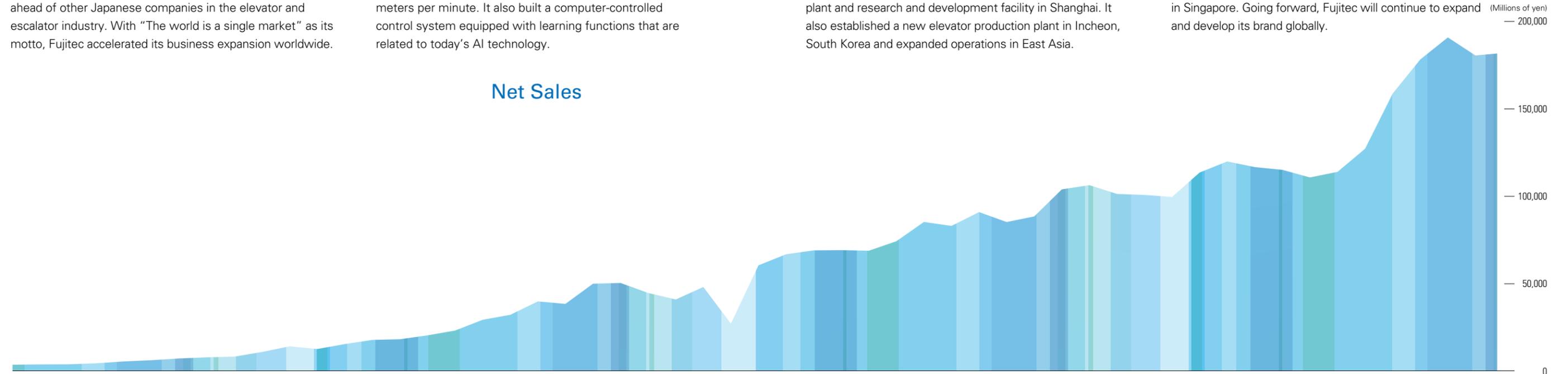
The elevator and escalator market in China began expanding in the 1990s. To keep pace with the growing demand, Fujitec established the joint venture company, Huasheng Fujitec Elevator Co., Ltd., in 1995 and commenced elevator production in China. Soon after, Fujitec set up an escalator production plant and research and development facility in Shanghai. It also established a new elevator production plant in Incheon, South Korea and expanded operations in East Asia.

2010— Growth of the Brand

Acceleration of brand development globally

Fujitec has an excellent record in supplying elevators and escalators, which has helped to develop the trust of customers. In recent years, Fujitec has supplied elevators to landmark buildings around the world. Examples include GINZA SIX in Japan, Wangjing SOHO in China, and Resorts World Sentosa in Singapore. Going forward, Fujitec will continue to expand and develop its brand globally.

Net Sales



1964 Expansion of global presence, beginning with Hong Kong and Singapore

Fujitec continued to globally promote its outstanding technologies for meeting the demands of high-rise buildings both in Japan and overseas. As a result, Fujitec supplied 13 elevators to the Sun Hing Building—then the tallest building in Hong Kong—while utilizing its technological strengths to handle any differences in the installation environment. In Singapore, Fujitec signed the largest contract yet in the industry, completely doing away with the preconceived notion that the technological capabilities of all Japanese elevator companies were the same.



1975 Standing at 150 meters—completion of the world’s tallest and largest elevator research tower

In order to adapt to projects with different sizes in other countries, and to meet the demands of an increasing number of large-scale facilities, Fujitec built a 150-meter elevator research tower, which was unmatched at the time. For more than 40 years, the tower has been a symbol of the many unique, world-leading technologies born from Fujitec’s R&D.



1995 Establishment of Huasheng Fujitec Elevator in China, then the world’s most competitive marketplace

More than anywhere else in the world, East Asia was seeing remarkable growth, and investment in infrastructure improvement was expected to increase. Seeing a unique opportunity, especially in the Chinese market, Fujitec established Huasheng Fujitec Elevator Co., Ltd. Although traditionally elevator and elevator-related companies would share their technologies for mutual benefit, this new venture sought to utilize a nationwide network in China to provide Fujitec technologies, and thus was established through a joint venture with Chinatex, a general trading company.



2017 Installation of elevators in GINZA SIX, a landmark in Ginza, Tokyo

In 2017, Fujitec supplied a total of 84 units—38 elevators and 46 escalators—to GINZA SIX, a popular multipurpose facility in Ginza, Tokyo. Fujitec has supplied a large number of products to large-scale facilities, office buildings, hotels, condominiums, shopping centers and museums. The Company continues to take on new challenges to meet the needs of the world’s ever-evolving urban environments while anticipating future trends.



Message from the President

Fujitec is a specialized manufacturer of elevators and escalators. We utilize a vertically integrated business structure spanning R&D, sales, manufacturing, installation, maintenance and modernization to provide safe and reliable transportation.

To ensure that customers ride our elevators and escalators safely and in comfort, we continuously work to enhance the quality, design and performance of our products. As a specialized manufacturer of elevators and escalators, we employ a flexible approach to help meet the needs of customers with the goal of opening up new possibilities in social infrastructure.

Takakazu Uchiyama
President and CEO



Fujitec Global Mission Statement

“Respecting people, technologies, and products, we collaborate with people from nations around the world to develop beautiful and functional cities that meet the needs of a new age.”

Fujitec’s Value Proposition

Specialization enables us to take a customer-first approach. Our vertically integrated business structure provides us the freedom to focus on delivering optimal products and services to customers.

Our specialization and vertically integrated business structure enable us to truly understand customer needs and independently develop technical expertise to ensure we provide high-quality products that offer safety and reliability over many years.

Elevators and escalators are an essential part of social infrastructure, and indispensable to people’s daily lives. As urbanization advances and the number of high-rise buildings increases, there is a growing need to optimize transportation systems. Cities across the world need convenient, comfortable elevators and escalators that offer higher capacity and are both faster and safer. That is why we are constantly striving to create additional value by leveraging our technical expertise and employing a flexible approach to help meet a wide range of customer needs for elevators and escalators. Most recently, this

includes addressing requirements for contactless control buttons and innovations in areas such as reducing waiting times and congestion.

The typical lifespan of elevators and escalators is more than 20 years. The delivery of a new installation is the first step in building a long relationship of trust with customers. We also know that maintenance work is directly connected to both rider and customer satisfaction. The high-quality services we can offer as a specialized manufacturer ensure that our products are reliable over the long term.

Leveraging our global network in 23 markets and more than 120 locations in Japan, we provide customers with bespoke solutions featuring the highest quality elevators and escalators that are optimally suited to the locations and buildings in each market.

Record-high net sales and profit for the fiscal year ended March 31, 2020. We achieved the targets of Mid-Term Management Plan “Innovation, Quality & Speed” in the first year of the plan.

For the fiscal year ended March 31, 2020, we achieved record highs in net sales and profit (profit attributable to owners of parent). Operating income, meanwhile, increased by approximately ¥3,000 million due to a significant increase in profit in China.

Orders received totaled ¥186,320 million, a year-on-year increase of 4.1%. For domestic orders, although orders from hotels to meet demand related to inbound tourism increased, the absence of large-scale projects ordered in the previous fiscal year led to a year-on-year decrease of 2.8%, to ¥72,325 million. Overseas orders totaled ¥113,994 million, a year-on-year increase of 9%, due to increases in East Asia and North America & Europe. In East Asia in particular, a large increase in orders in China and strong results in Hong and Taiwan led to

a 13% increase in overseas orders, excluding the effects of foreign exchange rates.

Net sales totaled ¥181,232 million, a record high. Domestically, net sales increased 5% year-on-year to ¥72,519 million, due to consistent demand for new installations, maintenance, repairs and modernization projects. Net sales overseas increased 6.9% year-on-year to ¥108,712 million, due to increases in East Asia and North America & Europe. Excluding the effects of foreign exchange rates, overseas net sales increased by 10.9%.

Operating income was ¥13,375 million, and both sales and profit increased. Operating income decreased in Japan, but increased in East Asia, South Asia, and North America & Europe, leading to an overall increase of approximately ¥3,000 million. The

operating margin increased 1.4 percentage points to 7.4%, due to higher profits in East Asia. Profit attributable to owners of parent reached a record high of ¥9,916 million.

Under Mid-Term Management Plan “Innovation, Quality & Speed,” which began in April 2019, we aim to create a strong platform for the next growth phase. As a cornerstone of the plan, we set targets of ¥180 billion in net sales and ¥13 billion in operating income for the fiscal year ending March 31, 2022, which is the final year of the plan. Driven by the success of enhanced business strategies in East Asia resulting in

stronger-than-expected business results in that region, we achieved these targets in the first year of the plan.

Moving forward, we see an increasingly uncertain operating environment due to the ongoing COVID-19 pandemic and other external factors. To address these challenges, we aim to capture demand for escalators and elevators as essential parts of social infrastructure, to meet customer needs, strengthen the resilience of our businesses to maintain improved earnings performance, and continue to invest in high growth areas.

Progress of Mid-Term Management Plan

	2022/3 Targets	2020/3 Results
Net Sales	¥180.0 billion	¥181.2 billion
Operating Income	¥13.0 billion	¥13.3 billion
Operating Margin	7.2%	7.4%
ROE	8.0% or more	9.5%

Impact of COVID-19 on results for the fiscal year ending March 31, 2021, and our countermeasures

The stagnation of economic activity due to the COVID-19 pandemic in 2020 has meant that we continue to face a tough operating environment. We factored in all the predictable risks at this time into our fiscal year ending March 31, 2021 earnings forecast.

In China, our operations were suspended in February after the Chinese New Year, and operations were suspended at factories in India due to the nationwide lockdown. As a result, manufacturing operations were temporarily impacted.

By contrast, our maintenance business supports essential social infrastructure, and customers around the world recognize the need for this work. Consequently, in that part of our operations, it has stayed business as usual.

Moving forward, we expect construction for new installations and modernization projects will take longer than planned, and delays are expected in planned building projects. We also expect extensions on repair work due to customers' needs to cut costs. As a consequence, we forecast ¥165 billion in net sales (9% year-on-year decrease) and ¥10.7 billion in operating (20% year-on-year decrease) in the fiscal year ending March 31, 2021. By geographical segment, we expect profit to increase in our home market of Japan.

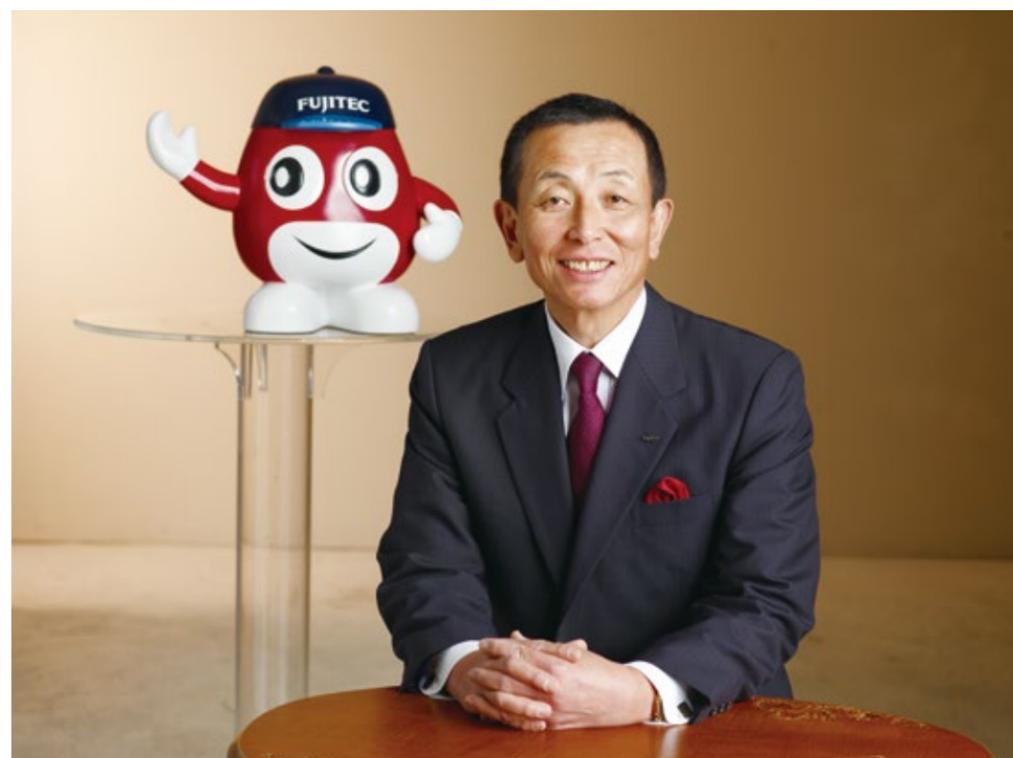
In the area of innovation, we will use information technology to enhance productivity and improve profitability. For example, as one of our maintenance initiatives, we have linked Google Maps with our in-house system and incorporated disaster-related data to build a

map system. This allows us to see site information in real-time using a smartphone or other device, anytime and anywhere. This system has proven to be successful in improving work efficiency, by displaying routes to destinations and using Google Street View to analyze site conditions. It has also helped to automate initial responses in times of disaster and is now being used as an essential work tool in both normal times and times of crisis.

For our design processes, we are rolling out building information modeling (BIM). This involves the use of computer software to create 3D reproductions of buildings. As the software can incorporate fine details such as the size and length of piping and components into the 3D

reproduction, we are able to detect any flaws at the design stage. We expect that BIM will help to reduce time spent on design and reduce the amount of work related to design modification.

We are also making advances with factory automation. We have started installing automated production equipment at our Big Wing (elevator production plant) and Big Step (factory and escalator production plant) facilities, and we will continue to accelerate our efforts to enhance productivity and achieve labor savings. Additionally, we are moving forward with robotic process automation (RPA), which will help us automate administrative and other types of routine work. This drive will enable us to shift our personnel to higher value-added tasks and enhance productivity.



Initiatives to achieve sustainable growth for all our key stakeholders

We are strongly committed to overcoming the current economic uncertainties related to the COVID-19 pandemic to achieve sustainable growth by proactively setting a forward-looking new strategic direction. In the fiscal year ended March 31, 2020, major capital investments included construction of a second plant at our factory in India in August 2019. In R&D, we completed the shift to the new domestic standard model, XIOR, and launched it on April 1, 2020. The initial market response has been very positive.

For the fiscal year ending March 31, 2021, we plan for capital investments of ¥3.0 billion in Japan, and ¥2.5 billion overseas. In Japan, this will be mainly to automate manufacturing equipment at our Big Wing facility and improve productivity. Outside Japan, new investment will focus on upgrading our factory equipment in India and Taiwan to increase production capacity. We also forecast around ¥2.5 billion in R&D investment. In addition to significantly enhancing profitability to support sustainable growth, we will also invest in high-growth areas that will enhance corporate value.

As part of our ongoing efforts to strengthen corporate governance, we increased the number of outside directors, and they now represent a majority of the members of the Board of Directors. This new structure will increase our ability to incorporate a broader range of objective viewpoints, and ensure further transparency in Company management. Regarding our capital policies, as we aim to enhance medium-to-long-term corporate value, we believe it is essential to maintain robust business operations and sustain a financial base that allows us to make necessary growth investments in a timely manner. At the same time, we plan to ensure stable, continuous shareholder returns by maintaining a dividend payout ratio of 50% or more. Although our plan assumes a decrease in both sales and profit in the fiscal year ending March 31, 2021, we have set the annual dividend per share at ¥50, for a payout ratio of 54%. Supporting our drive for sustainable business growth we will invest in high-growth areas while maintaining a strong focus on delivering stable shareholder returns, and enhancing ROE.

Meeting our wider social responsibilities

We aim to manage our business in the most sustainable way, taking into account the environmental impact, giving back to local communities, and actively identifying ways to contribute to society through our business.

Specifically, in the area of Sustainable Development Goals (SDGs), we are working to reduce the amount of industrial waste and incorporating energy-saving devices in our modernization projects, while engaging in other activities to reduce our environmental footprint. Meanwhile, we are also engaged in efforts to counter the global impact of COVID-19.

Through contactless technologies in our elevators and escalators, as well as solutions for visualizing congestion, we are providing transportation systems for beautiful and functional cities that meet the needs of the “new normal.”

In all these sustainability initiatives, we take a long-term view — committing ourselves to creating transportation systems that use space in a way that is optimized to match new ways of living and that contribute to solving environmental and social issues.

We look forward to continued support from our valued shareholders and investors.

Business Model

As a specialized manufacturer of elevators and escalators, the Fujitec Group's vertically integrated structure meets the needs of customers around the world. Moreover, under our mid-term management plan (April 2019 to March 2022), we will boost productivity and efficiency on a global scale, extend the reach of the Fujitec brand, and contribute to the development of functional cities worldwide.

Vertically integrated structure as a specialized manufacturer

As a specialized manufacturer of transportation systems, we are driving business through a vertically integrated structure that covers everything from new installations to after-sales service. In this way, we are working to meet the true needs of our customers.



Accumulated strengths



A central strength of Fujitec is its workforce. The commitment of our employees to meet the true needs of our customers covers our entire vertically integrated structure, and enhances our ability to respond to those needs.

