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August 5, 2022

Consolidated Business Results for the First Quarter Ended June 30, 2022 (Japan GAAP)

Company: **FUJITEC CO., LTD.**

Listed on TSE

Stock Code: 6406

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Expected date of filing of quarterly report: August 10, 2022

Expected starting date of dividend payment: —

Supplementary materials for the quarterly business results: Yes

Presentation of the quarterly business results: No

(Amounts less than one million yen are rounded down)

1. Consolidated business results for the first quarter ended June 30, 2022 (April 1, 2022 to June 30, 2022)

(1) Operating results (cumulative) (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended								
June 30, 2022	41,705	5.2	2,155	(44.3)	2,991	(29.7)	2,845	(14.7)
June 30, 2021	39,656	16.3	3,870	169.1	4,253	143.6	3,337	157.9

(Note) Comprehensive income — June 30, 2022: 12,936 million yen [45.7%], June 30 2021: 8,881 million yen [— %]

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
June 30, 2022	35.50	35.48
June 30, 2021	41.13	41.11

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
June 30, 2022	234,260	146,088	55.5
March 31, 2022	220,609	140,482	56.9

(Reference) Shareholders' equity — June 30, 2022: 130,005 million yen, March 31, 2022: 125,482 million yen

2. Cash dividends

	Cash dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
For the year ended March 31, 2022	—	25.00	—	45.00	70.00
For the year ending March 31, 2023	—				
March 31, 2023 (forecast)		35.00		40.00	75.00

(Note) Revision to the dividend forecasts from the latest announcement: No

Cash dividends for March 31, 2023 (forecast): Regular dividend:35.00 yen

Commemorative dividend:5.00 yen

3. Forecasts of consolidated business performance for the fiscal year ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
For the year ending March 31, 2023	200,000	6.9	14,700	6.7	15,600	(0.7)	10,200	(5.9)	128.42

(Note) Revision to the business performance forecasts from the latest announcement: No

4. Other

(1) Changes in significant subsidiaries during the period

(changes in specified subsidiaries due to changes in the scope of consolidation): No

(2) Application of specific accounting procedures for quarterly financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

1) Changes in accounting policies due to revision of accounting standards: No

2) Changes other than 1), above: No

3) Changes in accounting estimates: No

4) Retrospective restatements: No

(4) Number of shares outstanding (common stock)

1) Number of shares outstanding at the end of period (including treasury stock):	Three months ended June 30, 2022: 82,400,000 shares	Year ended March 31, 2022: 82,400,000 shares
2) Treasury stock at the end of period:	Three months ended June 30, 2022: 2,975,135 shares	Year ended March 31, 2022: 1,434,800 shares
3) Weighted average number of shares outstanding during the period:	Three months ended June 30, 2022: 80,172,054 shares	Three months ended June 30, 2021: 81,151,474 shares

(Note) Treasury stock as of the end of fiscal year ended March 31, 2022 and as of the three months ended June 30, 2022 includes shares of Fujitec Co., Ltd. stock held by the Trust-Type Employee Shareholding Incentive Plan (E-Ship).

Three months ended June 30, 2022: 172,600 shares, Year ended March 31, 2022: 197,500 shares

* This summary is not subject to audit procedures by certified public accountants or audit firms

* Explanation regarding appropriate use of business forecasts and other special instructions

The forecasts regarding future performance in this report are based on the information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared. These forecasts are not a guarantee of performance. Actual results may differ significantly from forecasts due to a variety of factors.

For more on business forecasts, see *Explanation of Consolidated Earnings Forecasts and Other Forecasts* on P.4 of *Consolidated Business Results for the First Quarter (Accompanying Materials)*.

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1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Operating Results

During the three months ended June 30, 2022, COVID-19 infections trended downward across the world, while China imposed severe activity restrictions in Shanghai beginning in late March due to the spread of the Omicron variant. These lockdowns disrupted the global supply chain. In Japan, prices for raw materials soared and business confidence declined, particularly in the manufacturing sector, due to the activity restrictions in China. In addition, the effects of ongoing inflation and tight monetary policies around the world raised uncertainties about the future of the economy.

