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February 8, 2023

Consolidated Business Results for the Third Quarter Ended December 31, 2022 (Japan GAAP)

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

Listed on TSE

Stock Code: 6406

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Expected date of filing of quarterly report: February 10, 2023

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 third quarter ended December 31, 2022 (April 1, 2022 to December 31, 2022)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2022	150,755	10.0	7,201	(40.2)	9,371	(31.2)	5,084	(48.3)
December 31, 2021	137,041	10.5	12,051	20.1	13,618	24.7	9,843	38.7

(Note) Comprehensive income — December 31, 2022: 21,506 million yen [19.8%], December 31 2021: 17,946 million yen [140.9%]

	Net income per share	Diluted net income per share
Nine months ended December 31, 2022	Yen 64.04	Yen 64.01
December 31, 2021	121.22	121.16

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
December 31, 2022	244,207	147,559	53.5
March 31, 2022	220,609	140,482	56.9

(Reference) Shareholders' equity — December 31, 2022: 130,627 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	—	35.00	—		
March 31, 2023 (forecast)				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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
For the year ending March 31, 2023	207,000	10.7	10,500	(23.8)	12,300	(21.7)	7,000	(35.4)	89.44

(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):	Nine months ended December 31, 2022: 82,400,000 shares	Year ended March 31, 2022: 82,400,000 shares
2) Treasury stock at the end of period:	Nine months ended December 31, 2022: 4,136,298 shares	Year ended March 31, 2022: 1,434,800 shares
3) Weighted average number of shares outstanding during the period:	Nine months ended December 31, 2022: 79,396,238 shares	Nine months ended December 31, 2021: 81,207,647 shares

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

Nine months ended December 31, 2022: 73,500 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.5 of *Consolidated Business Results for the Third Quarter (Accompanying Materials)*.

Table of Contents

1. Qualitative Information on Quarterly Financial Performance	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	5
(3) Explanation of Consolidated Earnings Forecasts and Other Forecasts	5
2. Quarterly Consolidated Financial Statements and Notes	6
(1) Quarterly Consolidated Balance Sheets	6
(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	8
Quarterly Consolidated Statements of Income	
For the nine months ended December 31, 2021 and December 31, 2022	8
Quarterly Consolidated Statements of Comprehensive Income	
For the nine months ended December 31, 2021 and December 31, 2022	9
(3) Notes to the Quarterly Consolidated Financial Statements	10
(Notes Regarding Assumptions of Going Concern)	10
(Notes on Significant Changes in Shareholders' Equity)	10
(Segment and Other Information)	11

1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Operating Results

During the nine months ended December 31, 2022, the pace of global economic recovery was generally slow, despite the ongoing transition to a with-COVID-19 era. Continued global inflation caused by soaring resource prices and other factors, as well as monetary policies of various countries aimed at curbing such inflation, were among the factors behind the slow recovery. In China, both domestic and foreign demand remained sluggish due to confusion caused by the reemergence of COVID-19 infections, not to mention the recession linked to real estate. In Japan, business confidence among companies in the non-manufacturing sector improved in response to the recovery of inbound demand and other factors. Confidence in the manufacturing sector weakened due to soaring resource prices and increased raw material costs caused by the sharp depreciation of the yen, resulting in further polarization of business conditions.

In response to these circumstances, the Fujitec Group continued with measures against infectious diseases while implementing our medium-term management plan *Vision24*. Our sales strategy in the Japanese market reflects the strong performance of *AirTap*, a touchless elevator button meeting the needs of the new normal. *SMA-UP*, a new packaged product for modernization, also performed well. In addition, we opened the Osaka Metropolitan Office as a business center in the Kinki area. In the global market, we implemented region-specific sales strategies tailored to the characteristics of each area. Business was active in South Asia, in particular, as evidenced by the receipt of a bulk order for approximately 300 elevators for the Housing & Development Board of Singapore. Under our product and technology strategy, we developed and introduced strategic models that match the maturity level of the market in each country. We developed a new anti-earthquake function for high-rise buildings that shortens the downtime of elevators in the event of an earthquake. We also launched *elemori*, an online service to confirm elevator and escalator operating information and change settings from a PC or smartphone. Under our production and operations strategy, we reduced production costs through global procurement. In addition, we reduced installation costs by developing innovative installation methods and improving installation skills toward better efficiencies in the field. We began using smart glasses for certain maintenance operations, leveraging remote instructions by skilled technicians, as well as the sharing of technical skills. These efforts are helping improve operational efficiency. 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 M&A activities in Japan and overseas in this growth phase for our company, including the acquisition of Elevadores EV International in Mexico. 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, registering our products for the European market under the environmental product declaration framework, and declaring our support of the TCFD recommendations. In this way and others, we continued to contribute to the creation of sustainable societies.