Safety Awareness/Environmental Friendliness

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

“Innovation, Quality & Speed”

Action Vision

1. Regional Strategy

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

2. Product and Technology Strategy

Reinforcement of our technical platform to enhance corporate growth and value

3. Operational Strategy

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

4. Corporate Strategy

Enhancement of quality of management with SDGs* approach

* Sustainable Development Goals

Help to develop cities around the world

Visualize a society where everyone can live in comfort

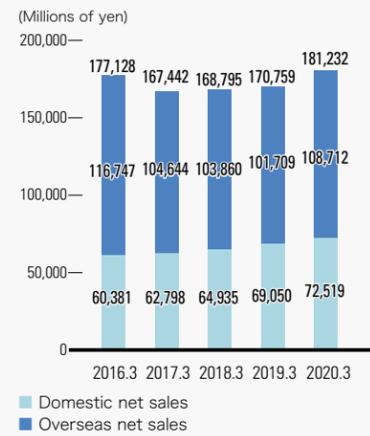
Making beautiful and functional cities a reality

Establish a reliable social infrastructure

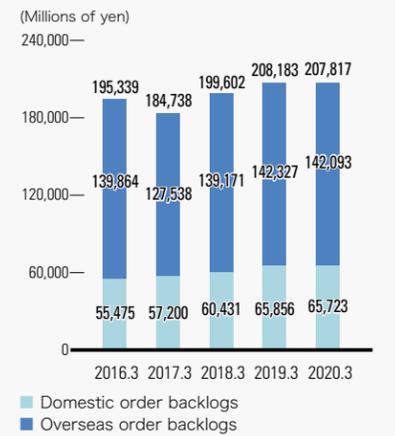
Improve safety awareness

Financial Highlights

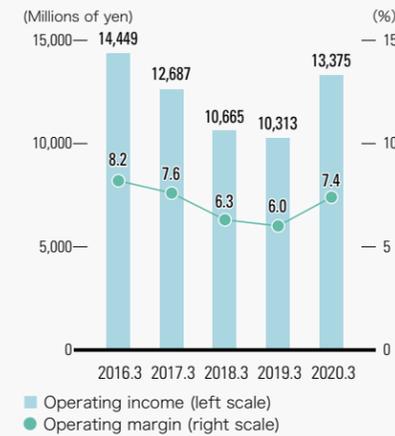
Net Sales (Domestic/Overseas)



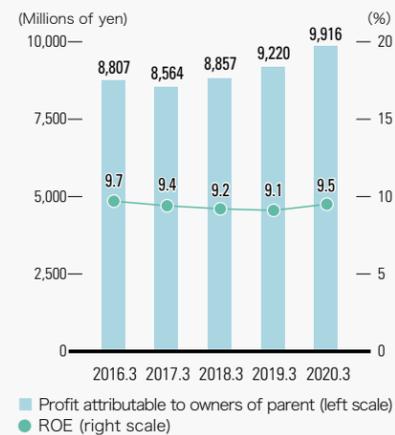
Order Backlogs (Domestic/Overseas)



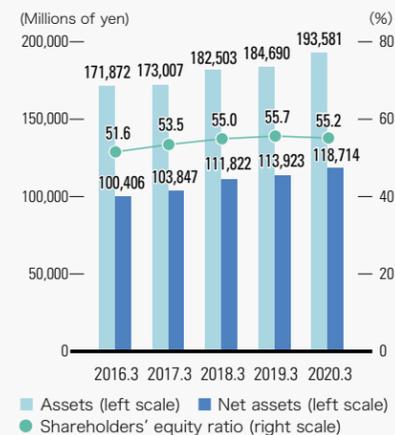
Operating Income/Operating Margin



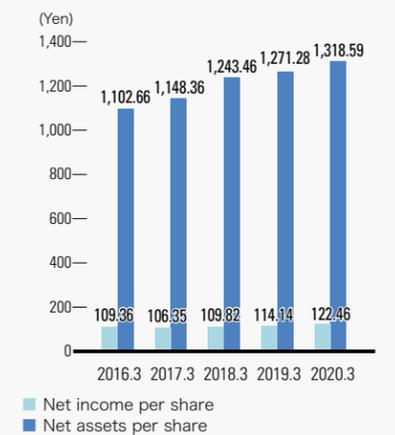
Profit Attributable to Owners of Parent/ROE



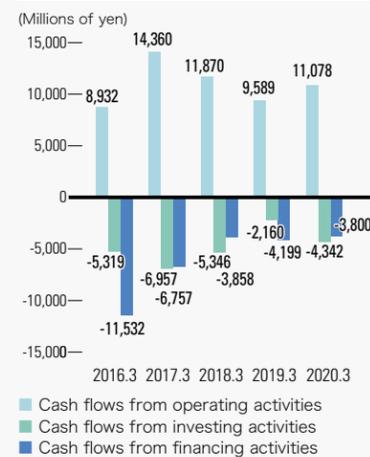
Assets/Net Assets/Shareholders' Equity Ratio



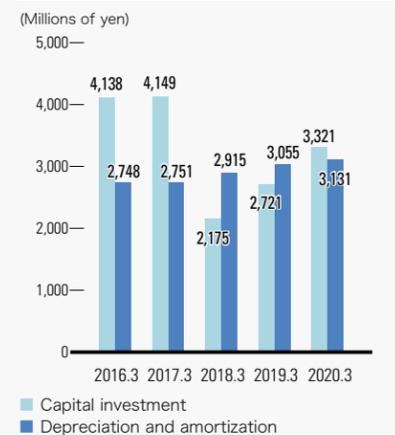
Net Income Per Share/Net Assets Per Share



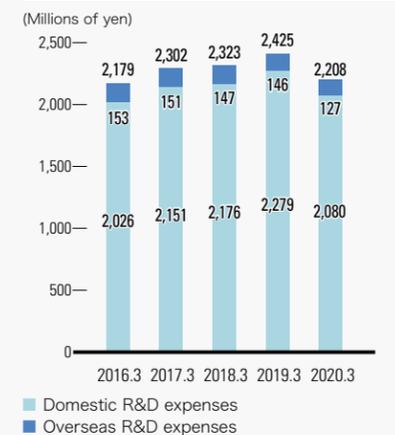
Cash Flows



Capital Investment/Depreciation and Amortization



R&D Expenses (Domestic/Overseas)



Overview and Progress of 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)

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

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

	2019.3 (Millions of yen)			2022.3 (Millions of yen)		
	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)	-
Total (Consolidated)	170,759	10,313	6.0%	180,000	13,000	7.2%

FX Rate: ¥110/USD

FX Rate: ¥105/USD

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

Action Vision and Progress

Regional Strategy

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

Increase orders for new installations in China and India, and enhance after-sales in mature markets

In the East Asia market, particularly in China, once the spread of COVID-19 had been contained, economic activity picked up in May 2020. We are now working to increase orders for new installations.

In the South Asia market, following a revision of our customer segment strategy in India, we enhanced our product lineup. While working to cut costs, we aim to enhance our sales structure, secure distribution routes and improve profitability.

In North America, Europe, Singapore and other mature markets, we will focus on the after-sales market business to strengthen our profit base. In the U.K. market, we will maximize synergy with Amalgamated Lifts, a company we acquired in February 2020, using their existing customer base.

In China, we will stimulate demand for modernization projects by concluding maintenance work contracts with major customers and improve the sales ratio in the after-sales market business.

Segment	Key Measures for the Fiscal Year Ending March 31, 2021
East Asia	Aim to expand business in China as economic activity picks up again
South Asia	Increase orders and improve profitability in India
North America & Europe	Continue to focus on the after-sales market business Create synergy with Amalgamated Lifts in the U.K.

Highlight

Increased orders and improved profit margin in China

In China, we increased the number of orders and improved the profit margin by reviewing our customer segment strategy, revising sales prices and reassessing our distributor policies. In particular, Huasheng Fujitec Elevator received a record number of orders for elevators in the fiscal year ended March 31, 2020, enhancing its reputation as a reliable brand in the fiercely competitive Chinese market.



Welcoming Amalgamated Lifts Ltd. into the Fujitec Group

In February 2020, we welcomed the privately held, U.K.-based Amalgamated Lifts into the Fujitec Group. Amalgamated Lifts is engaged in the sales, installation and maintenance of elevators and escalators, and has a strong customer base in the U.K. We will complement these attributes with our high-quality technologies and expertise to further strengthen our business foundations. Looking ahead, we will continue to work toward expanding our business in the U.K. market, which is expected to see stable growth.

Product and Technology Strategy

Reinforcement of our technical platform to enhance corporate growth and value

As part of our product and technology strategy, we aim to optimize specifications that are suited to the needs of each region in order to increase sales 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 comfort, design, 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.

- Enhancement of the 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	

Continue the rollout of new standard model with enhanced health and hygiene functions

We commercialized and launched XIOR in April 2020. We developed this product based on the concept of “exceeding standards.” XIOR is the first elevator in the industry with a dedicated air conditioning unit that comes standard. With a maximum rated speed of 120 meters per minute, it is the fastest standard model in the industry. It also boasts high carrying capacity. These features contribute to reduced waiting times. Moreover, with a large, 8.4-inch liquid crystal display, screen visibility and ease-of-use have been improved.

XIOR also features improved health and hygiene functions, making it ideally suited to the “new normal.” For example, it is equipped with buttons that contain an antimicrobial plastic that helps to suppress the growth of bacteria. The buttons are highly durable, preventing the antimicrobial plastic from peeling off over time. In addition, the use of an infrared sensor, a contactless call function, enables passengers to select their floor without touching the buttons (optional), and, to encourage proper social distancing, a congestion sensor allows passengers to gauge how full an elevator is before boarding. XIOR elevators also make use of Sharp Corporation’s plasmacluster technology to generate plasmacluster ions that suppress the activity of viruses and other harmful particles.

Development concept Exceeding standards



Three major features

- 1 Dedicated air conditioning unit comes standard
- 2 Maximum rated speed of 120 meters per minute
- 3 Fitted with large, 8.4-inch liquid crystal display

Improve development and production efficiency, and expand to meet the needs of a new era

Expanding production and sales of XIOR, a product we have positioned as our new standard model, presents us with an opportunity to digitize all of our in-house operational processes. For example, we will use building information modeling (BIM)* and other technologies to coordinate data across the Company in real time, including order information, specifications, design, and production processes. This will allow us to establish a production system that is both automated and integrated. Our aim is to boldly revamp our operational processes to rapidly boost our design and production efficiency.

To strengthen our technological capabilities, we will continue with experiments at our large-scale research facility WING SQUARE, as well as at our other research towers, to speed up the development of new escalator

and elevator technologies. We will also promote open innovation with universities, research institutions, and manufacturers from other industries, and focus on the acquisition of elemental and basic technologies. Finally, we will enhance our ability to develop safe and secure products that contribute to solving social issues by expanding into touchless and antimicrobial technologies to support new ways of living. We will also improve safety features and introduce new functions to respond to wide-area disasters.

* A system that creates 3D models of buildings and uses modeling software to improve design and production efficiency.

Operational Strategy

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

“Innovation of manufacturing technologies through automation and labor saving measures” and “construction of an optimal manufacturing and logistics framework” are the pillars 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 shared KPIs and realize greater operational efficiencies. We will work to improve domestic logistics functions, build a more efficient supply chain, and further enhance global procurement functions.

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



- Advanced network of manufacturing bases using digital technologies (AI, IoT, etc.)
- Integrated QCD* base

- Automation, labor saving measures and capacity expansion
Labor savings through automation in Japan
Expand production capacity in India
- Functional improvement of depots
Establishment of more efficient supply chain management by Tokyo depot and Osaka depot
- Enhancement of global procurement

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



Enhance production capacity and efficiency

As part of our operational strategy, we are moving forward with the expansion of our factory in India to meet the ever-growing needs of our global customer base. The construction of a second plant and research tower will ensure that we have a 2,000-unit system in place in the fiscal year ending March 31, 2021. We are also moving forward with the construction of a 1,000-unit system in Taiwan.

In Japan, we are expanding our production capacity and introducing automated systems at our Big Wing production site to improve productivity. We have also established a two-hub logistics system in Tokyo and Osaka. In the fiscal year ending March 31, 2021, we aim to accelerate productivity improvements through installation of automated equipment and further cut costs.

Expand factory in India



Construction of a 2,000-unit system will be completed in the fiscal year ending March 31, 2021

Expand factory in Taiwan



1,000-unit system is under construction

Improve productivity at Big Wing production site



Expand production capacity and introduce automated equipment

Establish logistics sites

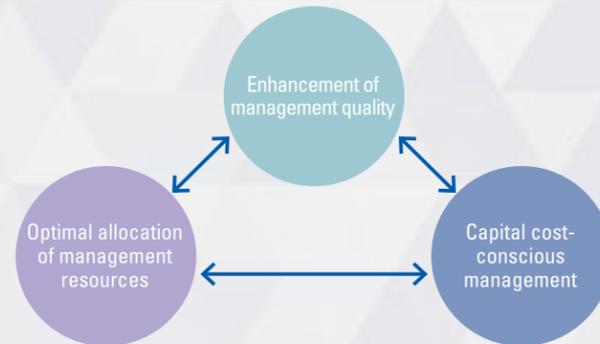


Build two-hub logistics system in Tokyo and Osaka

In terms of 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.

Corporate Strategy: Approach to Management

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



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.

Themes of SDGs

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

Continue domestic and international capital investment and pursue M&A opportunities

In recent years, the Fujitec Group has continued to make capital investments in production facilities to ensure high quality and short turnaround times with the aim of achieving further internal growth. We are also enhancing our training facilities as part of our investment in human resource development.

In the fiscal year ended March 31, 2020, we opened Experience Center employee training facilities in Singapore, India and Tokyo. In the fiscal year ending March 31, 2021, we will continue our investment in human resource

development, enhancing the skills of our field engineers to provide safety and security to customers, and maintaining efficient business operations.

Following the acquisition of Amalgamated Lifts in the U.K. in the fiscal year ended March 31, 2020, we will continue investing in external growth by continuing to pursue new M&A opportunities.

Strengthen corporate governance

As part of efforts to strengthen corporate governance, in the fiscal year ended March 31, 2020, we increased the number of outside directors from three to five. Outside directors now represent a majority of the members of the Board of Directors. We have a system in place for utilizing proposals

and guidance, based on wide-ranging expertise and vast experience, and for incorporating a broad range of objective viewpoints as we work to strengthen corporate governance and ensure further transparency in Company management.

Capital policies and shareholder returns

As we aim for medium-to-long-term improvement in corporate value, we believe it is essential to maintain robust business operations and sustain a financial base that allows us to make necessary growth investments in a timely manner.

At the same time, we plan to ensure stable, continuous shareholder returns by maintaining a dividend payout ratio of 40-50%. In the fiscal year ending March 31, 2020, we increased dividends by ¥5 per share, for a payout ratio of 40%. Although we expect a decrease in both sales and profit in the fiscal year ended March 31, 2021, we aim to maintain stable shareholder returns by setting the annual dividend per share at ¥50, for a payout ratio of 54%. Moreover, based on our understanding that return on equity is a key performance indicator, we have set an ROE target of 8% or more in our mid-term management plan. Aiming for sustainable business growth, we will continue to prioritize growth investments, stable shareholder returns, and improving our ROE.

	2020.3 Results	Mid-Term Management Plan
Dividend payout ratio	40%	40-50%
ROE	9.5%	8% or more

Earnings forecast for the fiscal year ending March 31, 2021, in consideration of the impact of COVID-19

In Mid-Term Management Plan, "Innovation, Quality & Speed," our targets for the fiscal year ending March 31, 2022 (the final year of the plan) are net sales of ¥180 billion and operating income of ¥13 billion. Although we achieved these targets in the fiscal year ended March 31, 2020, we continue to face a harsh operating environment due to the

stagnation of economic activity brought on by the COVID-19 pandemic in the fiscal year ending March 31, 2021. We have thus put together an earnings forecast based on assumed risks as they currently stand.

Impact on activities

- Factories suspended in China after the Chinese New Year in February 2020
- Operations suspended in India for eight weeks
- Maintenance business continued worldwide as it is essential to social infrastructure

Impact on business

- Construction for new installations and modernization projects will take longer than planned, and delays are expected in planned building projects
- Extensions on repair work due to customers' needs to cut costs

Consolidated results forecast for the fiscal year ending March 31, 2021

Regarding our consolidated results forecast for the fiscal year ending March 31, 2021, we expect a decrease in both sales and profit. We forecast ¥165 billion in net sales (9% year-on-year decrease) and ¥10.7 billion in operating income (20% year-on-year decrease). Excluding Japan, we expect a decrease in sales and profit in each segment.

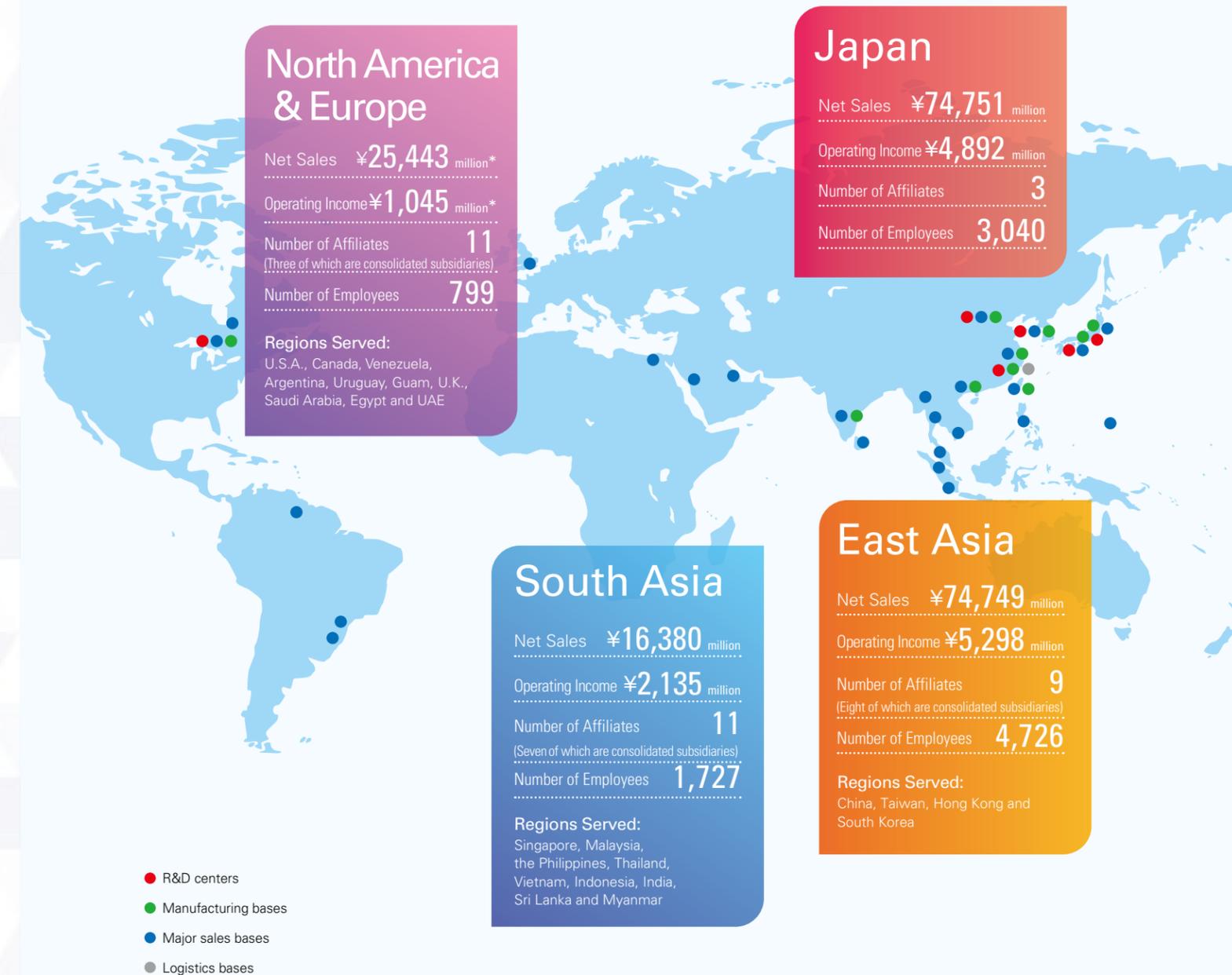
(Millions of yen)

	Net Sales			Operating Income		
	2021.3 (full-year)	2020.3 (full-year)	Change (%)	2021.3 (full-year)	2020.3 (full-year)	Difference
Japan	70,000	74,751	(6.4)	5,000	4,892	+108
East Asia	64,000	74,749	(14.4)	3,600	5,298	(1,698)
South Asia	16,000	16,380	(2.3)	1,700	2,135	(435)
North America & Europe	25,000	25,443	(1.7)	600	1,045	(445)
Sub-total	175,000	191,323	(8.5)	10,900	13,370	(2,470)
Reconciliations	(10,000)	(10,091)	—	(200)	5	(205)
Total	165,000	181,232	(9.0)	10,700	13,375	(2,675)

Strategy by Segment

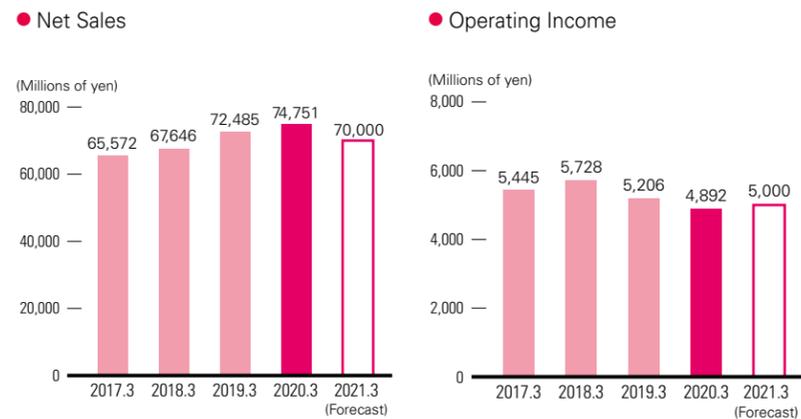
Fujitec was the first company in the Japanese elevator and escalator industry to expand into overseas markets, establishing Fuji Engineering Co., (HK) Ltd. (currently Fujitec (HK) Co., Ltd.) in 1964. Since then, we have been proactively promoting global business, which now encompasses six R&D centers and 10 manufacturing bases in over 20 countries and regions. Each sales base is connected through our global supply chain network.