In response to these circumstances, the Fujitec Group continues with measures against infectious diseases, and we are implementing our three-year medium-term management plan *Vision24*, which we began in fiscal 2022. Under our sales strategy, we expanded sales in the domestic market through an enhanced product lineup to meet the needs of the new normal, including our *AirTap* line. In the global market, we implemented region-specific sales strategies. Under our product and technology strategy, we developed and introduced strategic models in line with the market maturity in each country. We also pursued other initiatives to enhance market competitiveness. Under our production and operations strategy, we reduced production costs through global procurement. In addition, we established a dedicated organization to improve installation efficiency dramatically in the field through installation process reforms. Further, we reduced installation costs by developing innovative installation methods and by improving installation skills. We bolstered our global production base by expanding production capacity at facilities in our elevator factory in Taiwan. Under our corporate strategy, we pursued aggressive investment plans (capital investment, M&A) toward a growth phase for our company. In terms of capital policy, we repurchased company shares to improve capital efficiency. We continued our ESG-related work by improving the effectiveness and transparency of the board of directors to strengthen governance. We developed a sustainability promotion system, including TCFD-compliant information disclosures, to contribute to the creation of sustainable societies.

As a result, the Fujitec Group recorded business performance for the three months ended June 30, 2022 as described below.

(Amounts less than one million yen are rounded down)

	FY2021 Q1 (April 1 - June 30, 2021)	FY2022 Q1 (April 1 - June 30, 2022)	Change (%)	Real change, after excluding the impact of foreign exchange (%)
Orders	47,544	51,567	8.5	—
Japan	21,420	20,875	(2.5)	—
Overseas	26,124	30,691	17.5	5.7
Order backlog	217,045	244,176	12.5	—
Japan	73,669	78,419	6.4	—
Overseas	143,376	165,756	15.6	2.5
Net sales	39,656	41,705	5.2	—
Japan	16,214	15,296	(5.7)	—
Overseas	23,441	26,408	12.7	1.2
Operating income	3,870	2,155	(44.3)	—
Ordinary income	4,253	2,991	(29.7)	—
Profit attributable to owners of parent	3,337	2,845	(14.7)	—
Net income per share	41.13 yen	35.50 yen	—	—

Domestic orders for new installations decreased, partly due to a reactionary decline from the large project orders received in the same quarter of the previous year. Modernization projects, which involve the replacement of existing elevators and escalators, increased year on year owing to an expansion in our product lineup. The expanded lineup includes a *New Lifestyle Package*, which is compatible with our touchless button technology (*AirTap*). Our maintenance business, which provides maintenance for elevators and escalators, experienced strong performance for the quarter.

Overseas orders for new installations in East Asia decreased in China, while modernization projects increased in Hong Kong. In Taiwan, orders for new installations rose year on year. In South Asia, performance in new installations and in our modernization projects decreased, while new installations increased in India and Malaysia. In the Americas and Europe, we saw an increase for new installations in the U.S. and an increase for modernization projects in the U.K.

We recorded higher sales and lower operating income year on year for the consolidated first quarter. Although net sales increased in South Asia and in the Americas and Europe, operating income decreased in Japan and East Asia. Ordinary income and profit before income taxes were lower, despite an increase in foreign exchange gains due to the weaker yen.

As a result, profit attributable to owners of parent decreased year on year.

The following information highlights performance by segment:

Effective as of the current consolidated first quarter, Fujitec Argentina S.A. is included in the scope of consolidation. Further, we changed the name of the reporting segment known previously *North America and Europe* to *The Americas and Europe*. The same period of the previous year is also listed under the segment name after the change.

(Amounts less than one million yen are rounded down)

	Net sales				Operating income (loss)			
	FY2021 Q1	FY2022 Q1	Change (%)	Real change, after excluding the impact of foreign exchange (%)	FY2021 Q1	FY2022 Q1	Change	Real change, after excluding the impact of foreign exchange
Japan	16,964	15,923	(6.1)	—	1,024	(61)	(1,085)	—
East Asia	14,677	14,966	2.0	(10.9)	1,453	542	(910)	(919)
South Asia	4,354	5,376	23.5	13.0	1,126	1,338	211	88
The Americas and Europe	6,091	8,174	34.2	23.7	306	330	23	2
Subtotal	42,088	44,441	5.6	—	3,909	2,149	(1,760)	—
Adjustments	(2,432)	(2,736)	—	—	(39)	6	46	—
Total	39,656	41,705	5.2	—	3,870	2,155	(1,714)	—

Japan

Both sales and profits decreased year on year. Net sales decreased for new installations and modernization projects, as construction progress was slower than expected due to sluggish imports of parts caused by activity restrictions in Shanghai, China. We posted an overall operating loss due to lower profitability in the New Installation business, caused by soaring raw materials prices and other cost increases. We also saw lower profit in the Aftermarket Business due to fewer sales of modernization projects.

East Asia

Sales increased and profits decreased year on year (both sales and profits decreased when excluding the impact of foreign exchange). Net sales increased in Hong Kong, stemming from an increase in new installations. In China, however, the Zero Covid policy and related operating restrictions resulted in fewer deliveries, leading to a decrease in new installations. Also in

Hong Kong, we saw a decrease in repair work and other Aftermarket Business. Operating income was affected by a decline in profitability stemming from fewer sales of new installations and higher raw materials prices in China. Aftermarket Business sales were lower in Hong Kong, and we recorded a provision for losses on construction contracts in Taiwan.