As a result, the Fujitec Group recorded business performance for the nine months ended December 31, 2022 as described below.

(Amounts less than one million yen are rounded down)

	FY2021 Q3 (April 1 – December 31, 2021)	FY2022 Q3 (April 1 – December 31, 2022)	Change (%)	Real change, after excluding the impact of foreign exchange (%)
Orders				
Japan	61,544	62,675	1.8	—
East Asia	56,418	44,292	(21.5)	(31.1)
South Asia	14,648	20,534	40.2	24.1
The Americas and Europe	18,941	31,828	68.0	47.9
Subtotal	151,552	159,330	5.1	—
Adjustments	(7,666)	(10,206)	—	—
Total	143,885	149,123	3.6	—
Order backlog				
Japan	75,396	80,024	6.1	—
East Asia	94,651	97,494	3.0	(10.1)
South Asia	21,053	26,643	26.6	12.0
The Americas and Europe	32,399	44,472	37.3	20.2
Subtotal	223,501	248,634	11.2	—
Adjustments	(2,678)	(4,715)	—	—
Total	220,822	243,918	10.5	—

Orders in Japan increased year on year. New installation business remained solid for standard models; however, we saw a reactionary decline due to large project orders received in the same period of the previous fiscal year. Accordingly, we posted a slight performance decline year on year. On the other hand, the Aftermarket Business saw orders increase for modernization projects to upgrade existing elevators and escalators. This increase was due mainly to increased sales of new product and service launches for new lifestyle customers and the new *SMA-UP* modernization package. We also recorded solid sales for maintenance, which services and maintains elevators and escalators.

Despite an increase in new installations in Taiwan and South Korea, overseas orders decreased in East Asia, mainly due to the lockdowns in China and a decrease in new installations during the real estate recession. Performance increased in South Asia. While modernization projects decreased in Singapore and Indonesia, new installations increased in Singapore and India. Orders in the Americas and Europe rose year on year. We saw an increase for new installations in the U.S. and an increase for new installations and modernization projects in the U.K. New installations decreased in Canada, however.

(Amounts less than one million yen are rounded down)

	FY2021 Q3 (April 1 – December 31, 2021)	FY2022 Q3 (April 1 – December 31, 2022)	Change (%)	Real change, after excluding the impact of foreign exchange (%)
Net sales	137,041	150,755	10.0	—
Japan	52,639	53,579	1.8	—
Overseas	84,402	97,176	15.1	1.0
Operating income	12,051	7,201	(40.2)	—
Ordinary income	13,618	9,371	(31.2)	—
Profit attributable to owners of parent	9,843	5,084	(48.3)	—
Net income per share	121.22 yen	64.04 yen	—	—

We recorded higher sales and lower operating income year on year for the cumulative consolidated quarter. Although sales increased, operating income decreased in Japan and East Asia. Despite an increase in non-operating income due to an increase in foreign exchange gains stemming from the weaker yen, ordinary income decreased as a result of the decline in operating income. Profit before income taxes decreased mainly due to an impairment loss on goodwill related to a U.K. subsidiary.

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

The following information highlights performance by segment:

Effective as of the 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 Q3	FY2022 Q3	Change (%)	Real change, after excluding the impact of foreign exchange (%)	FY2021 Q3	FY2022 Q3	Change	Real change, after excluding the impact of foreign exchange
Japan	54,638	55,489	1.6	—	4,021	(31)	(4,052)	—
East Asia	58,103	60,823	4.7	(8.6)	5,111	3,398	(1,712)	(2,171)
South Asia	12,332	17,133	38.9	22.8	1,941	2,848	907	563
The Americas and Europe	19,763	26,884	36.0	20.0	1,024	1,120	95	(25)
Subtotal	144,838	160,331	10.7	—	12,099	7,337	(4,762)	—
Adjustments	(7,796)	(9,575)	—	—	(47)	(135)	(88)	—
Total	137,041	150,755	10.0	—	12,051	7,201	(4,850)	—

Japan

Sales increased and profits decreased year on year. Modernization project net sales were lower due to the lingering effects of slow parts procurement in the wake of the first quarter Shanghai lockdowns. Activity increased for new installations, however, due to progress on large projects and solid maintenance sales. We posted an operating loss due to lower profitability in the new installations business caused by sharply higher raw materials costs and lower profits due to fewer modernization project sales.