(As of March 31, 2020)

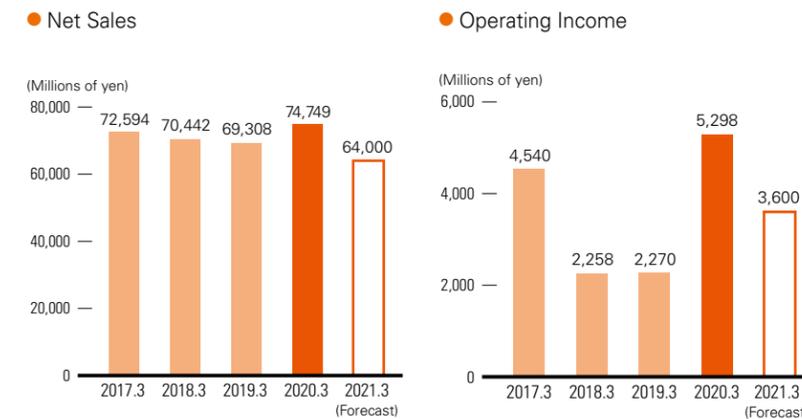


* The segments of "North America" and "Europe" were consolidated as "North America & Europe" in the fiscal year ended March 31, 2020. The figures above for the fiscal year ended March 31, 2020 reflect this segment change.

Japan



East Asia



In Japan, while orders from hotels and condominiums increased, demand from office buildings decreased absent the large-scale projects ordered in the previous fiscal year. In the after-sales market business, demand increased for maintenance work. Net sales remained strong in both the after-sales market and new installation businesses. Operating income decreased due to increases in fixed costs as a result of the higher concentration of work.

In our home market of Japan, we anticipate lower sales in the fiscal year ending March 31, 2021, due to the impact of the COVID-19 pandemic. However, we expect that the April 2020 launch of our new standard model XIOR elevator combined with our cost-cutting efforts to date, will drive an increase in profit. Our new standard model XIOR features a range of innovations that address customer needs in the new normal. It also has a broad range of applications and is highly compatible with conventional custom-made models, creating opportunities to reduce design and production costs.

We anticipate that the spread of the COVID-19 pandemic will likely impact our business segments in different ways. For new installation orders received, we expect ongoing construction work to continue and new construction starts to generally move forward as planned. In the aftermarket business, there may be delays to some modernization projects and repair work.



The Ritz-Carlton, Nikko (Tochigi)



The Ritz-Carlton, Nikko (Tochigi)

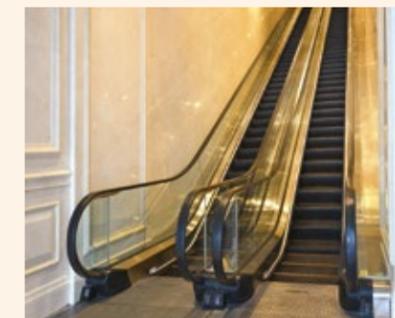
In East Asia, excluding the effects of foreign exchange rates, orders increased by approximately 20% due to the revision of sales prices and proactive sales activities in China. In Hong Kong and Taiwan, orders increased in the new installation and after-sales market businesses. Driven by the new installation business, net sales in China increased by approximately 20% compared with the previous fiscal year. Although sales increased in the new installation and after-sales market businesses in Taiwan, sales decreased in Hong Kong and South Korea. Overall, East Asia saw a 7.8% increase in sales. Operating income rose substantially in China due to sales increases and cost reductions. Operating income increased in Taiwan and the export business in South Korea improved, but operating income decreased in Hong Kong. Overall, operating income in East Asia increased 2.3 times over the previous fiscal year.

We anticipate sales will fall in China, this region's largest market, as a result of the growing impact of the COVID-19 pandemic. However, in Hong Kong we expect sales to rise since several new orders are likely offset the impact of any delays in construction projects. We expect operating income from this region to fall, primarily due to lower China sales.

Looking ahead to the anticipated impact from the pandemic in this region; in China, we are starting to see a recovery in demand from government agencies and major property developers. In Taiwan, we expect earnings to fall because of forward investments made for major new orders. By contrast, in South Korea, we expect profit to improve, driven mainly by exports.



Delta Hotel (Hong Kong)



Delta Hotel (Hong Kong)

Highlight

Development of a maintenance app that utilizes big data

When dealing with a problem during maintenance projects, engineers search for the cause in the elevator's operational log before going about their work. However, the skills necessary to understand these logs cannot be acquired quickly. There were clear differences in the work efficiency of young and veteran engineers. We thus developed an app that would notify the engineer of the best approach to dealing with the issue. The app utilizes big data for accessing and analyzing past maintenance work. We anticipate this app will bridge the gap between the response capabilities of young and veteran engineers, and lead to improved work efficiency.



Highlight

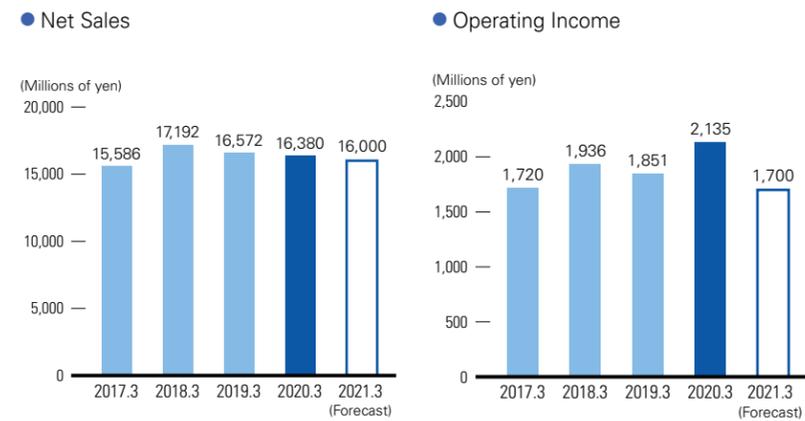
Double-deck elevator project at the Fubon Life head office

Our Group company, Fujitec Taiwan (head office: Taipei City, Taiwan), has received a large order for 33 escalators and elevators, including double-deck elevators, from Fubon Life, a leading life insurance company. Double-deck elevators have upper and lower cabs, can carry more passengers and feature improved transportation efficiency. A Japanese development team is supporting Fujitec Taiwan with the project, and the whole company is working together to ensure our products are of the highest quality.



Artist's rendering of double-deck elevators

South Asia



In South Asia, Singapore saw an increase in the number of orders received. In Singapore and its neighboring regions, net sales were almost on par with the previous fiscal year, while in India, net sales increased. Operating income increased due to profitability improvements in new elevator installations in Singapore, and improved profitability in India.

In the South Asia region, we anticipate that sales in Singapore will stay at around the same level as the previous fiscal year. In markets including Malaysia, Indonesia, and India, we project lower sales and profit due to the impact of the COVID-19 pandemic. The pandemic's impact is particularly severe in India. Lockdowns went into effect from March 2020 and operations at our plant were completely halted, hampering business activities. While this plant gradually resumed production in May, we think that a recovery will take some time.



Grand Mercure Surabaya City (Indonesia)



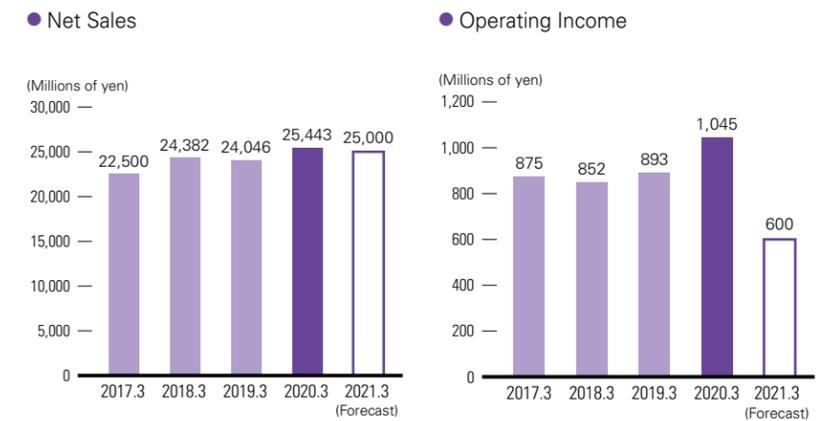
Grand Mercure Surabaya City (Indonesia)

Highlight Global Field Engineering Skill Competition

In June 2019, we held the second Global Field Engineering Skill Competition in Singapore to test the abilities of our specialist maintenance engineers. Approximately 26 participants from 13 countries in Asia, including Japan, took part in the contest, which was held over two days. Although participants came from diverse backgrounds, basic maintenance methods have been standardized across Fujitec, so everyone was on an equal footing. The competition also served to further understanding of Fujitec's standardized methods. The local Singapore team came out as winners. We will continue to hold these competitions as we seek to raise the standard of skills across the Fujitec Group.

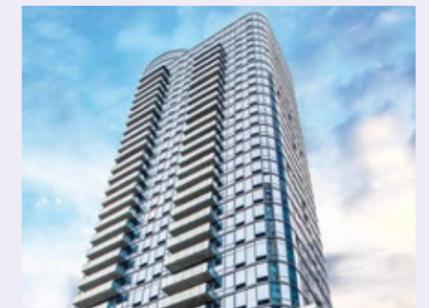


North America & Europe



In North America & Europe, both the U.S. and the U.K. saw an increase in orders for new installation and modernization projects. However, orders decreased in Canada absent the large-scale projects ordered in the previous fiscal year. Net sales increased in the U.S. due to a growing number of new installation and modernization projects, in Canada due to an increasing number of new installations, as well as in the U.K. Excluding the effects of foreign exchange rates, net sales increased 7.5% compared with the previous fiscal year. Operating income increased in the U.S. and Canada, and remained on par in the U.K. As a result, operating income in North America & Europe increased by 17% overall.

In North America and markets in Europe, lockdowns and other restrictions are likely to have a significant impact on sales. While the impact on our maintenance business may be limited, delays to construction and modernization projects are expected to depress sales in the United States and Canada. However, in the United Kingdom, we aim to increase sales and profit boosted by new contributions from Amalgamated Lifts Limited, a UK-based business that we acquired in February 2020.



The Eagle (U.S.)



The Eagle (U.S.)

Highlight Amalgamated Lifts Ltd. joins the Fujitec Group

To expand our business in Europe, in February 2020 we acquired all of the outstanding shares of Amalgamated Lifts Ltd. (head office: Kent, U.K.), a company engaged in the sales and maintenance of elevators in the U.K. Our English subsidiary Fujitec UK Ltd. (head office: London, U.K.) managed the acquisition. For the fiscal year ended March 31, 2019, net sales at Amalgamated Lifts were 11.9 million euros. In addition to its high-quality technologies and expertise, we will maximize use of its strong customer base in the U.K. to further strengthen the Fujitec Group's business foundations there.



Feature: In Anticipation of Diversifying Needs

XIOR

Ideas behind development

XIOR, our new standard, machine room-less elevator launched in Japan in April 2020, marking our first full-model change in 12 years.



Takashi Asano
Senior Executive Operating Officer,
General Manager of Product
Development HQ

After overcoming challenges and incorporating new technologies to meet increasingly diverse elevator requirements, our new standard elevator model, XIOR, finally came to fruition. As a specialized manufacturer of elevators and escalators, we worked to create a next-generation model under the concept of "The determination of a specialized manufacturer—exceeding standards." XIOR is equipped with industry-first functions and numerous new technologies and specifications.

Elevators are a means of transportation. They therefore need to be easy to use, and to provide a comfortable experience and a sense of security for the user. XIOR boasts three main features to meet these requirements.

The first is a dedicated air conditioning unit that comes standard, which is an industry-first. In the relentless heat of Japanese summers, a cool elevator makes the journey a great deal more comfortable. The second feature is its maximum rated speed of 120 meters per minute. This has the potential to reduce passenger waiting time by up to 10%, and thereby increase user satisfaction. The third feature is a large liquid crystal display. In times of emergency, the screen can display instructions in four different languages, which contributes to increased safety and reliability for users. As an option, XIOR elevators can also be equipped with a monitor that shows news, weather and other information.

Health and hygiene functions have also been enhanced. For example, destinations can be input using a contactless call function, so that passengers don't have to touch the buttons, while a congestion display means that passengers can avoid close contact. We have received numerous inquiries from customers who believe these functions will help to combat the spread of COVID-19. Looking ahead, we will continue to communicate with customers regularly so that we can create new elevator concepts for the modern era, and link this to the development of even better elevators.

Enhanced health and hygiene functions

The new XIOR boasts enhanced health and hygiene functions. It is expected to help combat a range of infectious diseases.

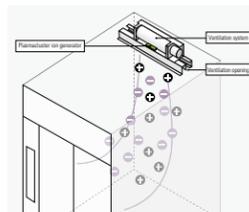
Noncontact buttons

By placing their hands over infrared sensors, passengers can register and input their destinations without touching the buttons.



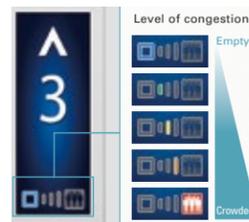
IONFUL

Using Sharp Corporation's plasmacluster technology, XIOR elevators can break down and remove mold, bacteria, allergens and tobacco odor to keep air inside the cabin clean.



Congestion display

The congestion display shows the level of congestion inside the elevator in five stages, enabling passengers to see how crowded the elevators are in advance, and decide whether to avoid close contact.



Antimicrobial buttons

Buttons contain an antimicrobial plastic that helps suppress the growth of bacteria. The buttons are highly durable, preventing the antimicrobial plastic from peeling off over time.

EZSHUTTLE

A destination registration system to improve operation efficiency

Predominantly in Western countries, demand is increasing for a destination registration system that streamlines elevator operation. In 2006, we installed the first EZSHUTTLE system in the Metropolitan Park West Tower in the U.S., and have since supplied elevators with this system to 50 projects in various countries.



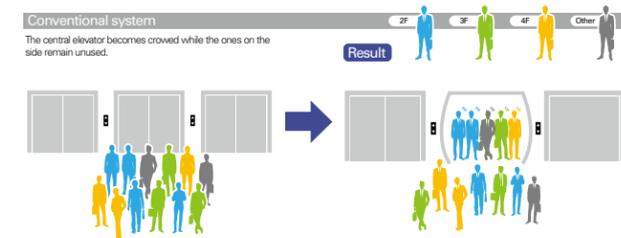
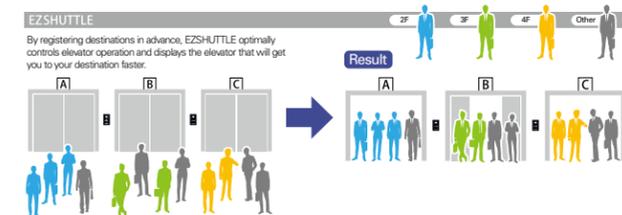
Reduced transportation time

In the mornings before work, many people gather in office building lobbies waiting for an elevator. The more people there are, the longer the elevator is stopped, and the longer it takes for an individual to get to their destination. EZSHUTTLE, a destination registration system, solves this problem. When passengers input their destination into the entry terminal, a screen guides them to the most appropriate elevator. This system can reduce waiting and transportation time by up to 50%. * By enabling advance registration, the operation of elevators is made more efficient. At Fujitec, we propose the use of this system mainly for medium-to-large-scale office buildings (those with 3–8 elevators), whose elevators carry large numbers of passengers.

* Based on comparisons with conventional Fujitec elevators, using office building simulation technology.

Responds to various needs

By registering destinations in advance, EZSHUTTLE controls elevator operation to reduce waiting and transportation time. It can also predict and control waiting times. Through the use of IC cards, the system can also connect to building security systems to restrict access to certain floors, and automatically register destinations of passengers in advance when they scan their IC cards at security gates.



Installation example

Keikyu Group Headquarters (Yokohama-shi, Kanagawa Prefecture)

- First domestic installation of EZSHUTTLE
- Work complete: August 2019
- Client: Keikyu Corporation
- Design: Taisei Corporation (Office of first-class architects)
- Construction: Taisei-Keikyu Joint Enterprise
- No. of elevators installed: 9



Continuous Contribution to Society

Contributing to the SDGs through the pursuit of safety and reliability

Under Mid-Term Management Plan “Innovation, Quality & Speed,” which was launched in April 2019, SDG-focused initiatives are a key pillar of our corporate strategy. In line with our Global Mission Statement—“Respecting people, technologies, and products, we collaborate with people from nations around the world to develop beautiful and functional cities that meet the needs of a new age”—we aim to contribute to the development and economic advancement of countries around the world through our global business activities, promoting mutual understanding among various people and cultures, and by bringing about co-existence and co-prosperity.

High-rise buildings are essential social infrastructure for urban development, and elevators and escalators are

indispensable. We believe it is our mission to provide safety, reliability and comfort to people everywhere through the development of social infrastructure. Our business activities are in line with the foundations of the SDGs, and employees across the Fujitec Group work earnestly to contribute to their achievement.

Looking ahead, we are working to quantify our performance targets, and plan to disclose a set of key performance indicators.

Corporate Strategy: Themes of SDGs

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

Fujitec initiatives

Promoting digital technologies to enhance work efficiency and implement workstyle reforms

We are using AI to predict and ascertain faults. We also use mobile devices to increase on-site work efficiency. A hybrid approach that utilizes AI to supplement our workforce will lead to both economic growth and workstyle reform.



Goal 8 Decent work and economic growth

Promote sustained, inclusive and sustainable economic growth, full and and productive employment and decent work for all



Developing global human resources to create safe and reliable social infrastructure

To cultivate the skills of our field engineers, we are building employee training facilities, known as Experience Centers, in various countries around the world: Singapore (June 2019), India (August 2019) and Tokyo (October 2020). To reinforce our engineers' installation and maintenance capabilities, we are developing human resources who can undertake high-quality work, and by pursuing safety and reliability, we aim to develop high-quality social infrastructure.



Goal 9 Industry, innovation and infrastructure

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



Promoting renewal work to reduce environmental load

Data suggests that by renewing existing elevators, we can reduce energy consumption by 45%. Renewal work can also save energy and reduce CO₂ emissions.



Goal 11 Sustainable cities and communities

Make cities and human settlements inclusive, safe, resilient and sustainable





Initiatives for Safety and Reliability

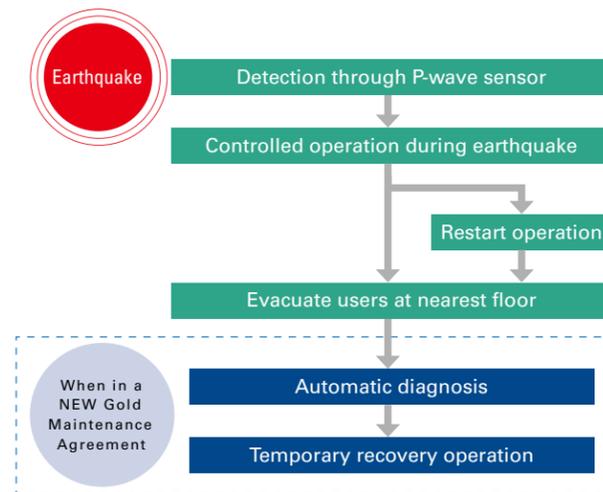
Establishing Safe Net Centers

At Fujitec, we have established Safe Net Centers in Tokyo and Osaka to ensure safety and reliability for customers. Safe Net Centers monitor elevators in Japan 24 hours a day, 365 days a year. Furthermore, in the event of a wide-area disaster, such as a large-scale earthquake, both centers have functions to support one another when required. These Safe Net Centers

are integral to our maintenance system, and play a key role in facilitating rapid responses in times of emergency, and ensuring optimal preventive maintenance. This support structure has been evaluated highly by elevator owners and managers, providing them with peace of mind.

Earthquake Countermeasures in Our Elevators

Due to the unpredictable nature of earthquakes, thorough preparation is essential for safe living. To minimize injury and damage to users and elevators during an earthquake, we have established a comprehensive set of functions and services. Through rapid detection, confinement prevention, and quick recovery, we aim to provide users with safety and security.



