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August 7, 2023

Consolidated Business Results for the First Quarter Ended June 30, 2023 (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, 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 first quarter ended June 30, 2023 (April 1, 2023 to June 30, 2023)

(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	%
Three months ended								
June 30, 2023	50,453	21.0	3,822	77.3	4,572	52.8	3,546	24.6
June 30, 2022	41,705	5.2	2,155	(44.3)	2,991	(29.7)	2,845	(14.7)

(Note) Comprehensive income — June 30, 2023: 5,909 million yen [(54.3%)], June 30, 2022: 12,936 million yen [45.7%]

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
June 30, 2023	45.48	45.46
June 30, 2022	35.50	35.48

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
June 30, 2023	233,360	146,946	55.8
March 31, 2023	230,098	144,118	55.6

(Reference) Shareholders' equity — June 30, 2023: 130,220 million yen, March 31, 2023: 127,897 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, 2023	—	35.00	—	40.00	75.00
For the year ending March 31, 2024	—	—	—	—	—
March 31, 2024 (forecast)	—	35.00	—	40.00	75.00

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

Cash dividends for March 31, 2023: Regular dividend: 35.00 yen Commemorative dividend: 5.00 yen

3. Forecasts of consolidated business performance for the fiscal year ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(% 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, 2024	226,000	8.9	13,800	18.8	15,500	16.3	15,600	85.0	200.02

(Note) Revision to the business performance forecasts from the latest announcement: Yes

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, 2023: 78,900,000 shares	Year ended March 31, 2023: 78,900,000 shares
2) Treasury stock at the end of period:	Three months ended June 30, 2023: 908,776 shares	Year ended March 31, 2023: 927,798 shares
3) Weighted average number of shares outstanding during the period:	Three months ended June 30, 2023: 77,980,042 shares	Three months ended June 30, 2022: 80,172,054 shares

(Note) Treasury stock as of the end of fiscal year ended March 31, 2023 and as of the three months ended June 30, 2023 includes shares of Fujitec Co., Ltd. stock held by the Trust-Type Employee Shareholding Incentive Plan (E-Ship).

Three months ended June 30, 2023: 32,300 shares, Year ended March 31, 2023: 51,400 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.6 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, 2023, the global economy experienced a gradual slowdown in general due to global inflation caused by high prices in raw materials and energy, as well as government interest rate hikes in various countries. Despite a slowdown in the economy due to monetary tightening and other factors in the U.S., consumer spending was strong and remained resilient. In China, normalization of economic activity led to a recovery in services consumption, while the real estate market remained sluggish. In Japan, consumer spending and inbound consumption began to recover due to the lifting of restrictions on activities. Business conditions in the manufacturing sector began to improve as well. However, the outlook remains uncertain due to rising prices and a weakening yen.

In response to these circumstances, the Fujitec Group continues to implement specific measures reflecting the basic strategies of our three-year medium-term management plan Vision24, which we began in fiscal 2022. In terms of sales strategies, we endeavored to improve profitability in the Japanese market by expanding sales of standard models further and through sales of new modernization products. In the global markets, we engaged in regional sales strategies tailored to the characteristics of each region, including mature markets and growth markets. Under product and technology strategies, we are developing and marketing strategic models that match the maturity level in each market, while improving customer convenience through web services for building managers, etc. Under our production and operations strategy, we reduced production costs through global procurement, as well as cost innovations related to installation work in the field. Under our corporate strategy, we pursued aggressive M&A activities in Japan and overseas in this growth phase of our company, including the acquisition of Stampede Elevator in Canada. In terms of capital policy, we improved capital efficiency by streamlining working capital. From an ESG perspective, we made progress in establishing a sustainability promotion system to contribute to the creation of sustainable societies. We continued to pursue decarbonization and labor savings through the adoption of articulated trucks, and in June, we received the Special Prize in the 24th Logistics Environment Award. Since last fiscal year's extraordinary general meeting of shareholders, the company has endeavored to establish the highest standard of corporate governance expected of publicly traded companies. Our efforts included the reorganization of the Nomination and Compensation Advisory Committee, the establishment of a third-party committee to address the obstruction of director candidates in connection with shareholder proposals at the extraordinary general meeting of shareholders, and the performance of a compliance review after the conclusion of an investigation conducted by a third-party committee in connection with related-party transactions.

As a result, the Fujitec Group recorded business performance for the three months ended June 30, 2023, as described below.

(Amounts less than one million yen are rounded down)

	FY2022 Q1 (April 1 – June 30, 2022)	FY2023 Q1 (April 1 – June 30, 2023)	Change (%)	Real change, after excluding the impact of foreign exchange (%)
Orders				
Japan	21,526	27,355	27.1	—
East Asia	16,286	16,043	(1.5)	(9.2)
South Asia	6,097	9,269	52.0	35.7
The Americas and Europe	10,200	14,859	45.7	36.8
Subtotal	54,111	67,529	24.8	—
Adjustments	(2,543)	(3,698)	—	—
Total	51,567	63,830	23.8	—
Order backlog				
Japan	78,442	89,309	13.9	—
East Asia	108,561	91,354	(15.8)	(22.3)
South Asia	22,321	28,488	27.6	13.4
The Americas and Europe	38,521	55,377	43.8	32.7
Subtotal	247,846	264,529	6.7	—
Adjustments	(3,670)	(4,689)	—	—
Total	244,176	259,840	6.4	—

Orders in Japan remained strong. Orders of New Installation Business increased significantly year on year due to the impact of price hikes in response to soaring materials costs, as well as a reactionary rebound to order constraints due to slow parts imports associated with the Shanghai lockdowns in the year-ago quarter. In the Aftermarket Business, modernization projects decreased slightly owing to a lack of large job orders of the type received in the year-ago quarter. However, results for repair and maintenance, which services and maintains elevators and escalators, were firm, contributing to performance gains year on year.