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 due to an increase in new installations in Hong Kong and Korea, as well as an increase in Japanese currency equivalents due to the weak yen. We did see a decrease in new installations in China due to fewer shipments under the lockdowns. Meanwhile, Hong Kong and Korea experienced a decrease year on year, mainly in modernization projects. Operating income decreased, affected by lower profitability in China stemming from lower sales in the new installations business, soaring raw materials costs, and other factors. Lower sales in the Aftermarket Business in Hong Kong also impacted performance.

South Asia

Both sales and profits increased year on year. Net sales increased due to performance of the new installations business in Singapore and India, as well as an increase in the Aftermarket Business related to repair work in Singapore. However, new installation business sales decreased in Indonesia. Operating income decreased, mainly due to soaring raw materials costs in the new installations business and a provision for losses on construction contracts, both in India. Sales growth in the Aftermarket Business in Singapore and improved profitability in the new installation business in Indonesia contributed to an increase in operating income.

The Americas and Europe

Sales and profits increased year on year (sales increased and profits decreased when excluding the impact of foreign exchange). Net sales increased due to new installation business performance in the U.S. and the U.K. The Aftermarket Business reported firm results across all regions. The addition of Fujitec Argentina S.A. to the scope of consolidation also had a positive impact on performance. Operating income increased due to the conversion to Japanese currency under the weakening yen, despite lower profitability stemming from increased maintenance personnel expenses in the Aftermarket Business in the U.S. and Canada.

(2) Explanation of Financial Position

a. Financial Position

Total assets as of the end of the cumulative consolidated third quarter amounted to 244,207 million yen, an increase of 23,598 million yen compared with the end of the prior consolidated fiscal year. This result was mainly due to increases in notes and accounts receivable-trade, and contract assets, raw materials and supplies, and other inventories.

Total liabilities amounted to 96,647 million yen, an increase of 16,521 million yen compared with the end of the prior consolidated fiscal year. This result was mainly due to increases in notes and accounts payable-trade, short-term debt, and advances from customers.

Net assets amounted to 147,559 million yen, an increase of 7,077 million yen compared with the end of the prior consolidated fiscal year. This was mainly due to purchases of treasury stock of 7,962 million yen and cash dividends paid of 6,427 million yen, against 5,084 million yen in profit attributable to owners of parent, an increase of 1,470 million yen in connection with a change in scope of consolidation, an increase of 12,578 million yen in foreign currency translation adjustments, and an increase of 1,932 million yen in non-controlling interests. Our shareholders' equity ratio as of December 31, 2022, was 53.5%, down 3.4 points compared to the end of the prior consolidated fiscal year. Net assets per share amounted to 1,669.06 yen, up 119.23 yen 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 November 8, 2022.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	76,956	73,288
Notes and accounts receivable-trade, and contract assets	66,123	80,310
Merchandise and finished goods	3,812	5,197
Work in process	2,281	4,093
Raw materials and supplies	9,004	13,708
Other	8,213	9,809
Allowance for doubtful accounts	(3,119)	(3,157)
Total current assets	163,273	183,250
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	19,108	20,347
Machinery and equipment, net	3,864	5,364
Tools, furniture and fixtures, net	2,434	2,805
Land	6,849	6,890
Leased assets, net	640	527
Construction in progress	2,386	936
Total property, plant and equipment	35,283	36,872
Intangible assets		
Goodwill	1,227	1,708
Other	3,609	3,991
Total intangible assets	4,837	5,700
Investments and other assets		
Investments securities	8,356	9,643
Long-term loans receivable	26	27
Other	8,960	8,849
Allowance for doubtful accounts	(127)	(136)
Total investments and other assets	17,215	18,384
Total fixed assets	57,335	60,957
Total assets	220,609	244,207

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,637	21,612
Electronically recorded obligations-operating	3,149	4,170
Short-term debt	3,493	9,718
Accrued income taxes	2,035	1,681
Provision for bonuses	3,288	1,981
Provision for losses on construction contracts	10,169	9,456
Other provision	2,147	2,307
Advances from customers	22,428	26,987
Other	11,342	13,691
Total current liabilities	74,691	91,607
Non-current liabilities		
Long-term debt	381	206
Net defined benefit liability	4,272	4,069
Other	781	764
Total non-current liabilities	5,435	5,040
Total liabilities	80,126	96,647
Net assets		
Shareholders' equity		
Paid-in capital	12,533	12,533
Additional paid-in capital	14,474	14,482
Retained earnings	104,649	104,777
Treasury stock	(2,267)	(9,933)
Total Shareholders' equity	129,391	121,860
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,475	2,266
Deferred gains or losses on hedges	17	(10)
Foreign currency translation adjustments	(5,794)	6,783
Remeasurements of defined benefit plans	(607)	(272)
Total accumulated other comprehensive income	(3,908)	8,766
Stock acquisition rights	35	35
Non-controlling interests	14,964	16,897
Total net assets	140,482	147,559
Total liabilities and net assets	220,609	244,207