Developing Safety Awareness

The Fujitec Group prioritizes safety and reliability in all aspects of its business. Due to its very nature, our business is directly linked to our customers' lives. By thoroughly promoting safety awareness on a daily basis and developing safe technologies, we take the necessary steps to ensure safety and reliability for all those associated with the Fujitec Group. To ensure the safety of employees, we (1) provide educational activities to enhance safety awareness; (2) create and share manuals and videos to guarantee safety in the field; and (3) make use of

drive recorders and other devices that help to prevent accidents. Moreover, our business involves R&D, sales, manufacturing, installation and maintenance, and the risk factors in each line of work differ greatly. The safety education we provide, therefore, caters to the nature of each division to enhance awareness of safety among our entire workforce.

Safety Classes Held around the World

Safety classes to teach children how to ride elevators and escalators safely are conducted by Fujitec Group companies. The classes are primarily aimed at students in early elementary grades. Since many accidents involving children occur around the doors of elevators and when getting on and off escalators, the classes focus on teaching children preventative safety tips. In 2018, the class was held a total of 52 times in China and Japan.



Environment

Groupwide Efforts to Reduce Environmental Load

Fujitec sees its interaction with the environment and the development of a sustainable society as an important management issue, and strives to harmonize its business activities and the environment as a responsible corporate citizen. Our Environmental Policy comprises seven action guidelines for interacting with the environment.

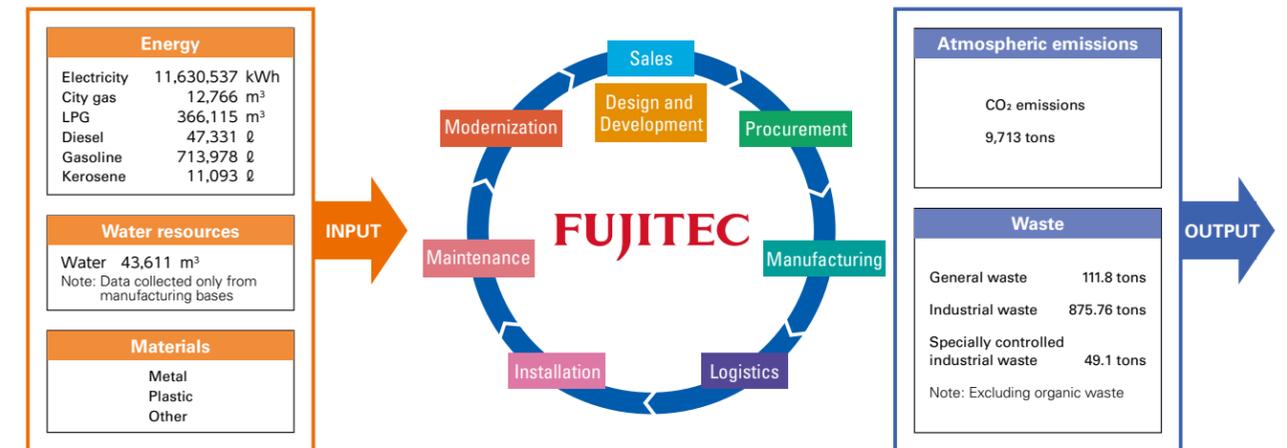
By continuously implementing these seven action guidelines, we will increase harmony between our business activities and the environment. As one initiative in line with this policy, we are developing modernization options that retain the existing trusses (the steel structure that supports the weight and load of the escalator) when carrying out upgrades.

Environmental Policy (Action Guidelines)

1. We will establish and review environmental objectives and goals based on an accurate understanding of the environmental impact of our products, as well as the development, design, manufacture and field service of our elevators and escalators.
2. All employees should read and understand the Environmental Policy, conduct environmental protection activities, make continuous improvements, and work to prevent pollution.
3. We will comply with environment-related laws, regulations, ordinances and other requirements.
4. In our business activities, we will (1) promote conservation of energy and resources; (2) promote recycling and reduce waste materials; (3) promote green procurement; and (4) control and reduce hazardous materials.
5. We will develop and commercialize environmentally friendly products.
6. We will provide education and guidance in the environmental protection activities of Group companies and cooperating organizations.
7. We will publicly release our Environmental Policy.

Environmental Load Reduction at Major Production Sites

Overall Environmental Load (Fiscal Year Ended March 31, 2020)
Scope for data collection: Head office, factories, branch offices, branch operation bases, sales offices and services centers in Japan



Lake Biwa Environmental Activities

As an initiative of the Head Office in Shiga Prefecture, Fujitec has participated in reed cutting around Lake Biwa, the largest lake in Japan, since 2014. Reeds, a perennial grass species, play an important role in purifying the water and preserving the biodiversity of the lake. By cutting reeds that grew in winter, the new reeds can grow stronger. We participate in these volunteer activities every February and December, and plan to continue this initiative.





Human Resource Development

Creating a Comfortable Working Environment

The Fujitec Group has formulated the Fujitec Philosophy of Human Resource Management and the Fujitec Corporate Action Rules, both of which specify its requirements for comfortable working environments. The Fujitec Philosophy of Human Resource Management states: "Create an open organization through open-minded communication, and enhance the level of thinking of both the organization and its

employees." The Fujitec Corporate Action Rules state: "We will respect the human rights of our officers and employees, place value on teamwork, and ensure that all individuals can demonstrate their capabilities in a comfortable working environment." In line with the above, our businesses in various countries and regions are working to promote teamwork and create comfortable working environments.

Developing Human Resources for the Global Stage

The rationale behind Fujitec's commitment to human resource development is explained in the Fujitec Philosophy of Human Resource Management, which states: "The people at Fujitec cultivate their character as members of society, improve their capabilities as members of the company, deepen their insights as citizens of the world, and work to help drive the company's

lasting growth and prosperity, while achieving self-fulfillment with open-minded communication and vigorous energy." To develop our human resources based on this philosophy, we have established various training programs, which we will offer on an ongoing basis.

Establishing Experience Center Employee Training Facilities in Each Region

The Fujitec Group has established employee training facilities for field engineers at key bases in each of its operational hubs. These facilities are known as Experience Centers. In addition to elevators and escalators, each facility is equipped with other relevant equipment, such as machines and brakes. Trainees use this equipment to learn installation methods for elevators and escalators, adjustment techniques for individual components, and other standardized maintenance procedures. Moreover, due to the nature of the work, engineers face a higher level of danger than office workers, so trainees also undergo thorough safety training.

In 2019, we established two new Experience Centers (Singapore and India), and these facilities are taking in trainees from Group companies in nearby countries. In this way, we will continue to focus on developing human resources, who are key to sustaining our business operations.



Masashi Tsuchihata
South Asia Representative
and Managing Director of
Fujitec Singapore Corp. Ltd.

A human resource development and branding hub for the whole of Southeast Asia

In June 2019, we opened a new Experience Centre at Fujitec Singapore. Not only will the facility function as a human resource development and branding hub for Singapore, it will also be a key facility for Fujitec companies in Southeast Asia. Although Fujitec Singapore has traditionally held a large share of the domestic market, in recent years, competition has been intensifying. To overcome this difficult situation, we believe it is essential that we communicate the appeal of Fujitec to customers and win their trust. The Experience Centre was established to help us with this task. The Centre has a showroom and a training area for field engineers, and we have welcomed numerous companies to the facility—in fact, we have welcomed more than 1,000 visitors since the facility opened. Looking ahead, Fujitec Singapore will not only use it for its own purposes, but will also invite customers from Malaysia, Indonesia, the Philippines, and other countries in the region. We believe it will enable us to develop human resources and raise awareness of the Fujitec brand across the whole of Southeast Asia.

Hosting a Competition to Test the Skills of Engineers (Japan and Overseas)

As one initiative to develop human resources, we hold skills-based competitions for our field engineers in Japan and overseas. In Japan, every year we alternate between the National Installation/Renovation Technique Competition and the National Maintenance Technique Competition. In addition to checking the skills of field engineers, the event provides an opportunity for technical exchanges among engineers and for improving individual skills. Overseas, we hold the Fujitec Global Field Engineering Skill Competition, which was held in Singapore in 2019.



Preventing Excessive Work and Promoting Mental Health Care (Japan)

In Japan, Fujitec is implementing various initiatives to protect the physical and mental health of its employees. To safeguard employees' physical health, division managers lead efforts to level out workloads, while encouraging employees to take paid leave. As a mental health measure, in addition to individual

self-care training, division managers take part in line-care training to learn how to protect employee mental health.

Relocating the Office and Revitalizing Communication (Fujitec Thailand)

Fujitec Thailand doubled its number of units sold between the fiscal year ended March 31, 2018 and the fiscal year ended March 31, 2020. The impetus for this was the relocation of its office. The previous office was small, with little space for field engineers to take a break, but the new office incorporates a new area where they can relax. As a result, the amount of time engineers spend with employees from other departments has increased, and information exchange and communication has been vitalized. Not only is worksite information now shared throughout the company in a timely manner, individual issues can now be resolved with the help of the whole company. Moreover, relocating the office has significantly reduced the number of customer complaints, and there are more opportunities for engineers to accompany sales staff on their rounds. In addition it has also strengthened customer trust and increased the number of units sold.



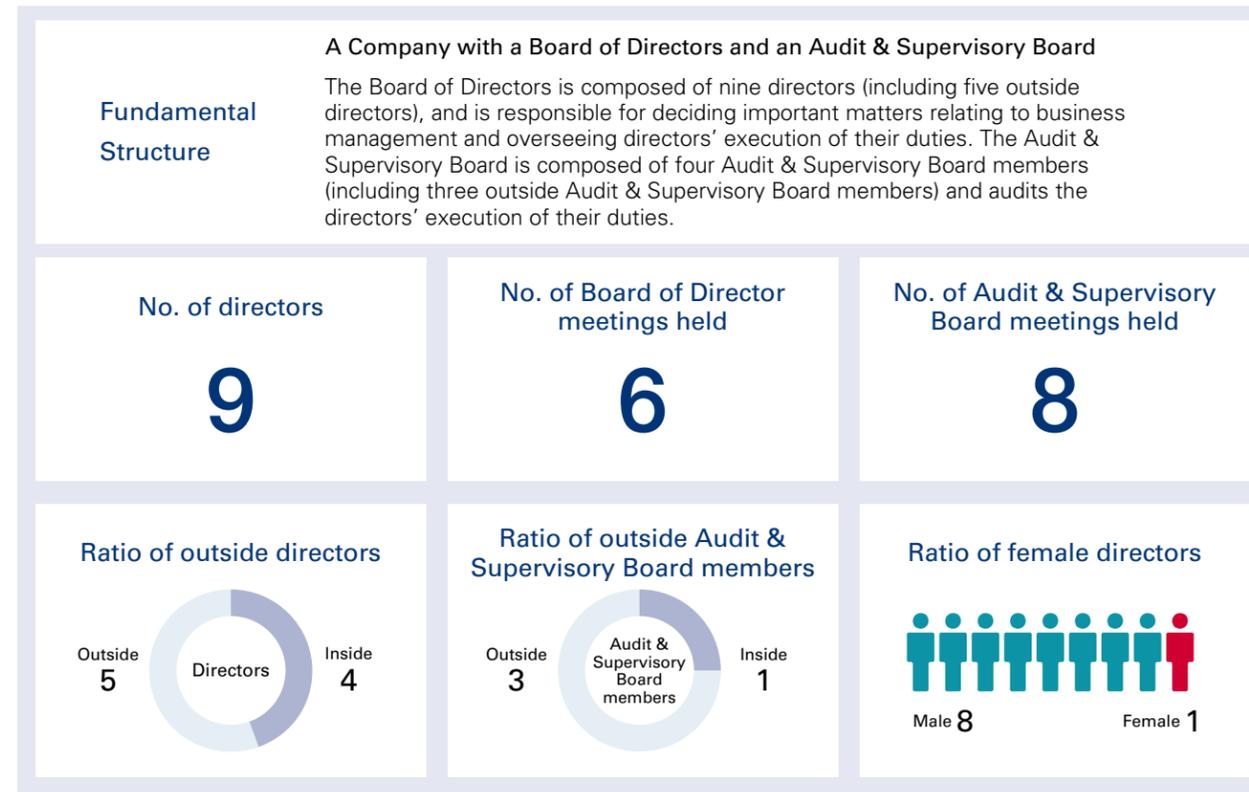
The Gift That Saves Lives

Fujitec Group companies continue to participate in blood donation activities, often called "the gift that saves lives." Every October, the Japanese Red Cross Society visits Big Wing, Fujitec's main elevator manufacturing base, to conduct a blood donation drive. In Hong Kong, Fujitec has designated a volunteer blood donation day in June and December each year.



Corporate Governance

Corporate Governance Overview



Composition of Directors

Experience and Expertise of Directors

Name	Position	Independence (outside officers only)	Experience in corporate management and expertise (main points)					
			Corporate management		Expertise, etc.			
			Japan business	Global business	Economic policies	Finance/accounting	Corporate legal affairs	IR
Takakazu Uchiyama	Representative Director, President and CEO		●	●				●
Takao Okada	Representative Director, Executive Vice President		●	●				
Yoshiichi Kato	Senior Executive Operating Officer			●		●		●
Takashi Asano	Senior Executive Operating Officer		●	●				
Terumichi Saeki	Director	●	●		●		●	
Nobuki Sugita	Director	●			●			
Shigeru Yamazoe	Director	●	●	●		●		
Kunio Endo	Director	●	●	●		●		
Keiko Yamahira	Director	●	●					●

Basic Policy

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

Management Structure

Fujitec is a company with a Board of Directors and an Audit & Supervisory Board. The Board of Directors is composed of nine directors (including five outside directors) and is responsible for deciding important matters relating to business management and overseeing the directors' execution of their duties. The Audit & Supervisory Board is composed of four Audit & Supervisory Board members (including three outside Audit & Supervisory Board members) and audits the directors' execution of their duties.

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

Response to Corporate Governance Code

The Company has been reviewing the principles of Japan's Corporate Governance Code issued by the Tokyo Stock Exchange. While we have not yet implemented the following principles, we will consider their implementation in the future as necessary.

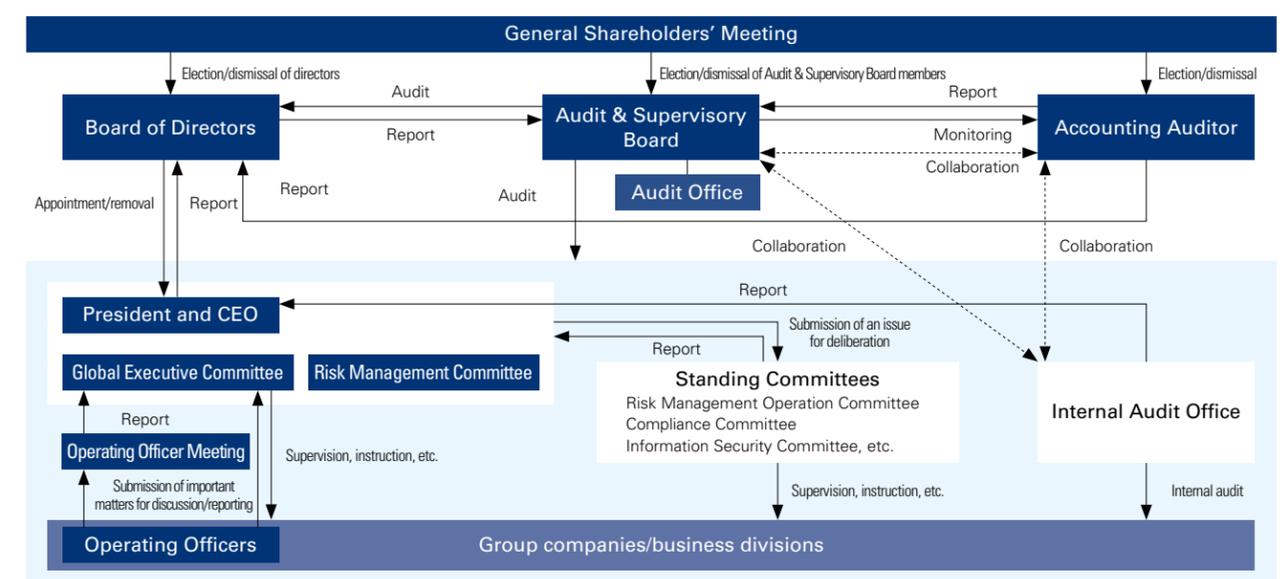
Principle 4.1 Roles and Responsibilities of the Board (1) Supplementary Principle 4-1-3

Based on a proposal by the president and consultation with independent outside directors and others designated by the Board of Directors, the Board shall discuss and, through resolution, determine and review succession planning for the president. When the president resigns or leaves office, the Board of Directors shall determine candidates for a successor based on the succession planning set forth above.

Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans

In the new mid-term management plan, we set targets for net sales, operating income, operating margin and ROE. We have posted these targets on our website and other platforms. Regarding the appropriate allocation of management resources, we will first prioritize investment in facilities and personnel development to achieve internal growth, while also pursuing M&A opportunities aimed at growth. For shareholder returns, in line with dividend payments and purchase of treasury stock we are aiming for a total return ratio of 40%–50%, and will work to ensure stable, ongoing returns. Regarding the cancellation of treasury stock, we will look at the appropriateness of formulating a set of guidelines for the scale of owned stock, and consider it from the standpoints of Companywide business investments and capital policies.

Corporate Governance Structure



Business and Other Risks

Reasons for Appointment of Outside Directors

Name	Independent director	Reason for appointment
Terumichi Saeki	○	Terumichi Saeki has many years of experience as a lawyer in corporate legal affairs, and as an outside director. Utilizing the experience he has acquired, we believe he will offer beneficial proposals and advice on company management. Mr. Saeki meets the selection criteria for independent directors as described in section II.1 of our Corporate Governance Report ("Matters Regarding Independent Directors"). Having determined that there will be no conflict of interest with our ordinary shareholders, we have appointed Mr. Saeki as an independent director.
Nobuki Sugita	○	Nobuki Sugita has many years of experience as a professor of economics, and has also held important posts at finance-related government ministries. Utilizing the experience he has acquired, we believe he will offer beneficial proposals and advice on company management. Although Mr. Sugita has no previous experience in company management, we believe that he will appropriately execute his duties as an outside director for the aforementioned reasons. Mr. Sugita meets the selection criteria for independent directors as described in section II.1 of our Corporate Governance Report ("Matters Regarding Independent Directors"). Having determined that there will be no conflict of interest with our ordinary shareholders, we have appointed Mr. Sugita as an independent director.
Shigeru Yamazoe	○	Shigeru Yamazoe has many years of experience in all aspects of management at a general trading company, as well as in the management of a global business. Utilizing the experience he has acquired, we believe he will offer beneficial proposals and advice on company management. Mr. Yamazoe meets the selection criteria for independent directors as described in section II.1 of our Corporate Governance Report ("Matters Regarding Independent Directors"). Having determined that there will be no conflict of interest with our ordinary shareholders, we have appointed Mr. Yamazoe as an independent director.
Kunio Endo	○	Kunio Endo has many years of experience in important financial and accounting positions at a global corporation, and as a corporate director and auditor. Utilizing the experience he has acquired, we believe he will offer beneficial proposals and advice on company management. Mr. Endo meets the selection criteria for independent directors as described in section II.1 of our Corporate Governance Report ("Matters Regarding Independent Directors"). Having determined that there will be no conflict of interest with our ordinary shareholders, we have appointed Mr. Endo as an independent director.
Keiko Yamahira	○	Keiko Yamahira has many years of experience as an executive officer and director at a construction company, and utilizing the experience she has acquired, we believe she will offer beneficial proposals and advice on company management. Ms. Yamahira meets the selection criteria for independent directors as described in section II.1 of our Corporate Governance Report ("Matters Regarding Independent Directors"). Having determined that there will be no conflict of interest with our ordinary shareholders, we have appointed Ms. Yamahira as an independent director.