South Asia

Both sales and profits increased year on year. Net sales decreased for new installations in Indonesia and Malaysia. In contrast, new installations rose in Singapore and India, while Aftermarket Business performance increased in India. Operating income fell for new installations in India due to soaring raw materials prices. At the same time, a decrease in provision for losses on construction contracts in Singapore contributed to an increase in new installations.

The Americas and Europe

Both sales and profits increased year on year. Net sales increased in the U.S. in both new installations and the Aftermarket Business. Net sales increased in Canada owing to an increase in Aftermarket Business, as well as the inclusion of Fujitec Argentina S.A. in the consolidation. Operating income benefited from improved profitability of modernization projects in the U.S. and lower SG&A expenses.

(2) Explanation of Financial Position

a. Financial Position

Total assets as of the end of the current consolidated first quarter amounted to ¥234,260 million, an increase of ¥13,650 million compared with the end of the prior consolidated fiscal year. This result was mainly due to increases in cash and deposits and inventories, including raw materials and supplies.

Total liabilities amounted to ¥88,171 million, an increase of ¥8,044 million compared with the end of the prior consolidated fiscal year. This result was mainly due to increases in notes and accounts payable-trade, provision for bonuses, and advances from customers.

Net assets amounted to ¥146,088 million, an increase of ¥5,606 million compared with the end of the prior consolidated fiscal year. This result was mainly due purchases of treasury stock of ¥4,195 million, against an increase of ¥664 million in retained earnings in connection with profit attributable to owners of parent and dividend payments, etc., as well as an increase of ¥8,009 million stemming from foreign currency translation adjustments, and an increase of ¥1,083 million in non-controlling interests. Our shareholders' equity ratio as of June 30, 2022, was 55.5%, down 1.4 points compared to the end of the prior consolidated fiscal year. Net assets per share amounted to ¥1,636.83, up ¥87.00 compared with the end of the prior consolidated fiscal year.

(3) Explanation of Consolidated Earnings Forecasts and Other Forecasts

We have not made any changes to the consolidated earnings forecasts for fiscal 2022 (April 1, 2022 - March 31, 2023) as announced on May 13, 2022.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	76,956	83,476
Notes and accounts receivable-trade, and contract assets	66,123	66,919
Merchandise and finished goods	3,812	5,076
Work in process	2,281	3,109
Raw materials and supplies	9,004	11,708
Other	8,213	7,947
Allowance for doubtful accounts	(3,119)	(3,382)
Total current assets	163,273	174,854
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	19,108	19,261
Machinery and equipment, net	3,864	4,131
Tools, furniture and fixtures, net	2,434	2,456
Land	6,849	6,867
Leased assets, net	640	617
Construction in progress	2,386	2,674
Total property, plant and equipment	35,283	36,009
Intangible assets		
Goodwill	1,227	1,246
Other	3,609	3,928
Total intangible assets	4,837	5,174
Investments and other assets		
Investments securities	8,356	7,994
Long-term loans receivable	26	28
Other	8,960	10,328
Allowance for doubtful accounts	(127)	(129)
Total investments and other assets	17,215	18,221
Total fixed assets	57,335	59,405
Total assets	220,609	234,260

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,637	18,145
Electronically recorded obligations-operating	3,149	3,194
Short-term debt	3,493	3,925
Accrued income taxes	2,035	2,078
Provision for bonuses	3,288	4,029
Provision for losses on construction contracts	10,169	10,030
Other provision	2,147	2,131
Advances from customers	22,428	27,047
Other	11,342	12,167
Total current liabilities	74,691	82,750
Fixed liabilities		
Long-term debt	381	381
Net defined benefit liability	4,272	4,251
Other	781	788
Total fixed liabilities	5,435	5,421
Total liabilities	80,126	88,171
Net assets		
Shareholders' equity		
Paid-in capital	12,533	12,533
Additional paid-in capital	14,474	14,474
Retained earnings	104,649	105,313
Treasury stock	(2,267)	(6,407)
Total Shareholders' equity	129,391	125,915
Accumulated other comprehensive income		
Net unrealized gains on securities	2,475	2,362
Deferred gains or losses on hedges	17	10
Foreign currency translation adjustments	(5,794)	2,215
Remeasurements of defined benefit plans	(607)	(497)
Total accumulated other comprehensive income	(3,908)	4,090
Stock acquisition rights	35	35
Non-controlling interests	14,964	16,047
Total net assets	140,482	146,088
Total liabilities and net assets	220,609	234,260