(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

For the nine months ended December 31, 2021 and December 31, 2022

(Millions of yen)

	FY2021 Q3 April 1 - December 31, 2021	FY2022 Q3 April 1 - December 31, 2022
Net sales	137,041	150,755
Cost of sales	104,063	121,043
Gross profit	32,978	29,712
Selling, general and administrative expenses	20,926	22,511
Operating income	12,051	7,201
Other income		
Interest income	623	728
Dividend income	356	218
Foreign exchange gains	259	1,100
Other	570	421
Total other income	1,809	2,470
Other expenses		
Interest expenses	71	122
Provision of allowance for doubtful accounts	93	65
Other	77	112
Total other expenses	242	299
Ordinary income	13,618	9,371
Special gain		
Gain on sales of property, plant and equipment	15	15
Gain on sales of investment securities	103	10
Subsidy income	468	259
Total special gain	588	285
Special loss		
Loss on sales and retirement of property, plant and equipment	27	19
Impairment loss	13	1,107
Loss on sales of investment securities	—	0
Loss on valuation of investment securities	43	0
Loss on valuation of shares of subsidiaries and associates	—	1
Loss on valuation of investments in capital of subsidiaries and associates	22	—
Loss related to infectious diseases	58	—
Total special loss	164	1,129
Profit before income taxes	14,042	8,527
Income taxes expense	2,679	1,706
Deferred taxes expense	478	975
Total income taxes	3,158	2,681
Profit	10,884	5,845
Profit attributable to non-controlling interests	1,040	761
Profit attributable to owners of parent	9,843	5,084

Quarterly Consolidated Statements of Comprehensive Income**For the nine months ended December 31, 2021 and December 31, 2022**

(Millions of yen)

	FY2021 Q3 April 1 - December 31, 2021	FY2022 Q3 April 1 - December 31, 2022
Profit	10,884	5,845
Other comprehensive income		
Valuation difference on available-for-sale securities	24	(208)
Deferred gains or losses on hedges	62	(34)
Foreign currency translation adjustments	6,773	15,568
Remeasurements of defined benefit plans	201	335
Total other comprehensive income	7,062	15,661
Comprehensive income	17,946	21,506
Comprehensive income attributable to:		
Owners of parent	15,647	18,903
Non-controlling interests	2,299	2,603

(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 2,833,800 shares of treasury stock for 7,961 million yen during the nine months ended December 31, 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 9,933 million yen at the end of the third quarter of the current fiscal year.

(Segment and Other Information)

I Nine months ended December 31, 2021

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

(Millions of 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	52,711	52,263	12,332	19,734	137,041	—	137,041
Intersegment sales/transfers	1,927	5,840	—	28	7,796	(7,796)	—
Total	54,638	58,103	12,332	19,763	144,838	(7,796)	137,041
Segment income	4,021	5,111	1,941	1,024	12,099	(47)	12,051

Notes 1. Segment income adjustments of (47) million yen include eliminations of intersegment transactions of 0 million yen and inventory adjustments of (48) million yen.

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 Nine months ended December 31, 2022

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

(Millions of 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	53,604	53,164	17,130	26,856	150,755	—	150,755
Intersegment sales/transfers	1,885	7,659	3	27	9,575	(9,575)	—
Total	55,489	60,823	17,133	26,884	160,331	(9,575)	150,755
Segment income (loss)	(31)	3,398	2,848	1,120	7,337	(135)	7,201

Notes 1. Segment income (loss) adjustments of (135) million yen include eliminations of intersegment transactions of 6 million yen and inventory adjustments of (142) 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

(Significant impairment loss on fixed assets)

In the Americas and Europe segment, we recorded an impairment loss of 1,035 million yen on goodwill related to Amalgamated Lifts Limited.

(Significant changes in goodwill)

In the Americas and Europe segment, we recorded an impairment loss on goodwill, resulting in a significant change in the balance of goodwill. As a result, goodwill decreased 1,046 million yen.

During the third quarter of the current consolidated fiscal year, the Company acquired all outstanding shares of Express Lifts Limited through wholly owned subsidiary FUJITEC INDIA PRIVATE LTD., adding the aforementioned company as a consolidated entity. As a result of this transaction, goodwill in the South Asia segment increased 1,554 million yen. The balance of goodwill is based on a provisional calculation since we have not completed allocations of acquisition cost as of the end of the third quarter of the current consolidated fiscal year.

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

Effective as of the 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.