Compensation for Executives

Policy Regarding the Determination of Compensation for Executives

A performance-based compensation system has been established for the compensation of directors (excluding outside directors) in order to promote management awareness of and motivation for better performance. To further this in the short- to medium-term, the total amount of bonuses is calculated by adding to or subtracting from the amount paid in the previous fiscal year, depending on the attainment level of the index set based on operating income. In addition, to enhance motivation for better performance on a sustainable basis, stock options are issued as stock compensation, and in the event the Company achieves its operating income target, the total amount of the issue price of such stock options is determined according to the degree of achievement.

Basic compensation and bonuses (subject to performance-based compensation) for each director (excluding outside directors) is calculated by adding to or subtracting from the amount of basic

compensation and bonuses paid in the previous fiscal year depending on the results of the domestic and international businesses or other operations in their charge, their contribution to the Company, and other factors. For outside directors, the amount of compensation is determined by taking into account the compensation and bonus levels of other companies, as well as their experience, insight, business activities, and other factors. A portion of the basic compensation paid to directors (excluding outside directors) is contributed to the Director Shareholding Association.*

For Audit & Supervisory Board members, the annual compensation limit is determined by resolution at the General Shareholders' Meeting. The amount of compensation is deliberated by Audit & Supervisory Board members taking in account factors such as whether or not he/she is a standing Audit & Supervisory Board member and distribution of duties.

* The policy for determining the ratio of performance-based compensation to other forms of compensation and the policy for determining the amount of executive compensation or the computation method based on position have not been set.

Compensation of Directors and Audit & Supervisory Board Members in the Fiscal Year Ended March 31, 2020

Position	Compensation by type (Millions of yen)	Total remuneration (Millions of yen)			Eligible officers
		Fixed compensation	Performance-based compensation	Stock options	
Directors (excluding outside directors)	231	163	67	—	4
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	15	15	—	—	1
Outside officers	65	65	—	—	9

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.

Political and Economic Circumstances

The Fujitec Group has 10 manufacturing bases and numerous sales bases in 24 countries and regions around the world and carries out global business activities. Political and economic circumstances in these countries and regions where business is carried out could have an impact on the supply of and demand for the Fujitec Group's products. In particular, the Fujitec Group's products are elevators and escalators that are installed in buildings, including office buildings, hotels, commercial buildings and residences, 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 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 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 walkways, and in each business process conforms with the laws, regulations and guidelines applicable in each market. Also, the Fujitec Group works 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 in 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 carries out business using its own capital. However, it undertakes business through joint ventures due to legal restrictions in some countries. One such 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 having to re-evaluate 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.

Risks Associated with COVID-19

In accordance with the policies of various national governments, the Fujitec Group is implementing remote work, and will continue with various other infection prevention measures with a focus on the health and safety of its employees and clients. However, the stagnation of economic activity due to COVID-19 could have an adverse impact on the Fujitec Group's financial position and operating results.

Internal Control

The Fujitec Group has established and maintains the necessary internal control system to ensure sound management and to meet the expectations and earn the trust of its stakeholders. The Fujitec Group has enacted the Basic Policy on Internal Control by a resolution of the Board of Directors based on the Global Mission Statement, the Fujitec Philosophy of Human Resource Management and the Fujitec Corporate Action Rules. Based on this policy, Fujitec has established an Internal Control Department to promote related activities. This department also responds to evaluations and audits of the internal control system by working to understand the operation processes of each business execution division and upgrading the internal control system.

We have also established dedicated committees for compliance, risk management and information management systems, and these committees provide the necessary guidance and management for effective business execution.

Risk Management

To reduce various operating risks, the Company has established the Risk Management Committee, chaired by the CEO. The committee works to promote compliance, including risk management at all Group companies, and information security measures, as well as to achieve early detection of risk factors that could have a major social impact, such as ensuring product safety, and countermeasures for those factors. Subordinate to the committee there are standing committees that investigate and study each risk factor.

The Risk Management Operation Committee collects information swiftly and accurately and ensures proper direction and the management of business execution to ensure that risk management functions effectively throughout the Company.

Compliance

The Compliance Committee promotes compliance with the laws, regulations and corporate ethics necessary for promoting appropriate corporate activities, and disseminates information about compliance to Group employees and other concerned persons as cohesively as possible.

The committee formulates the Compliance Action Plan every year and promotes compliance activities. As part of these activities, in addition to Group training for all employees or on-demand education through e-learning, the Company holds seminars, etc., for employees according to their position and department as necessary to ensure that laws and regulations are made known to employees together with the implementation of activities to raise employee awareness.

The Company has also established an internal reporting system to prevent fraud. This includes a Compliance Consultation Desk as an internal reporting mechanism related to compliance that allows all employees to consult directly regardless of organizational lines. It also receives employee reports.

Information Management (Information Security)

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

Auditing System

Internal Auditing

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

Auditing by Audit & Supervisory Board Members

Audit & Supervisory Board members attend Board of Director meetings, voice their opinions, and listen to explanations from directors regarding important management matters. In addition, they audit directors' execution of duties predominantly from a legal compliance standpoint. For example, they observe and inspect systems that guarantee the appropriateness of operations. Audit & Supervisory Board members audit based on audit standards, policies, and plans determined at Audit & Supervisory Board meetings. Based on these audit plans, standing Audit & Supervisory Board members examine the operational and financial conditions of several major domestic sites, and, when necessary, listen to explanations from various departments regarding the status of business execution. Moreover, in addition to Board of Director meetings, standing Audit & Supervisory Board members attend the quarterly Global Executive Committee meetings to discuss important matters pertaining to Group management, working to ascertain a comprehensive view of Group management, such as conditions and issues at each Group company.

Furthermore, we have set up the Audit Office as an organization dedicated to assisting the Audit & Supervisory Board members and the Audit & Supervisory Board, with one employee working exclusively to assist Audit & Supervisory Board members with their duties. In this way, we are working to enhance our auditing functions. To ensure its independence, the Audit Office is directly under the control of the Audit & Supervisory Board, and the Audit Office assistant is not concurrently involved in any other aspect of Group operations.

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

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

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

Q&A with an Outside Director

Providing Support for Enhancing Global City Functions and Achieving Sustainable Growth

Shigeru Yamazoe
Outside Director

Q1. What kind of company is Fujitec? What are its characteristics and strengths?

In keeping with the basic policy of Mid-Term Management Plan "Innovation, Quality & Speed," Fujitec supplies products of the highest quality and prioritizes safety and security. In an elevator and escalator industry that often lacks innovation, Fujitec seeks to raise customer value through the pursuit of groundbreaking, original technologies and products.

One of Fujitec's strengths is its specialized, vertically integrated structure that spans everything from research and development to installation, maintenance and modernization. This enables the Company to rapidly respond to any on-site issues, and directly reflect the needs of customers in its products. Another strength is its global footprint, which stems from overseas expansion that began more than 50 years ago. Fujitec products can be found in major buildings all over the world, such as the Reichstag in Germany, and the trust and achievements it has built up overseas as a specialized manufacturer are valuable assets.

Q2. As the Company seeks continued growth, what is it doing well, and what does it need to improve on?

The elevator and escalator industry is approaching a transitional period. On the maintenance side, the advancement of information technology means that we are seeing new services that have moved away from conventional periodic inspections. IoT will allow us to detect potential issues, and accurately diagnose the need for maintenance remotely. In these and other ways, there are endless opportunities for innovation in the industry.

Up until now, Fujitec has utilized its expertise as a specialized manufacturer to grasp customers' needs from the design stage and apply its findings to research and development. The door edge sensor, noncontact buttons and congestion displays are just some examples of this. Fujitec will continue to raise standards for reliability and safety to meet the demands of its customers.

On the other hand, after the COVID-19 pandemic ends, office building demand may decrease, while the nature of demand in the construction industry may drastically change. In the future, Fujitec will need to quickly respond to changes in the business environment.

Q3. What is your role as Fujitec looks to ensure sustainable growth?

Fujitec has an outstanding management team and outside directors from various backgrounds. If each can use their expertise to give frank advice and take proactive measures, I believe Fujitec will gain from even better management. I was involved in global business management for a number of years at a general trading company, and through this experience I recognized the importance of anticipating global trends and pioneering new businesses. To the best of my ability, I would like to use this experience to help guide Fujitec toward its goal of leading the enhancement of global city functions as an elevator and escalator manufacturer.

Moreover, as a listed company, we cannot overlook the opinions of our valued stakeholders. As an outside director, I will listen to the interests and concerns of our stakeholders, promote appropriate response, and in turn strengthen the Company's management foundation to contribute to grow sustainably.

Q4. Do you have a message for shareholders and investors?

By maximizing the potential of its many strengths, Fujitec has the ability to achieve growth and provide both social and economic value. We, as outside directors, will fulfill our duty to provide support and supervise management from various angles. Please look forward to the growth of the Fujitec Group.

Directors, Audit & Supervisory Board Members and Operating Officers

(As of June 30, 2020)

Directors



Takakazu Uchiyama

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

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



Terumichi Saeki

Outside Director

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



Nobuki Sugita

Outside Director

Jun. 1995 Chief, Office of Public Affairs, Planning Division, Director General's Secretariat at the Economic Planning Agency
Aug. 2009 Professor at the Faculty of School of Economics, Nagoya University
Jun. 2013 President of Economic and Social Research Institute, Cabinet Office, Government of Japan
Apr. 2015 Professor at the College of Economics, Ritsumeikan University
Jun. 2017 Director of the Company (current)
Apr. 2020 Specially Appointed Professor at the College of Economics, Ritsumeikan University (current)



Shigeru Yamazoe

Outside Director

Apr. 1978 Joined Marubeni Corporation
Apr. 2012 Senior Managing Executive Officer of Marubeni Corporation
Apr. 2015 Senior Executive Vice President of Marubeni Corporation
Jun. 2018 Vice Chairman of Marubeni Corporation
Director of the Company (current)
Apr. 2019 Outside Audit & Supervisory Board Member of Mizuho Capital Partners Co., Ltd. (current)
Apr. 2020 Chairman of Marubeni Power & Infrastructure Systems Corporation (current)



Kunio Endo

Outside Director

Apr. 1981 Joined Honda Motor Co., Ltd.
Nov. 2010 President and Director of American Honda Finance Corporation
President and Director of Honda Canada Finance Inc.
Jun. 2013 Full-time Audit & Supervisory Board Member of Honda Motor Co., Ltd.
Jun. 2019 Director of the Company (current)



Keiko Yamahira

Outside Director

Apr. 1983 Joined Kubota House Co., Ltd. (now Sanyo Homes Corporation)
Jun. 2015 President and Director of Sanyo Homes Corporation
Apr. 2017 Chairman and Representative Director of Sanyo Homes Community Corporation
Jun. 2019 Outside Director of Joshin Denki Co., Ltd. (current)
Director of the Company (current)



Takao Okada

Representative Director, Executive Vice President
General Manager of Japan Business HQ; Deputy General Manager of Global Business HQ; General Manager of Global Operations; In charge of China

Apr. 1976 Joined the Company
Apr. 2012 Senior Executive Operating Officer
Jun. 2012 Director of the Company
Jun. 2020 Representative Director and Executive Vice President (current)



Yoshiichi Kato

Director
General Manager of Finance HQ

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



Takashi Asano

Director
General Manager of Product Development HQ

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

Audit & Supervisory Board Members

Kenichi Ishikawa Outside Audit & Supervisory Board Member (Standing)
Apr. 1985 Joined Daiwa Bank, Ltd. (now Resona Bank, Ltd.)
Jun. 2014 Audit & Supervisory Board Member of the Company (current)

Yasuo Utsunomiya Audit & Supervisory Board Member (Standing)
Apr. 1976 Joined Matsushita Electric Industrial Co., Ltd.
Apr. 2002 Joined the Company
Apr. 2016 Executive Operating Officer of the Company
Apr. 2020 Advisor of the Company
Jun. 2020 Audit & Supervisory Board Member of the Company (current)

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

Satoshi Hiramitsu Outside Audit & Supervisory Board Member
Apr. 1990 Joined Tokai Bank, Ltd. (now MUFG Bank, Ltd.)
Nov. 1993 Joined Chuo Audit Corporation
Jun. 2012 Outside Audit & Supervisory Board Member of ARATA CORPORATION (current)
Nov. 2014 Representative Member of Tax Accounting Corporation, TAS (current)
Jun. 2019 Audit & Supervisory Board Member of the Company (current)

Operating Officers

President and CEO
Takakazu Uchiyama*
Executive Vice President
Takao Okada*
Senior Executive Operating Officer
Yoshiichi Kato*
Senior Executive Operating Officer
Takashi Asano*
Senior Executive Operating Officer
Masashi Tsuchihata
Executive Operating Officer
Keiji Tsuyama
Executive Operating Officer
Masayoshi Harada
Executive Operating Officer
Kenji Tomooka
Executive Operating Officer
Hiroshi Maruyama
Operating Officer
Kunihiko Tsutsui
Operating Officer
Asami Araki

Operating Officer
Yasuhiko Kimura
Operating Officer
Tadahisa Nakayama
Operating Officer
Ikuo Masuda
Operating Officer
Shiro Adachi
Operating Officer
Yoshitaka Nakao
Operating Officer
Hiroki Tokunami
Operating Officer
Yusuke Uchiyama
Operating Officer
Shigeo Nishimura
Operating Officer
Takashige Nakajima
Operating Officer
Kenta Fujino
Operating Officer
Hidehito Wakabayashi
* Concurrently serving as a director

Financial Information

Financial Position and Management Discussion and Analysis

Operating Results

Net Sales

Consolidated net sales for the fiscal year ended March 31, 2020 were ¥181,232 million, an increase of 6.1% compared with the previous fiscal year. Domestic net sales were ¥72,519 million, an increase of 5.0% compared with the previous fiscal year, and overseas net sales were ¥108,712 million, an increase of 6.9% compared with the previous fiscal year. Excluding the effect of foreign exchange rates, total overseas sales increased 10.9%.

Order Backlogs

In Japan, order backlogs were ¥65,723 million, a decrease of 0.2% compared with the end of the previous fiscal year. Overseas, order backlogs were ¥142,093 million, down 0.2% compared with the end of the previous fiscal year. As a result, the total amount of order backlogs was ¥207,817 million, a decrease of 0.2% compared with the end of the previous fiscal year. Excluding the effect of foreign exchange rates, total order backlogs overseas increased 3.8%.

Operating Income and Profit Attributable to Owners of Parent

Operating income was ¥13,375 million, which was ¥124 million below the target, while our operating margin was 0.1 percentage points below the target at 7.4%. Profit attributable to owners of parent was ¥9,916 million, an increase of 7.6% compared with the previous fiscal year.

Financial Position

Assets, Liabilities and Net Assets

Total assets at March 31, 2020 were ¥193,581 million, an increase of ¥8,891 million compared with the end of the previous fiscal year. This was due mainly to an increase of ¥4,779 million in cash and deposits and an increase of ¥6,946 million in trade notes and accounts receivable, offset by a decrease in inventories, such as finished goods and semi-finished goods.

Total liabilities were ¥74,866 million, an increase of ¥4,099 million compared with the previous fiscal year. The increase was due mainly to increases of ¥691 million in short-term debt, of ¥511 million in provision for losses on construction contracts, and of ¥2,240 million in advances from customers.

Net assets were ¥118,714 million, an increase of ¥4,791 million compared with the end of the previous fiscal year. This was due mainly to an increase in retained earnings of ¥6,268 million, offset by a ¥1,005 million decrease in net unrealized gains on securities and a ¥935 million decrease in foreign currency translation adjustments.

The shareholders' equity ratio at March 31, 2020 was 55.2%, a decrease of 0.5 percentage points compared with the end of the previous fiscal year, and net assets per share were ¥1,318.59, an increase of ¥47.31 compared with the end of the previous fiscal year.

Cash Flows

Cash and cash equivalents at March 31, 2020 were ¥28,181 million, an increase of ¥2,278 million compared with the end of the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥11,078 million, an increase of ¥1,488 million compared with the previous fiscal year. The increase was attributable to factors including ¥14,493 million in profit before income taxes (an increase of ¥1,969 compared with the previous fiscal year), ¥3,131 million in depreciation and amortization, a ¥1,190 decrease in inventories (a decrease of ¥1,890 million) and a ¥3,068 million increase in advances from customers (a ¥2,039 increase). This was offset by an increase in trade notes and accounts receivable totaling ¥8,236 (an increase of ¥4,695 million compared with the previous fiscal year).

Cash Flows from Investing Activities

Net cash used in investing activities was ¥4,342 million, an increase in expenditures of ¥2,181 million compared with the previous fiscal year. The increase was attributable to factors including an increase in time deposits, net of ¥2,644 million (an increase of ¥1,416 compared with the previous fiscal year) and acquisitions of property, plant and equipment of ¥2,562 million. This was offset by factors including interest and dividend income received and ¥419 million in proceeds from sales of investment securities (a decrease of ¥572 compared with the previous fiscal year).

Cash Flows from Financing Activities

Net cash used in financing activities was ¥3,800 million, a decrease of ¥398 million compared with the previous fiscal year. Main factors were cash dividends paid and a decrease of ¥494 million in repayment of long-term debt.

Capital Investment

Total capital investment during the fiscal year ended March 31, 2020 was ¥3,321 million. Of that total, capital investment in Japan was ¥2,224 million, mainly for additional facilities for elevator development and manufacturing bases as well as after-sales service bases. Overseas, the Fujitec Group made capital investments of ¥1,096 million for manufacturing bases in East Asia and South Asia.

R&D Expenses

Total R&D expenses during the fiscal year ended March 31, 2020 were ¥2,208 million. Of that total, R&D expenses in Japan amounted to ¥2,080 million, and overseas R&D expenses were ¥127 million, mainly in East Asia.

Consolidated Balance Sheets

Fujitec Co., Ltd. and Consolidated Subsidiaries (As of March 31, 2020 and 2019)

ASSETS	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	(Note 1)
Current assets:			
Cash and deposits (Note 14)	¥ 57,024	¥ 52,244	\$ 523,156
Notes and accounts receivable-trade:			
Unconsolidated subsidiaries	328	1,177	3,009
Other	61,298	53,504	562,367
Allowance for doubtful accounts	(2,142)	(2,039)	(19,651)
	59,484	52,642	545,725
Inventories:			
Merchandise and finished goods	5,572	5,891	51,119
Work in process	5,458	6,169	50,073
Raw materials and supplies	8,292	9,232	76,074
	19,322	21,292	177,266
Other current assets	5,054	5,004	46,367
Total current assets	140,884	131,182	1,292,514
Investments and long-term loans:			
Investment securities in unconsolidated subsidiaries	715	1,155	6,560
Investment securities (Note 4)	6,457	7,641	59,239
Long-term loans receivable	1	3	9
Total investments and long-term loans receivable	7,173	8,799	65,808
Property, plant and equipment, at cost (Note 6):			
Buildings and structures	35,326	35,276	324,092
Machinery, equipment, tools, furniture and fixtures	19,893	19,837	182,505
Leased assets (Note 8)	974	429	8,936
	56,193	55,542	515,533
Accumulated depreciation	(30,105)	(28,912)	(276,193)
	26,088	26,630	239,340
Land	6,910	6,921	63,394
Construction in progress	1,190	397	10,917
Total property, plant and equipment, at cost	34,188	33,948	313,651
Other assets:			
Deferred tax assets (Note 5)	4,705	3,390	43,165
Goodwill	116	213	1,064
Intangible assets	3,524	3,662	32,330
Retirement benefit asset (Note 9)	—	473	—
Investments in capital of unconsolidated subsidiaries	691	690	6,339
Allowance for doubtful accounts	(112)	(113)	(1,027)
Other	2,412	2,446	22,128
Total	¥193,581	¥184,690	\$1,775,972

The accompanying notes are an integral part of these statements.