(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**Quarterly Consolidated Statements of Income****For the three months ended June 30, 2021 and June 30, 2022**

(Million yen)

	FY2021 Q1 April 1 - June 30, 2021	FY2022 Q1 April 1 - June 30, 2022
Net sales	39,656	41,705
Cost of sales	29,218	32,639
Gross profit	10,437	9,065
Selling, general and administrative expenses	6,566	6,910
Operating income	3,870	2,155
Other income		
Interest income	199	169
Dividend income	97	113
Foreign exchange gains	69	550
Other	132	72
Total other income	498	905
Other expenses		
Interest expenses	24	25
Provision of allowance for doubtful accounts	82	19
Other	9	24
Total other expenses	116	69
Ordinary income	4,253	2,991
Special gain		
Gain on sales of property, plant and equipment	8	5
Gain on sales of investment securities	—	10
Subsidy income	217	—
Total special gain	225	15
Special loss		
Loss on sales and retirement of property, plant and equipment	18	4
Impairment loss	5	17
Loss on valuation of investment securities	—	0
Loss on valuation of investments in capital of subsidiaries and associates	21	—
Loss related to infectious diseases	18	—
Total special loss	63	22
Profit before income taxes	4,415	2,984
Income taxes expense	1,376	992
Deferred taxes expense	(617)	(972)
Total income taxes	759	20
Profit	3,655	2,964
Profit attributable to non-controlling interests	318	118
Profit attributable to owners of parent	3,337	2,845

Quarterly Consolidated Statements of Comprehensive Income
For the three months ended June 30, 2021 and June 30, 2022

(Million yen)

	FY2021 Q1 April 1 - June 30, 2021	FY2022 Q1 April 1 - June 30, 2022
Profit	3,655	2,964
Other comprehensive income		
Net unrealized gains on securities	(181)	(113)
Deferred gains or losses on hedges	36	(8)
Foreign currency translation adjustments	5,290	9,977
Remeasurements of defined benefit plans	80	115
Total other comprehensive income	5,225	9,971
Comprehensive income	8,881	12,936
Comprehensive income attributable to:		
Owners of parent	7,772	11,994
Non-controlling interests	1,108	941

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes Regarding Assumptions of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

The Company repurchased 1,565,200 shares of treasury stock for 4,195 million yen during the three months ended June 30, 2022. These purchases were based on a written resolution of the board of directors on March 1, 2022. As a result of this acquisition and other factors, treasury stock amounted to 6,407 million yen at the end of the first quarter of the current fiscal year.

(Segment and Other Information)

I Three months ended June 30, 2021

1. Information on operating revenue and profit (loss) of each reportable segment

(Million yen)

	Reportable Segments					Adjustments (Note 1)	Amount to quarterly consolidated statements of income (Note 2)
	Japan	East Asia	South Asia	The Americas and Europe	Total		
Net sales							
Sales to external customers	16,221	12,994	4,354	6,085	39,656	—	39,656
Intersegment sales/transfers	742	1,683	—	6	2,432	(2,432)	—
Total	16,964	14,677	4,354	6,091	42,088	(2,432)	39,656
Segment income	1,024	1,453	1,126	306	3,909	(39)	3,870

Note 1 Segment income adjustment of (39) million yen is due to inventory adjustments.

2 Segment income has been adjusted to operating income on the quarterly consolidated statements of income.

2. Information related to impairment of fixed assets, goodwill, etc. by reportable segment

There were no significant events or changes.

II Three months ended June 30, 2022

1. Information on operating revenue and profit (loss) of each reportable segment

(Million yen)

	Reportable Segments					Adjustments (Note 1)	Amount to quarterly consolidated statements of income (Note 2)
	Japan	East Asia	South Asia	The Americas and Europe	Total		
Net sales							
Sales to external customers	15,306	12,857	5,374	8,166	41,705	—	41,705
Intersegment sales/transfers	616	2,108	2	8	2,736	(2,736)	—
Total	15,923	14,966	5,376	8,174	44,441	(2,736)	41,705
Segment income (loss)	(61)	542	1,338	330	2,149	6	2,155

Note 1 Segment income (loss) adjustments of 6 million yen include eliminations of intersegment transactions of 6 million yen and inventory adjustments of (0) million yen.

2 Segment income (loss) has been adjusted to operating income on the quarterly consolidated statements of income.

2. Information related to impairment of fixed assets, goodwill, etc. by reportable segment

There were no significant events or changes.

3. Matters Related to Changes in Reportable Segments, Etc.

Effective as of the current consolidated first quarter, Fujitec Argentina S.A. is included in the scope of consolidation. Further, we changed the name of the reporting segment known previously *North America and Europe* to *The Americas and Europe*.

The same period of the previous year is also listed under the segment name after the change.