LIABILITIES	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	(Note 1)
Current liabilities:			
Short-term debt (Note 6)	¥ 3,990	¥ 3,299	\$ 36,605
Current portion of long-term debt (Note 6)	217	256	1,991
Lease obligations (Note 7)	247	88	2,266
Notes and accounts payable - trade:			
Unconsolidated subsidiaries	26	16	238
Other	14,913	15,995	136,816
Electronically recorded obligations - operating	5,374	5,386	49,303
Advances from customers	23,417	21,176	214,835
Accrued income taxes (Note 5)	2,179	1,849	19,991
Provision for bonuses to employees	3,125	2,513	28,670
Provision for bonuses to directors	89	82	816
Provision for losses on construction contracts	5,207	4,696	47,771
Provision for warranties for completed construction	1,164	759	10,679
Other current liabilities	10,136	10,127	92,991
Total current liabilities	70,084	66,242	642,972
Non-current liabilities:			
Long-term debt (Note 6)	—	222	—
Lease obligations (Note 7)	447	251	4,101
Deferred tax liabilities (Note 5)	55	66	505
Net defined benefit liability (Note 9)	4,077	3,782	37,404
Long-term other accounts payable	180	181	1,651
Asset retirement obligation	23	23	211
Other non-current liabilities	1	0	9
Total non-current liabilities	4,783	4,525	43,881
Total liabilities	74,867	70,767	686,853
NET ASSETS			
Shareholders' equity (Note 8):			
Common stock:			
Authorized: 300,000,000 shares			
Issued: 90,067,000 shares at March 31, 2020 and 2019	12,534	12,534	114,991
Capital surplus	14,571	14,569	133,679
Retained earnings	102,355	96,087	939,036
Treasury stock, at cost: 8,985,121 shares at March 31, 2020 and 9,198,282 shares at March 31, 2019	(10,401)	(10,631)	(95,422)
Total shareholders' equity	119,059	112,559	1,092,284
Accumulated other comprehensive income:			
Net unrealized gains on securities	1,194	2,200	10,954
Deferred gains or losses on hedges	(16)	(1)	(147)
Foreign currency translation adjustments	(11,936)	(11,000)	(109,504)
Remeasurements of defined benefit plans	(1,387)	(951)	(12,725)
Total accumulated other comprehensive income	(12,145)	(9,752)	(111,422)
Stock acquisition rights (Note 18)	40	40	367
Non-controlling interests	11,760	11,076	107,890
Total net assets	118,714	113,923	1,089,119
Total	¥193,581	¥184,690	\$1,775,972

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Fujitec Co., Ltd. and Consolidated Subsidiaries (Years ended March 31, 2020 and 2019)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Net sales	¥181,232	¥170,759	\$1,662,679
Operating costs and expenses:			
Cost of sales (Note 10 and 11)	141,009	134,793	1,293,661
Selling, general and administrative expenses (Note 10 and 12)	26,848	25,653	246,312
Total operating costs and expenses	167,857	160,446	1,539,973
Operating income	13,375	10,313	122,706
Other income (expenses):			
Interest and dividend income	1,538	1,301	14,110
Interest expense	(173)	(144)	(1,587)
Rent income	148	157	1,358
Litigation expenses	(80)	(1)	(734)
Foreign currency exchange gain, net	(138)	206	(1,266)
Other, net	12	90	110
Total other income (expenses)	1,307	1,609	11,991
Ordinary income	14,682	11,922	134,697
Special items:			
Gain on sales of property, plant and equipment (Note 13)	190	23	1,743
Gain on sales of investment securities (Note 4)	127	810	1,165
Subsidy income	52	57	477
Loss on sales and retirement of property, plant and equipment (Note 13)	(97)	(122)	(890)
Loss on sales of investment securities (Note 4)	—	(1)	—
Loss on sales of investment securities	(440)	—	(4,037)
Loss on valuation of investments in capital of subsidiaries	(21)	—	(192)
Office transfer expenses	—	(165)	—
Total special items	(189)	602	(1,734)
Profit before income taxes	14,493	12,524	132,963
Income taxes (Note 5):			
Current	3,747	2,869	34,376
Deferred	(759)	(328)	(6,963)
Total income taxes	2,988	2,541	27,413
Profit	11,505	9,983	105,550
Profit attributable to non-controlling interests	1,589	763	14,578
Profit attributable to owners of parent	¥ 9,916	¥ 9,220	\$ 90,972
Per share information (Note 20):	Yen		U.S. Dollars (Note 1)
Net income per share	¥ 122.46	¥ 114.14	\$ 1.12
Diluted net income per share	122.40	114.07	1.12
Cash dividends per share to applicable to the year	50.00	45.00	0.46

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, 2020 and 2019)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Profit	¥11,505	¥ 9,983	\$105,550
Other comprehensive income (Note 3):			
Net unrealized gains on securities	(1,006)	(1,015)	(9,229)
Deferred gains or losses on hedges	(18)	30	(165)
Foreign currency translation adjustments	(1,255)	(3,434)	(11,514)
Remeasurements of defined benefit plans	(436)	(7)	(4,000)
Total other comprehensive income	(2,715)	(4,426)	(24,908)
Comprehensive income	¥ 8,790	¥ 5,557	\$ 80,642
Comprehensive income attributable to:			
Owners of parent	¥ 7,524	¥ 5,504	\$ 69,027
Non-controlling interests	1,266	53	11,615

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, 2020 and 2019)

	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, 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 April 1, 2019	90,067	¥12,534	¥14,569	¥ 96,087	¥(10,631)	¥112,559
Change in treasury shares of parent arising from transactions with non-controlling shareholders			2			2
Cash dividends				(3,648)		(3,648)
Profit attributable to owners of parent				9,916		9,916
Purchase of treasury stock					(0)	(0)
Disposal of treasury stock					230	230
Net change of items other than shareholders' equity						
Balance at March 31, 2020	90,067	¥12,534	¥14,571	¥102,355	¥(10,401)	¥119,059

	Millions of Yen							
	Accumulated other comprehensive income							
	Net unrealized gains on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at April 1, 2018	¥ 3,215	¥ (26)	¥ (8,281)	¥ (944)	¥ (6,036)	¥ 61	¥11,396	¥111,822
Cumulative effects of changes in accounting policies								10
Restated balance	3,215	(26)	(8,281)	(944)	(6,036)	61	11,396	111,832
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)	(4,057)
Balance at April 1, 2019	¥ 2,200	¥ (1)	¥(11,000)	¥ (951)	¥ (9,752)	¥ 40	¥11,076	¥113,923
Change in treasury shares of parent arising from transactions with non-controlling shareholders								2
Cash dividends								(3,648)
Profit attributable to owners of parent								9,916
Purchase of treasury stock								(0)
Disposal of treasury stock								230
Net change of items other than shareholders' equity	(1,006)	(15)	(936)	(436)	(2,393)	—	684	(1,709)
Balance at March 31, 2020	¥ 1,194	¥(16)	¥(11,936)	¥(1,387)	¥(12,145)	¥ 40	¥11,760	¥118,714

	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, 2019	90,067	\$114,991	\$133,661	\$881,532	\$(97,532)	\$1,032,652
Change in treasury shares of parent arising from transactions with non-controlling shareholders			18			18
Cash dividends				(33,468)		(33,468)
Profit attributable to owners of parent				90,972		90,972
Purchase of treasury stock					(0)	(0)
Disposal of treasury stock					2,110	2,110
Net change of items other than shareholders' equity						
Balance at March 31, 2020	90,067	\$114,991	\$133,679	\$939,036	\$(95,422)	\$1,092,284

	Thousands of U.S. Dollars (Note 1)							
	Accumulated other comprehensive income							
	Net unrealized gains on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at April 1, 2019	\$20,183	\$ (9)	\$(100,917)	\$(8,725)	\$(89,468)	\$367	\$101,615	\$1,045,166
Change in treasury shares of parent arising from transactions with non-controlling shareholders								18
Cash dividends								(33,468)
Profit attributable to owners of parent								90,972
Purchase of treasury stock								(0)
Disposal of treasury stock								2,110
Net change of items other than shareholders' equity	(9,229)	(138)	(8,587)	(4,000)	(21,954)	—	6,275	(15,679)
Balance at March 31, 2020	\$10,954	\$(147)	\$(109,504)	\$(12,725)	\$(111,422)	\$367	\$107,890	\$1,089,119

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, 2020 and 2019)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Cash flows from operating activities:			
Profit before income taxes	¥14,493	¥12,524	\$132,963
Depreciation and amortization	3,131	3,055	28,725
Increase (decrease) in allowance for doubtful accounts	166	57	1,523
Increase (decrease) in provision for bonuses to employees	638	75	5,853
Increase (decrease) in provision for losses on construction contracts	521	(1,410)	4,780
Interest and dividends income	(1,538)	(1,300)	(14,110)
Interest expense	173	144	1,587
Decrease (increase) in notes and accounts receivable - trade	(8,236)	(3,541)	(75,560)
Decrease (increase) in inventories	1,190	(699)	10,917
Increase (decrease) in notes and accounts payable - trade	(568)	1,793	(5,211)
Loss (gain) on sales of investment securities	(127)	(809)	(1,165)
Increase (decrease) in advances from customers	3,068	1,028	28,147
Loss (gain) on sales and retirement of property, plant and equipment	(93)	99	(853)
Increase (decrease) in net defined benefit liability	215	230	1,973
Other, net	1,458	763	13,376
Subtotal	14,491	12,009	132,945
Income taxes paid	(3,413)	(2,420)	(31,312)
Net cash provided by (used in) operating activities	11,078	9,589	101,633
Cash flows from investing activities:			
Payments into time deposits	(16,040)	(14,325)	(147,156)
Proceeds from withdrawal of time deposits	13,396	13,097	122,899
Purchases of property, plant and equipment	(2,562)	(2,848)	(23,505)
Proceeds from sales of property, plant and equipment	210	31	1,927
Purchases of investment securities	(401)	(1)	(3,679)
Proceeds from sales of investment securities	419	991	3,844
Purchases of intangible assets	(208)	(184)	(1,908)
Collection of loans receivable	410	156	3,761
Interest and dividends received	1,383	1,198	12,688
Other, net	(949)	(275)	(8,706)
Net cash provided by (used in) investing activities	(4,342)	(2,160)	(39,835)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	726	(76)	6,661
Proceeds from long-term borrowings	—	227	—
Repayment of long-term borrowings	(253)	(748)	(2,321)
Purchase of treasury stock	(0)	(0)	(0)
Interest paid	(103)	(86)	(945)
Cash dividends paid	(3,647)	(3,242)	(33,459)
Cash dividends paid to non-controlling interests	(571)	(358)	(5,239)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(7)	(3)	(64)
Other, net	55	87	505
Net cash provided by (used in) financing activities	(3,800)	(4,199)	(34,862)
Effect of exchange rate changes on cash and cash equivalents	(657)	(1,371)	(6,028)
Net increase (decrease) in cash and cash equivalents	2,279	1,859	20,908
Cash and cash equivalents at beginning of year	25,902	24,043	237,633
Cash and cash equivalents at end of year (Note 14)	¥28,181	¥25,902	\$258,541

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, 2020 and 2019)

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 ¥109=\$1, the prevailing exchange rate as of March 31, 2020. 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, 2020 and 2019 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)

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, equipment, 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.

Some foreign subsidiaries prepare the financial statements based on IFRS, and they adopt IFRS 16 (Lease) from the beginning of the consolidated fiscal year ended March 31, 2020 as "Changes in accounting policies, procedures and presentation in preparation of the consolidated financial statements." In line with IFRS16, the Company generally recognizes all leases as a lessee as assets or liabilities on the consolidated balance sheets.

(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 2019 financial statements to conform to the presentation in 2020.

(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

Consolidated subsidiaries which have adopted IFRS (except early adoption subsidiaries) adopt IFRS 16 (Lease) from the beginning of the consolidated fiscal year ended March 31, 2020. In line with this adoption, the Company generally recognizes all leases as a lessee as assets or liabilities on the consolidated balance sheets. The impact of the adoption of this accounting standards on the consolidated financial statements is immaterial.

In adopting this accounting standards, the Company has adopted the method of recognizing the cumulative effect recognized as the transitional treatment at the date of initial application.

(U) Accounting standards issued but not yet effective

* Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued on March 31, 2020)

* Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30 issued on March 31, 2020)

(1) Summary

This accounting standard is the comprehensive accounting standard 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 date

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.

* Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 issued on July 4, 2019)

* Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 issued on July 4, 2019)

* Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9 issued on July 4, 2019)

* Accounting Standard for Financial Instruments (ASBJ Statement No. 10 issued on July 4, 2019)

* Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 issued on March 31, 2020)

(1) Summary

"Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter, "Accounting Standards for Fair Value Measurement, etc.") have been developed as guidance on the method of fair value measurement in order to improve comparability with international accounting standards. "Accounting Standards for Fair Value Measurement, etc." are applied to the fair values of the following items.

* Financial instruments in "Accounting Standard for Financial Instruments"

* Inventories held for trading in "Accounting Standard for Measurement of Inventories"

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" has been revised to include notes regarding the breakdown by level of fair values of financial instruments.

(2) Effective date

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.

* Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No. 24 issued on March 31, 2020)

(1) Summary

The purpose of this accounting standard is to outline the accounting principles and procedures when the rules of relevant accounting standard are not clear.

(2) Effective date

The Company intends to adopt this accounting standard from the end of the consolidated fiscal year ending March 31, 2021.

* Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31 issued on March 31, 2020)

(1) Summary

The purpose of this accounting standard is to disclose information which will contribute to the understanding of users of financial statements about the content of accounting estimates for items which have a risk of significantly impacting the financial statements for the following fiscal year out of the estimated amounts in the financial statements for the current fiscal year.

(2) Effective dates

The Company intends to adopt this accounting standard from the ending of the consolidated fiscal year ending March 31, 2021.

(V) Additional information

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

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

(1) Outline of the transactions

The Company established a trust on September 25, 2013, beneficiaries of which shall be employees who belong to "Fujitec's Employee Shareholding Association" (the "Association") and meet certain requirements. The trust will, within a time period to be fixed in advance, purchase a certain number of the Company's shares, which the Association is expected to purchase for six years from September 2013. Subsequently, the trust will sell those shares to the Association each month at a certain fixed date. The trust has ended on November 8, 2019.

(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 were ¥230 million and 213 thousand shares.

There were no remaining shares of the Company as of March 31, 2020 because the trust has ended.

(3) The book value of loans recorded using the gross price method as of March 31, 2019 was ¥31 million.

There were no loans as of March 31, 2020 because the trust has ended.

Accounting estimates

Regarding the impact of COVID-19, it is difficult to predict when the spread of infection will end. However, although it will gradually recover from the latter half of the next consolidated fiscal year, the Company makes accounting estimates such as impairment loss of fixed assets and recoverability of deferred tax assets.

3. Other Comprehensive Income

Reclassification adjustments and tax effect of each component of other comprehensive income for the years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	(Note 1)
Net unrealized gains on securities:			2020
Arising during the fiscal year	¥(1,331)	¥ (613)	\$(12,211)
Reclassification adjustment	(127)	(810)	(1,165)
Sub-total, before tax	(1,458)	(1,423)	(13,376)
Tax effect	452	408	4,147
Net unrealized gains on securities	(1,006)	(1,015)	(9,229)
Deferred gains or losses on hedges:			
Arising during the fiscal year	(18)	29	(165)
Reclassification adjustment	(0)	1	(0)
Sub-total, before tax	(18)	30	(165)
Tax effect	—	—	—
Deferred gains or losses on hedges	(18)	30	(165)
Foreign currency translation adjustments:			
Arising during the fiscal year	(1,255)	(3,434)	(11,514)
Reclassification adjustment	—	—	—
Sub-total, before tax	(1,255)	(3,434)	(11,514)
Tax effect	—	—	—
Foreign currency translation adjustments	(1,255)	(3,434)	(11,514)
Remeasurements of defined benefit plans:			
Arising during the fiscal year	(753)	(272)	(6,908)
Reclassification adjustment	158	261	1,449
Sub-total, before tax	(595)	(11)	(5,459)
Tax effect	159	4	1,459
Remeasurements of defined benefit plans	(436)	(7)	(4,000)
Total other comprehensive income	¥(2,715)	¥(4,426)	\$(24,908)

4. Investment Securities

(1) Available-for-sale securities at March 31, 2020 and 2019 are summarized as follows:

	Millions of Yen					
	2020			2019		
	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	¥4,669	¥2,396	¥2,273	¥6,585	¥3,373	¥3,212
Sub-total	4,669	2,396	2,273	6,585	3,373	3,212
Securities whose book value does not exceed their acquisition cost:						
Equity securities	1,675	2,249	(574)	943	997	(54)
Sub-total	1,675	2,249	(574)	943	997	(54)
Total	¥6,344	¥4,645	¥1,699	¥7,528	¥4,370	¥3,158

	Thousands of U.S. Dollars (Note 1)		
	2020		
	Book value (Estimated fair value)	Acquisition cost	Gross unrealized gains (losses)
Securities whose book value exceeds their acquisition cost:			
Equity securities	\$42,835	\$21,982	\$20,853
Sub-total	42,835	21,982	20,853
Securities whose book value does not exceed their acquisition cost:			
Equity securities	15,367	20,633	(5,266)
Sub-total	15,367	20,633	(5,266)
Total	\$58,202	\$42,615	\$15,587

Since unlisted stocks and investment in unconsolidated subsidiaries and affiliates have no quoted market prices and they are extremely difficult to determine their fair values, these stocks are not included in the above table. The carrying amounts of these stock are shown in Note 16 (2).

(2) Available-for-sale securities sold for the years ended March 31, 2020 and 2019 are summarized as follows:

	Millions of Yen					
	2020			2019		
	Sales proceeds	Gains on sales	Losses on sales	Sales proceeds	Gains on sales	Losses on sales
Equity securities	¥154	¥126	¥—	¥1,056	¥810	¥—
Other	100	1	—	99	—	(1)
Total	¥254	¥127	¥—	¥1,155	¥810	¥(1)

	Thousands of U.S. Dollars (Note 1)		
	2020		
	Sales proceeds	Gains on sales	Losses on sales
Equity securities	\$1,413	\$1,156	\$—
Other	917	9	—
Total	\$2,330	\$1,165	\$—

(3) Securities subject to the recognition of impairment losses for the year ended March 31, 2020 and 2019 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Investment securities in unconsolidated subsidiaries	¥440	¥—	\$4,037
Total	¥440	¥—	\$4,037

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% for the years ended March 31, 2020 and 2019. Income tax rates of the consolidated foreign subsidiaries range from 16.35% to 33.99% for the year ended March 31, 2020 and from 16.38% to 34.00% for the year ended March 31, 2019.

(1) The major components of deferred tax assets and liabilities at March 31, 2020 and 2019 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Deferred tax assets:			
Tax loss carryforwards ²	¥ 2,248	¥ 2,483	\$ 20,624
Net defined benefit liability	1,077	865	9,881
Provision for bonuses to employees	576	575	5,284
Provision for losses on construction contracts	1,009	1,160	9,257
Allowance for doubtful accounts	559	549	5,128
Other	1,743	1,555	15,991
Total deferred tax assets	7,212	7,187	66,165
Valuation allowance related to net tax loss carryforwards ²	(1,301)	(2,202)	(11,936)
Valuation allowance related to the total of future deductible amount, etc.	(518)	(487)	(4,752)
Less: valuation allowance ¹	(1,819)	(2,689)	(16,688)
Total deferred tax assets	5,393	4,498	49,477
Deferred tax liabilities:			
Unrealized gains on securities	(505)	(957)	(4,633)
Dividend income received from subsidiaries	(46)	(38)	(422)
Other	(192)	(179)	(1,762)
Total deferred tax liabilities	(743)	(1,174)	(6,817)
Net deferred tax assets	¥ 4,650	¥ 3,324	\$ 42,660

1. The valuation allowance decreased by ¥870 million (US\$ 7,982 thousand). The main reason for this decrease is an increase in the portion of the consolidated subsidiary "Fujitec America Inc." which was deemed to be recoverable due to factors including expected future taxable income.

2. The amounts of net tax loss carryforwards and amounts of deferred tax assets by carryforward period at March 31, 2020 and 2019 are as follows:

	Millions of Yen						
	2020						
	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	¥ 83	¥ 49	¥ 77	¥ 92	¥ 70	¥1,877	¥ 2,248
Valuation allowance	(83)	(49)	(77)	(92)	(70)	(930)	(1,301)
Deferred tax assets	—	—	—	—	—	947	947

	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

	Thousands of U.S. Dollars (Note 1)						
	2020						
	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	\$ 762	\$ 450	\$ 706	\$ 844	\$ 642	\$ 17,200	\$ 20,624
Valuation allowance	(762)	(450)	(706)	(844)	(642)	(8,532)	(11,936)
Deferred tax assets	—	—	—	—	—	8,688	8,688

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, 2020 and 2019 is as follows:

	2020	2019
Statutory tax rate	30.62%	30.62%
Non-deductible expenses	0.29	0.29
Valuation allowance for deferred tax assets	(3.61)	(5.57)
Per capita inhabitant tax	0.88	1.01
Net loss of consolidated subsidiaries	(1.07)	0.64
Effect of foreign tax rate differences	(6.07)	(5.65)
Difference of change in tax rate	—	0.16
Other	(0.43)	(1.21)
Effective tax rate	20.61%	20.29%

6. Short-term Debt and Long-term Debt

(1) Short-term debt at March 31, 2020 and 2019 consists of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Loans, mainly from banks at weighted-average interest rates of 1.86% in 2020 and 1.41% in 2019.	¥3,990	¥3,299	\$36,605

(2) Long-term debt at March 31, 2020 and 2019 consists of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Loans, mainly from banks and insurance companies due through 2021 at weighted-average interest rates of 3.94% in 2020 and 2.65% in 2019 for current portion of long-term debt, and 3.94% in 2019 for long-term debt.	¥217	¥478	\$1,991
	217	478	1,991
Less: portion due within one year	217	256	1,991
	¥ —	¥222	\$ —

(3) The aggregate annual maturities of long-term debt outstanding as of March 31, 2020 are as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 1)
2021	¥217	\$1,991
Total	¥217	\$1,991

Notes: As of March 31, 2020, the following assets and liabilities are pledged as collateral for transactions with a bank:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Buildings and structures (at net book value)	¥2,179	¥2,320	\$19,991
Machinery, equipment, tools, furniture and fixtures (at net book value)	116	75	1,064
Land	252	262	2,312
	¥2,547	¥2,657	\$23,367
Short-term debt	¥ —	¥ 36	\$ —

7. Leases

(1) The amounts related to finance lease assets at March 31, 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Machinery and equipment:			
Acquisition costs	¥ 974	¥429	\$ 8,936
Accumulated depreciation	(280)	(96)	(2,569)
Book value	¥ 694	¥333	\$ 6,367
Future minimum lease payments:			
Due within one year	¥ 247	¥ 88	\$ 2,266
Due after one year	447	251	4,101
Total	¥ 694	¥339	\$ 6,367

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, 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Future minimum lease payments:			
Due within one year	¥1,333	¥ 917	\$12,229
Due after one year	2,795	1,736	25,642
Total	¥4,128	¥2,653	\$37,871

8. 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, 2020 and 2019 are summarized as follows:

Type of share	Number of shares (Thousands)			
	2020			
	April 1, 2019	Increase	Decrease	March 31, 2020
Common stock	90,067	—	—	90,067
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

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, 2020 and 2019 are summarized as follows:

Type of share	Number of shares (Thousands)			
	2020			
	April 1, 2019	Increase	Decrease	March 31, 2020
Common stock ¹	9,198	0	213	8,985
Type of share	Number of shares (Thousands)			
	2019			
	April 1, 2018	Increase	Decrease	March 31, 2019
Common stock ²	13,053	0	3,855	9,198

1. The decreases in the number of shares of treasury stock consist of 73 thousand shares due to sales of shares by the ESOP Trust supporting the employee shareholding association to the Company's employees shareholding association, and 140 thousand shares due to sales of shares from the ESOP Trust supporting the employee shareholding association to the market.

2. 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.

(3) Stock acquisition rights

Increase and decrease in stock acquisition rights for the years ended March 31, 2020 and 2019 are summarized as follows:

			2020					
			Number of shares (Thousands)			Millions of Yen	Thousands of U.S. Dollars (Note1)	
Company name	Breakdown	Type of share	April 1, 2019	Increase	Decrease	March 31, 2020	Ended balance	Ended balance
Fujitec Co., Ltd.	Stock acquisition rights as stock options resolved by Board of Directors' meeting on November 8, 2013	—	—	—	—	—	¥21	\$193
Fujitec Co., Ltd.	Stock acquisition rights as stock options resolved by Board of Directors' meeting on August 7, 2014	—	—	—	—	—	¥16	\$147
Fujitec Co., Ltd.	Stock acquisition rights as stock options resolved by Board of Directors' meeting on August 7, 2015	—	—	—	—	—	¥ 3	\$ 27
Total			—	—	—	—	¥40	\$367

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

(4) Dividends

(A) Dividends paid for the years ended March 31, 2020 and 2019 are as follows:

2020							
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 21, 2019 ¹	Common stock	¥2,027	\$18,596	¥25.00	\$0.23	March 31, 2019	June 24, 2019
Board of Directors' Meeting on November 8, 2019 ²	Common stock	¥1,621	\$14,872	¥20.00	\$0.18	September 30, 2019	December 2, 2019

1. Total dividends resolved at Annual Meeting of Shareholders on June 21, 2019 include dividends of ¥5 million (US\$46 thousand) on the Company's shares held by the ESOP Trust Supporting Employee Shareholding Association.

2. Total dividends resolved at Board of Directors' Meeting on November 8, 2019 include dividends of ¥2 million (US\$18 thousand) on the Company's shares held by the ESOP Trust Supporting Employee Shareholding Association.

2019					
Resolution	Type of share	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	¥1,621	¥20.00	March 31, 2018	June 25, 2018
Board of Directors' Meeting on November 9, 2018 ³	Common stock	¥1,621	¥20.00	September 30, 2018	December 3, 2018

1. Total dividends resolved at Annual Meeting of Shareholders on June 22, 2018 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 dividend of ¥5.

3. Total dividends resolved at Board of Directors' Meeting on November 9, 2018 include 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, 2020 and 2019, payable in the following fiscal year are as follows:

2020								
Resolution	Type of share	Resource of dividends	Total dividends		Dividends per share		Recorded date	Effective date
			Millions of Yen	Thousands of U.S. Dollars (Note 1)	Yen	U.S. Dollars (Note 1)		
Annual Meeting of Shareholders on June 23, 2020	Common stock	Retained earnings	¥2,432	\$22,312	¥30.00	\$0.28	March 31, 2020	June 24, 2020

2019							
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 21, 2019 ¹	Common stock	Retained earnings	¥2,027	¥25.00	March 31, 2019	June 24, 2019	

1. Total dividends include dividends of ¥5 million on the Company's shares held by the ESOP Trust Supporting Employee Shareholding Association.

9. 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, 2020 and 2019 (except adoption of the simplified accounting method)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Beginning balance of retirement benefit obligations	¥14,391	¥14,101	\$132,028
Service cost	1,183	939	10,853
Interest cost	68	37	624
Actuarial gains and losses	128	224	1,174
Retirement benefits paid	(860)	(905)	(7,890)
Other	1,052	(5)	9,651
End balance of retirement benefit obligations	¥15,962	¥14,391	\$146,440

(2) Changes to the balance of pension assets at the beginning and end of the period as of March 31, 2020 and 2019 (except adoption of the simplified accounting method)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Beginning balance of pension assets	¥12,206	¥12,063	\$111,981
Expected return on plan assets	244	241	2,239
Actuarial gains and losses	(550)	(48)	(5,046)
Employer contribution	507	502	4,651
Retirement benefits paid	(464)	(552)	(4,257)
End balance of pension assets	¥11,943	¥12,206	\$109,568

(3) Changes to the balance of net defined benefit liability at the beginning and end of the period as of March 31, 2020 and 2019 (only adoption of the simplified accounting method)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Beginning balance of net defined benefit liability	¥ 1,124	¥1,115	\$ 10,312
Retirement benefit expenses	33	185	303
Retirement benefits paid	(6)	(95)	(55)
Other	(1,093)	(81)	(10,028)
End balance of net defined benefit liability	¥ 58	¥1,124	\$ 532

(4) Changes to the balance of retirement benefit obligations and pension assets at the end of the period as of March 31, 2020 and 2019, 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)
	2020	2019	2020
Funded retirement benefit obligations	¥ 12,001	¥ 11,733	\$ 110,101
Pension assets	(11,943)	(12,206)	(109,568)
	58	(473)	533
Non-funded retirement benefit obligations	4,019	3,782	36,871
Net liabilities and assets recorded in the consolidated balance sheets	4,077	3,309	37,404
Net defined benefit liability	4,077	3,782	37,404
Net defined benefit asset	—	(473)	—
Net liabilities and assets recorded in the consolidated balance sheets	¥ 4,077	¥ 3,309	\$ 37,404

(5) Retirement benefit expenses and the breakdown of amounts

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Service cost	¥1,183	¥ 939	\$10,853
Interest cost	68	37	624
Expected return on plan assets	(244)	(241)	(2,239)
Amortization of actuarial gains and losses	154	259	1,413
Amortization of prior service costs	2	2	18
Retirement benefit expenses calculated by the simplified accounting method	33	186	303
Retirement benefit expenses under defined benefit plans	¥1,196	¥1,182	\$10,972

(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, 2020 and 2019 is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Prior service costs	¥ 2	¥ 2	\$ 18
Actuarial gains and losses	(597)	(13)	(5,477)
Total	¥(595)	¥ (11)	\$(5,459)

(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, 2020 and 2019 is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Unrecognized prior service costs	¥ 2	¥ 5	\$ 18
Unrecognized actuarial gains and losses	1,964	1,366	18,018
Total	¥1,966	¥1,371	\$18,036

(8) Items related to pension assets

(A) Breakdown of main items

Ratio for each main classification for total pension assets

	2020	2019
Bonds	60%	52%
Equity securities	17	26
General accounts	10	10
Other	13	12
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, 2020 and 2019 is as follows:

	2020	2019
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 year ended March 31, 2020 and 2019 are ¥94 million (US\$862 thousand) and ¥90 million, respectively.

10. Research and Development Costs

Research and development costs included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2020 and 2019 are ¥2,208 million (US\$20,257 thousand) and ¥2,425 million, respectively.

11. Provision for Losses on Construction Contracts

Provision for losses on construction contracts included in cost of sales for the years ended March 31, 2020 and 2019 are ¥7,355 million (US\$67,477 thousand) and ¥6,128 million, respectively.

12. Selling, General and Administrative Expenses

Primary selling, general and administrative expenses for the years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Salaries and allowances	¥9,601	¥9,629	\$88,083
Provision for bonuses	1,393	1,310	12,780
Provision for directors' bonuses	88	82	807
Retirement benefit expenses	539	539	4,945
Provision of allowance for doubtful accounts	392	176	3,596

13. 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, 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Machinery and equipment	¥ 3	¥22	\$ 27
Tools, furniture and fixtures	0	1	0
Land	176	—	1,615
Leased assets	11	—	101
Total	¥190	¥23	\$1,743

(2) Details of loss on sales of property, plant and equipment for the years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Machinery and equipment	¥2	¥1	\$18
Tools, furniture and fixtures	1	0	9
Leased assets	4	—	37
Intangible assets	—	0	—
Total	¥7	¥1	\$64

(3) Details of loss on disposal of property, plant and equipment for the years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Buildings and structures	¥15	¥ 68	\$138
Machinery and equipment	18	13	165
Tools, furniture and fixtures	15	12	138
Leased assets	42	—	385
Construction in progress	—	2	—
Intangible assets	—	26	—
Total	¥90	¥121	\$826

14. 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, 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Cash and deposits	¥ 57,024	¥ 52,244	\$ 523,156
Time deposits with original maturities exceeding three months	(28,843)	(26,342)	(264,615)
Cash and cash equivalents	¥ 28,181	¥ 25,902	\$ 258,541

15. 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 East Asia (China, Hong Kong, Taiwan and Korea), South Asia (mainly Singapore) and North America & Europe (U.S.A., Canada and United Kingdom). 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 four reporting segments: Japan, East Asia, South Asia and North America & Europe.

Beginning with the current consolidated fiscal year ended, the Company has integrated North America and Europe as a single reportable segment and changed the corresponding presentation method due to the decrease in quantitative importance of Europe as a segment. The segment information for the consolidated fiscal year ended March 31, 2019 was reclassified to reflect this new segment classification for presentation herein.

(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, 2020 and 2019 is summarized as follows:

	Millions of Yen						
	2020						
	Reporting Segment					Reconciliations	Consolidated
Japan	East Asia	South Asia	North America & Europe	Total			
Sales to customers	¥72,583	¥66,867	¥16,380	¥25,402	¥181,232	¥ —	¥181,232
Intersegment sales	2,168	7,882	0	41	10,091	(10,091)	—
Total sales	74,751	74,749	16,380	25,443	191,323	(10,091)	181,232
Segment expenses	69,859	69,451	14,245	24,398	177,953	(10,096)	167,857
Segment income	4,892	5,298	2,135	1,045	13,370	5	13,375
Segment assets	87,064	94,606	20,908	13,985	216,563	(22,982)	193,581
Other items:							
Depreciation and amortization	1,866	876	231	158	3,131	—	3,131
Amortization of goodwill	—	—	—	95	95	—	95
Increase in property, plant and equipment and intangible assets	2,392	468	457	209	3,526	—	3,526

	Millions of Yen						
	2019						
	Reporting Segment					Reconciliations	Consolidated
Japan	East Asia	South Asia	North America & Europe	Total			
Sales to customers	¥69,431	¥60,801	¥16,554	¥23,973	¥170,759	¥ —	¥170,759
Intersegment sales	3,054	8,507	18	73	11,652	(11,652)	—
Total sales	72,485	69,308	16,572	24,046	182,411	(11,652)	170,759
Segment expenses	67,279	67,038	14,721	23,153	172,191	(11,745)	160,446
Segment income	5,206	2,270	1,851	893	10,220	93	10,313
Segment assets	85,431	90,652	18,198	12,155	206,436	(21,746)	184,690
Other items:							
Depreciation and amortization	1,775	947	142	191	3,055	—	3,055
Amortization of goodwill	—	—	—	97	97	—	97
Increase in property, plant and equipment and intangible assets	2,160	577	304	51	3,092	—	3,092

	Thousands of U.S. Dollars (Note 1)						
	2020						
	Reporting Segment					Reconciliations	Consolidated
Japan	East Asia	South Asia	North America & Europe	Total			
Sales to customers	\$665,899	\$613,459	\$150,275	\$233,046	\$1,662,679	\$ —	\$1,662,679
Intersegment sales	19,890	72,312	0	376	92,578	(92,578)	—
Total sales	685,789	685,771	150,275	233,422	1,755,257	(92,578)	1,662,679
Segment expenses	640,909	637,165	130,688	223,835	1,632,597	(92,624)	1,539,973
Segment income	44,880	48,606	19,587	9,587	122,660	46	122,706
Segment assets	798,752	867,945	191,816	128,303	1,986,816	(210,844)	1,775,972
Other items:							
Depreciation and amortization	17,119	8,037	2,119	1,450	28,725	—	28,725
Amortization of goodwill	—	—	—	872	872	—	872
Increase in property, plant and equipment and intangible assets	21,945	4,294	4,193	1,917	32,349	—	32,349

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

- a) Reconciliations of segment income for the years ended March 31, 2020 and 2019 were ¥5 million (US\$46 thousand) and ¥93 million, respectively, consisting of intersegment transaction eliminations of minus ¥0 million (minus US\$0 thousand) and ¥0 million, and adjustment of inventories of ¥5 million (US\$46 thousand) and ¥93 million, respectively.
- b) Reconciliations of segment assets for the years ended March 31, 2020 and 2019 were minus ¥22,982 million (minus US\$210,844 thousand) and minus ¥21,746 million, respectively, consisting of intersegment transaction eliminations of minus ¥22,855 million (minus US\$209,679 thousand) and minus ¥21,613 million, and adjustment of inventories of minus ¥127 million (minus US\$1,165 thousand) and minus ¥133 million, respectively.
- (2) Segment income 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				
	2020				
	Japan	East Asia	South Asia	The Americas & Others	Total
Sales to customers	¥72,520	¥64,160	¥17,291	¥27,261	¥181,232

	Millions of Yen				
	2019				
	Japan	East Asia	South Asia	The Americas & Others	Total
Sales to customers	¥69,050	¥56,614	¥17,715	¥27,380	¥170,759

	Thousands of U.S. Dollars (Note 1)				
	2020				
	Japan	East Asia	South Asia	The Americas & Others	Total
Sales to customers	\$665,321	\$588,624	\$158,633	\$250,101	\$1,662,679

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

***Change in presentation**

"Others" which was presented separately in the previous consolidated fiscal year, has been reclassified to "The Americas & Others" in the current consolidated fiscal year due to its decreased significance. Consequently, "The Americas" of ¥24,714 million and "Others" of ¥2,666 million in the previous consolidated fiscal year have been reclassified to "The Americas & Others" of ¥27,380 million.

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

	Millions of Yen				
	2020				
	Japan	East Asia	South Asia	North America & Europe	Total
Property, plant and equipment	¥23,719	¥8,524	¥1,354	¥591	¥34,188

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

	Thousands of U.S. Dollars (Note 1)				
	2020				
	Japan	East Asia	South Asia	North America & Europe	Total
Property, plant and equipment	\$217,605	\$78,202	\$12,422	\$5,422	\$313,651

***Change in presentation**

"Europe" which was presented separately in the previous consolidated fiscal year, has been reclassified to "North America & Europe" in the current consolidated fiscal year due to its decreased significance. Consequently, "North America" of ¥525 million and "Europe" of ¥0 million in the previous consolidated fiscal year have been reclassified to "North America & Europe" of ¥525 million.

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

Millions of Yen							
2020							
Reporting Segment							
	Japan	East Asia	South Asia	North America & Europe	Total	Reconciliations	Consolidated
Goodwill	¥—	¥—	¥—	¥116	¥116	¥—	¥116

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

Thousands of U.S. Dollars (Note 1)							
2020							
Reporting Segment							
	Japan	East Asia	South Asia	North America & Europe	Total	Reconciliations	Consolidated
Goodwill	\$—	\$—	\$—	\$1,064	\$1,064	\$—	\$1,064

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

***Change in presentation**

"Europe" which was presented separately in the previous consolidated fiscal year, has been reclassified to "North America & Europe" in the current consolidated fiscal year due to its decreased significance. Consequently, "North America" of ¥213 million and "Europe" of none in the previous consolidated fiscal year have been reclassified to "North America & Europe" of ¥213 million.

16. 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 which the Company has a business relationship and are exposed to 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 17 for details of fair value for derivatives.

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

Millions of Yen						
	2020			2019		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Assets:						
Cash and deposits	¥ 57,024	¥ 57,024	¥ —	¥ 52,244	¥ 52,244	¥ —
Notes and accounts receivable-trade (Before less allowance for doubtful accounts)	61,626	59,812	(1,814)	54,681	52,734	(1,947)
Investment securities	6,344	6,344	—	7,528	7,528	—
Long-term loans receivable	1	1	(0)	3	3	(0)
Total	¥124,995	¥123,181	¥(1,814)	¥114,456	¥112,509	¥(1,947)
Liabilities:						
Notes and accounts payable-trade	¥ 14,939	¥ 14,939	¥ —	¥ 16,011	¥ 16,011	¥ —
Electronically recorded obligations-operating	5,374	5,374	—	5,386	5,386	—
Short-term debt	3,990	3,990	—	3,299	3,299	—
Long-term debt ¹	217	217	—	478	470	(8)
Lease obligations	694	687	(7)	339	337	(1)
Total	¥ 25,214	¥ 25,207	¥ (7)	¥ 25,513	¥ 25,503	¥ (9)
Derivatives²:						
Derivatives without hedge accounting	¥ 9	¥ 9	¥ —	¥ 31	¥ 31	¥ —
Derivatives with hedge accounting	(19)	(19)	—	(1)	(1)	—
Total	¥ (10)	¥ (10)	¥ —	¥ 30	¥ 30	¥ —

Thousands of U.S. Dollars (Note 1)			
2020			
	Carrying amount	Fair value	Difference
Assets:			
Cash and deposits	\$ 523,156	\$ 523,156	\$ —
Notes and accounts receivable-trade (Before less allowance for doubtful accounts)	565,376	548,734	(16,642)
Investment securities	58,202	58,202	—
Long-term loans receivable	9	9	(0)
Total	\$1,146,743	\$1,130,101	\$(16,642)
Liabilities:			
Notes and accounts payable-trade	\$ 137,054	\$ 137,054	\$ —
Electronically recorded obligations-operating	49,303	49,303	—
Short-term debt	36,605	36,605	—
Long-term debt ¹	1,991	1,991	—
Lease obligations	6,367	6,303	(64)
Total	\$ 231,320	\$ 231,256	\$ (64)
Derivatives²:			
Derivatives without hedge accounting	\$ 83	\$ 83	\$ —
Derivatives with hedge accounting	(174)	(174)	—
Total	\$ (91)	\$ (91)	\$ —

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.

Change in presentation

"Lease obligations" are newly included in the note from the current consolidated fiscal year due to its increased significance. The items in the previous consolidated fiscal year are set to reflect this change in the presentation.

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) Notes and accounts receivable-trade:
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) Notes and accounts payable-trade, electronically recorded obligations-operating 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. The carrying values approximate fair value, because all amounts at March 31, 2020 are portions due within one year.
- 3) Lease obligation:
The fair value is determined by discounting the cash flows related to the transaction at an assumed rate based on its maturity and credit risk.
- 4) Derivatives:
The information on the fair value for derivatives is included in Note 17.

(2) Financial instruments whose fair value cannot be reliably determined at March 31, 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Investment securities:			
Unlisted stocks	¥113	¥ 113	\$1,037
Investment in unconsolidated subsidiaries and affiliates	¥715	¥1,155	\$6,560

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, 2020 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	¥ 57,024	¥ —	¥ —
Notes and accounts receivable-trade	57,685	3,235	706
Long-term loans receivable	0	1	—
Total	¥114,709	¥3,236	¥706

	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	\$ 523,156	\$ —	\$ —
Notes and accounts receivable-trade	529,220	29,679	6,477
Long-term loans receivable	0	9	—
Total	\$1,052,376	\$29,688	\$6,477

Note: Annual maturities of long-term debt are included in Notes 6 and 7.

(4) A maturity analysis for short-term debt, long-term debt and leased obligations at March 31, 2020 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
Short-term debt	¥3,990	¥ —	¥—
Long-term debt	217	—	—
Lease obligations	247	420	27
Total	¥4,454	¥420	¥27

	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
Short-term debt	\$36,605	\$ —	\$ —
Long-term debt	1,991	—	—
Lease obligations	2,266	3,853	248
Total	\$40,862	\$3,853	\$248

Note: Annual maturities of long-term debt are included in Notes 6 and 7.

17. Derivative Financial Instruments

(1) Derivative transactions, to which hedge accounting is not applied, at March 31, 2020 and 2019 are as follows:

	Millions of Yen							
	2020				2019			
	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	¥1,581	¥272	¥9	¥9	¥5,105	¥1,318	¥31	¥31
Total	¥1,581	¥272	¥9	¥9	¥5,105	¥1,318	¥31	¥31

	Thousands of U.S. Dollars (Note 1)			
	2020			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Foreign currency forward contracts:				
Buying				
U.S. dollars	\$14,505	\$2,495	\$83	\$83
Total	\$14,505	\$2,495	\$83	\$83

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, 2020 and 2019 are as follows:

	Millions of Yen					
	2020			2019		
	Contract amount	Due after one year	Fair value	Contract amount	Due after one year	Fair value
Foreign currency forward contracts:						
Buying						
U.S. dollars	¥ 519	¥121	¥ (7)	¥ 627	¥ —	¥ 4
Chinese yuan	1,646	105	(12)	400	63	(5)
Total	¥2,165	¥226	¥(19)	¥1,027	¥63	¥(1)
	Thousands of U.S. Dollars (Note1)					
	2020					
	Contract amount	Due after one year	Fair value			
Foreign currency forward contracts:						
Buying						
U.S. dollars	\$ 4,761	\$1,110	\$ (64)			
Chinese yuan	15,101	963	(110)			
Total	\$19,862	\$2,073	\$(174)			

18. 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, 2020 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, 2019	Granted	Lapsed	Vested	Unvested	At the end of March 31, 2019	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, 2019	Granted	Lapsed	Vested	Unvested	At the end of March 31, 2019	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, 2019	Granted	Lapsed	Vested	Unvested	At the end of March 31, 2019	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	—	¥1,016

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

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

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

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

(2) Evaluation method of fair value per unit of stock options for the year ended March 31, 2020

Not applicable

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

All of the stock acquisition rights are vested when granted.

19. Related Party Transactions

Related party transactions of the Company for the year ended March 31, 2020 and 2019 are summarized as follows:

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	2020			Balance at year ended			
								Amount of transaction ¹			Accounts		Millions of Yen	
								Millions of Yen	Thousands of U.S. Dollars (Note 1)		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	\$ 46	Lease deposits	¥ 1	\$ 9		
	Sunto Co., Ltd. ⁴	Kita-ku, Osaka	¥10	Real estate leasing, buying and selling investment and operation for securities	Direct 1.31%	Real estate leasing	Building leasing ⁵	¥ 48	\$ 440	Lease deposits	¥45	\$413		
								2019			Balance at year ended			
								Amount of transaction ¹			Accounts			
								Millions of Yen			Millions of Yen			
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		Lease deposits	¥ 1			
	Takanawa FT Investment Limited Liability Company ³	Chuo-ku, Tokyo	¥ 2	Real estate leasing and management	—	Real estate leasing	Building leasing ⁵	¥161		—	—			
	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		Lease deposits	¥45			

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

2. President and chief executive officer, Takakazu Uchiyama and his relative directly hold 100% of the voting rights of Uchiyama International, Limited.

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

20. Per Share Information

Net assets per share, net income per share and diluted net income per share for the year ended March 31, 2020 and 2019 are as follows;

	Yen		U.S. Dollars (Note 1)
	2020	2019	2020
Net assets per share	¥1,318.59	¥1,271.28	\$12.10
Net income per share	122.46	114.14	1.12
Diluted net income per share	122.40	114.07	1.12

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 zero and 213,500 shares for the years ended March, 31, 2020 and 2019, respectively. The average number of treasury stock during the year, which are deducted for the purpose of calculation of the net income per share, are 104,399 shares and 282,680 shares for the years ended March 31, 2020 and 2019, respectively.

2. The basis for the calculation of net income per share and diluted net income per share for the years ended March 31, 2020 and 2019 is as follows;

(A) Net income per share

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Profit attributable to owners of parent	¥9,916	¥9,220	\$90,972
Amount not attributable to holder of common stock	—	—	—
Profit attributable to owners of parent for common stock	9,916	9,220	90,972

	Thousand shares	
	2020	2019
Average number of common stock issued and outstanding during the year	80,977	80,782

(B) Diluted net income per share

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Profit attributable to owners of parent adjustment	¥—	¥—	\$—

	Thousand shares	
	2020	2019
Increase of common stock	44	50
Of which: stock acquisition rights	44	50

3. The basis for the calculation of net assets per share for the years ended March 31, 2020 and 2019 is as follows;

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Total net assets	¥118,714	¥113,923	\$1,089,119
Amount deducted from total net assets	11,800	11,116	108,257
Of which: stock acquisition rights	40	40	367
Of which: non-controlling interests	11,760	11,076	107,890
Total net assets for common stock	¥106,914	¥102,807	\$ 980,862

	Thousand shares	
	2020	2019
Number of common stock issued and outstanding at the end of fiscal year for the purpose of calculation of net assets per share	81,081	80,868

21. Quarterly Information

Quarterly information for the year ended March 31, 2020 is as follows:

(1) Cumulative period

	Millions of Yen			
	2020			
	1st quarter	2nd quarter	3rd quarter	Year ended
Net sales	¥39,169	¥85,859	¥134,463	¥181,232
Profit before income taxes	2,348	6,989	11,131	14,493
Profit attributable to owners of parent	1,707	4,587	7,297	9,916
Net income per share (Yen)	21.11	56.71	90.16	122.46

	Thousands of U.S. Dollars (Note 1)			
	2020			
	1st quarter	2nd quarter	3rd quarter	Year ended
Net sales	\$359,349	\$787,697	\$1,233,606	\$1,662,679
Profit before income taxes	21,541	64,119	102,119	132,963
Profit attributable to owners of parent	15,661	42,083	66,945	90,972
Net income per share (U.S. Dollars)	0.19	0.52	0.83	1.12

(2) Quarterly period

	Yen			
	2020			
	1st quarter	2nd quarter	3rd quarter	4th quarter
Net income per share	¥21.11	¥35.60	¥33.44	¥32.30

	U.S. Dollars (Note 1)			
	2020			
	1st quarter	2nd quarter	3rd quarter	4th quarter
Net income per share	\$0.19	\$0.33	\$0.31	\$0.30

22. Subsequent Event

Introduction of "Trust-Type Employee Shareholding Incentive Plan" and Disposition of Treasury Stock via Third-Party Allotment of Shares

The Company has resolved at a meeting of its Board of Directors held on November 6, 2020, to introduce the E-Ship® Trust-Type Employee Shareholding Incentive Plan ("Plan"). The purpose of this plan is to incentivize employees to raise corporate value over the medium and long term, to expand employee welfare benefits, and to encourage steady company growth by motivating employees through equity participation.

With the introduction of the Plan, the Company has resolved at a meeting of its Board of Directors held on November 6, 2020, to conduct a disposition of treasury stock via third-party allotment ("Disposition").

(1) Overview of the Plan

The Plan will be available to all employees who participate in the Fujitec Employee Shareholding Association ("Shareholding Association"). Under the shareholding incentive plan, the Company will establish the Fujitec Employee Shareholding Association Trust ("Trust") within a trust bank. The Trust will

acquire company stock that the Shareholding Association is expected to acquire over the next five years via third party allotment, leveraging borrowings from the Company's transaction financial institutions as the source of funds. Thereafter, the Trust will sell the company shares in question to the Shareholding Association on an ongoing. If, upon the

conclusion of the trust, the Trust has accumulated an amount equivalent to a gain on sale of stock, such amount equivalent to said gain shall be distributed as residual assets to those persons meeting requirements as beneficiaries. The Company will guarantee the loans used to acquire Company shares by the Trust. Therefore, if the Trust accumulates an amount equivalent to a loss on sale of stock and the Trust has accumulated a debt balance equivalent to such loss on the sale of Company stock at the conclusion of the Trust, the Company will repay the remaining debt in question.

(2) Overview of the Trust

- a) Name
Fujitec Employee Shareholding Association Trust
- b) Trustor
Fujitec Co., Ltd.
- c) Trustee
The Nomura Trust and Banking Co., Ltd.
- d) Beneficiaries
Employees who meet beneficiary eligibility criteria (certain procedures required once eligibility as beneficiary has been confirmed)
- e) Date of trust contract
November 9, 2020
- f) Trust period
November 9, 2020 to November 27, 2025
- g) Purpose of trust
To ensure the stable and continued provision of shares to the Shareholding Association and the distribution of trust assets to persons who meet beneficiary eligibility criteria
- h) Beneficiary eligibility requirements
To eligible, a beneficiary must be living on the date when procedures for confirming eligibility begin (including the date on which the trust period ends and all trust assets have been converted to cash, the date on which all Company stock held as trust assets have been sold to the Shareholding Association, etc.), and further, be a member of the Shareholding Association (including former members who withdrew membership due to mandatory retirement, promotion to Company director, etc. after the date of the signing of the trust contract and prior to the date on which procedures for confirming beneficiary eligibility began).

(3) Summary of Disposition

- a) Date of disposition
December 2, 2020
- b) Number of shares to be disposed
415,300 shares
- c) Disposition price
2,239 yen per share
- d) Total disposition amount
929,856,700 yen
- e) Subscriber
The Nomura Trust and Banking Co., Ltd. (Fujitec Employee Shareholding Association Trust)
- f) Other
The Disposition is conditional upon the effect of a filing submitted under the Financial Instruments and Exchange Act.

Cancellation of treasury stock

The Company resolved at its Board of Directors' Meeting on December 4, 2020 to cancel a portion of its treasury stock pursuant to Article 178 of the Companies Act of Japan and executed the cancellation.

Details are as follows:

- (1) Reason for cancellation
Strengthen shareholder returns and improve capital efficiency
- (2) Type of stock to be cancelled
Shares of common stock
- (3) Number of shares to be cancelled
4,767,000 shares (5.29% of the total issued shares before cancellation)
- (4) Date of cancellation
December 11, 2020
- (5) Total number of issued shares after the cancellation
85,300,000 shares
- (6) Total number of treasury stocks after the cancellation
3,796,889 shares



INDEPENDENT AUDITOR'S REPORT

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

Grant Thornton Taiyo LLC
Umeda Center Bldg. 25F,
2-4-12 Nakazakinishi, Kita-ku,
Osaka, 530-0015, Japan
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Opinion

We have audited the consolidated financial statements of Fujitec Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the Consolidated Balance Sheets as at March 31, 2020, and the Consolidated Statements of Income, Comprehensive Income, Changes in Net Assets and Cash Flows for the year then ended, and Notes to Consolidated Financial Statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Grant Thornton Taiyo LLC is a member firm of Grant Thornton International Ltd ("GTIL"). GTIL and the member firms are not a worldwide partnership. Services are delivered independently by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Responsibilities of Management, Audit & Supervisory Board Members and Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process..

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide Audit & Supervisory Board Members and Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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Grant Thornton Taiyo LLC

Grant Thornton Taiyo LLC

Osaka, Japan

23, December, 2020

Global (20 Countries and 3 Regions)

Consolidated subsidiaries: 18

Manufacturing bases: 10

Japan

Head Office and bases: 4

Divisions and offices: 5

Branch offices: 14

Japan

●● Head Office Big Wing (Hikone City, Shiga)

Elevator development and manufacturing base

● Tokyo Head Office (Minato-ku, Tokyo)

● Big Fit (Ibaraki City, Osaka)

After-sales services base

●● Big Step (Toyooka City, Hyogo)

Escalator development and manufacturing base

Divisions/Offices

● North Japan Regional Office (Sapporo City, Hokkaido)

● Tokyo Metropolitan Area Control HQ (Minato-ku, Tokyo)

● Chubu Regional Office (Nagoya City, Aichi)

● Osaka Metropolitan Area Control HQ (Ibaraki City, Osaka)

● West Japan Regional Office (Fukuoka City, Fukuoka)

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

East Asia

●● Fujitec (HK) Co., Ltd. (Hong Kong)

●● Fujitec Taiwan Co., Ltd. (Taiwan)

●● Fujitec Korea Co., Ltd. (South Korea)

●● Huasheng Fujitec Elevator Co., Ltd. (China)

● Shanghai Huasheng Fujitec Escalator Co., Ltd. (China)

● Fujitec Shanghai Sourcing Center Co., Ltd. (China)

● Shanghai Tecky Trading Co., Ltd. (China)

● Fujitec Shanghai Technologies Co., Ltd. (China)

South Asia

● Fujitec Singapore Corpn. Ltd. (Singapore)

● FSP Pte. Ltd. (Singapore)

● Fujitec, Inc. (Philippines)

● Fujitec (Malaysia) Sdn. Bhd. (Malaysia)

● P.T. Fujitec Indonesia (Indonesia)

● Fujitec Vietnam Co., Ltd. (Vietnam)

●● Fujitec India Private Ltd. (India)

● Fujitec (Thailand) Co., Ltd. (Thailand)

● Fujitec Lanka (Private) Ltd. (Sri Lanka)

● Fujitec Myanmar Co., Ltd. (Myanmar)

The Americas, Europe and Middle East

●● Fujitec America, Inc. (U.S.A.)

● Fujitec Canada, Inc. (Canada)

● Fujitec Venezuela C.A. (Venezuela)

● Fujitec Argentina S.A. (Argentina)

● Fujitec Uruguay S.A. (Uruguay)

● Fujitec Pacific, Inc. (Guam)

● Fujitec UK Ltd. (U.K.)

● Fujitec Saudi Arabia Co., Ltd. (Saudi Arabia)

● Fujitec Egypt Co., Ltd. (Egypt)

Company Data

Company Name	Fujitec Co., Ltd.	Total Number of Authorized Shares (Common Stock)	300,000,000 shares
Date of Establishment	February 9, 1948	Total Number of Issued Shares (Common Stock)	90,067,000 shares
Representative	Takakazu Uchiyama	Number of Shareholders	3,424
Paid-in Capital	¥12,533,933,095	Stock Exchange Listing	First Section, Tokyo Stock Exchange (Ticker Code: 6406)
Line of Business	Research and development, sale, manufacture, installation, maintenance and modernization of elevators, escalators, moving walkways, new transportation systems, etc.	Annual Meeting of Shareholders	Held in June each year at 591-1, Miyata-cho, Hikone, Shiga, Japan
Location	Head Office (Big Wing): 591-1, Miyata-cho, Hikone, Shiga, Japan Tokyo Head Office: 1-17-3 Shirokane, Minato-ku, Tokyo	Auditor	Grant Thornton Taiyo LLC
Consolidated Subsidiaries	18	Transfer Agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
Number of Employees	10,292 (Japan: 3,040, Overseas: 7,252)	Business Office	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department 4-5-33, Kitahama, Chuo-ku, Osaka, Japan

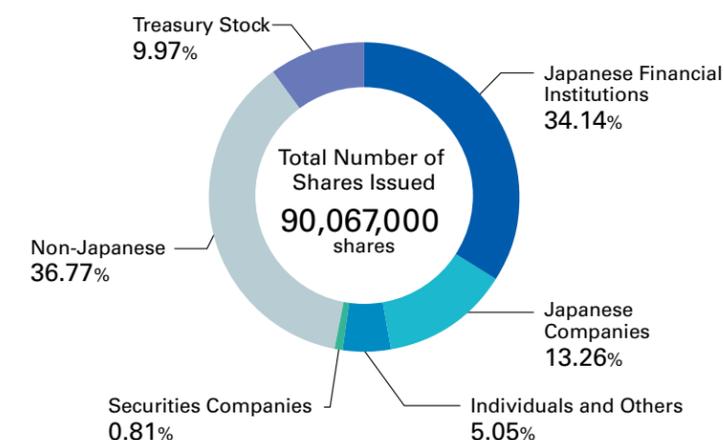
Major Shareholders

	Number of Shares Held (Hundreds)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	64,567	7.96
Uchiyama International, Limited	50,439	6.22
Resona Bank, Limited	40,516	5.00
JP Morgan Bank Luxembourg SA 381572	37,811	4.66
Custody Bank of Japan, Ltd. (Trust Account 4)	32,511	4.01
Custody Bank of Japan, Ltd. (Trust Account)	28,601	3.53
JP Morgan Chase Bank 385632	23,768	2.93
SSBTC CLIENT OMNIBUS ACCOUNT	22,502	2.78
JP Morgan Chase Bank 380055	21,175	2.61
Mizuho Bank, Ltd.	19,892	2.45

1. The shareholding ratios are calculated based on 81,087,811 shares, being the total number of issued shares as of September 30, 2020 (90,067,000 shares) minus the number of treasury shares (8,979,189 shares) on the same date.

2. Fujitec Co., Ltd. holds 8,979,189 shares of treasury stock but is excluded from the above list.

Distribution of Shareholders



FUJITEC