Overseas orders increased in East Asia with increases in modernization projects in the Aftermarket Business in Hong Kong, while New Installation Business decreased across the board. In South Asia, New Installation Business increased in Singapore and India, while modernization projects decreased in Malaysia and increased in Singapore. In the Americas and Europe, New Installation Business declined in Canada and increased in the U.S. and Argentina. Modernization projects increased in the U.S.

(Amounts less than one million yen are rounded down)

	FY2022 Q1 (April 1 – June 30, 2022)	FY2023 Q1 (April 1 – June 30, 2023)	Change (%)	Real change, after excluding the impact of foreign exchange (%)
Net sales	41,705	50,453	21.0	—
Japan	15,296	17,852	16.7	—
Overseas	26,408	32,601	23.4	12.4
Operating income	2,155	3,822	77.3	—
Ordinary income	2,991	4,572	52.8	—
Profit attributable to owners of parent	2,845	3,546	24.6	—
Net income per share	35.50 yen	45.48 yen	—	—

We recorded higher sales and profits year on year for the consolidated first quarter as sales increased across all segments, while operating income increased in Japan, East Asia, and South Asia. Ordinary income increased due to an increase in operating income, as well as an increase in interest income. Profit before income taxes rose due to factors including an increase in gain on sales of investment securities.

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

The following information highlights performance by segment:

(Amounts less than one million yen are rounded down)

	Net sales				Operating income (loss)			
	FY2022 Q1	FY2023 Q1	Change (%)	Real change, after excluding the impact of foreign exchange (%)	FY2022 Q1	FY2023 Q1	Change	Real change, after excluding the impact of foreign exchange
Japan	15,923	18,708	17.5	—	(61)	202	264	—
East Asia	14,966	17,615	17.7	8.6	542	1,312	769	596
South Asia	5,376	7,982	48.5	30.8	1,338	2,252	914	588
The Americas and Europe	8,174	9,693	18.6	9.1	330	204	(125)	(197)
Subtotal	44,441	53,999	21.5	—	2,149	3,971	1,822	—
Adjustments	(2,736)	(3,546)	—	—	6	(149)	(156)	—
Total	41,705	50,453	21.0	—	2,155	3,822	1,666	—

Japan

Both sales and profits increased year on year. Sales increased for New Installation Business and modernization projects within the Aftermarket Business in reaction to the decrease in the year-ago quarter due to construction work delays associated with the Shanghai lockdowns. Operating income increased due to improved profitability resulting from the recovery in sales.

East Asia

Both sales and profits increased year on year. Net sales increased in China due to a reactionary increase in new installations from the sluggishness in the year-ago quarter due to operating restrictions under the Zero-COVID policy and construction schedule delays among customers. Net sales increased in Hong Kong due to an increase in repair work and other Aftermarket Business services. Operating income increased stemming from improved profits in China due to higher sales of new installations and the elimination of high transportation costs, as well as the contribution of decreased provision for losses on construction contracts for new installations in Taiwan and increased Aftermarket Business sales in Hong Kong.

South Asia

Both sales and profits increased year on year. Net sales increased due to the performance of the new installations business in India and Malaysia, as well as an increase in the Aftermarket Business related to repair work in Singapore. However, new installation business sales decreased in Singapore due to progress delays. Operating income increased, as profitability increased in India, mainly due to a decrease in provision for losses on construction contracts related to new installations, while Singapore posted an increase in Aftermarket Business sales.

The Americas and Europe

Sales increased and profits decreased year on year. Net sales of new installations increased in Canada and Argentina, in contrast to lower sales in the U.S. due to a lack of large projects of the type conducted in the previous year. Aftermarket Business sales rose in the U.S. and Canada in connection with modernization projects. Operating income decreased year on year, despite improved maintenance unit prices in the U.S. Aftermarket Business due to weaker profits for new installations in the U.K. in connection with higher subcontract expenses and labor costs.

(2) Explanation of Financial Position

Total assets as of the end of the current consolidated first quarter amounted to 233,360 million yen, an increase of 3,261 million yen compared with the end of the prior consolidated fiscal year. This result was mainly due to an increase in cash and deposits, offset in part by decreases in notes and accounts receivable – trade, and contract assets.

Total liabilities amounted to 86,413 million yen, an increase of 433 million yen compared with the end of the prior consolidated fiscal year. This result was mainly due to an increase in advances from customers, offset in part by decreases in notes and accounts payable-trade and electronically recorded obligations-operating.

Net assets amounted to 146,946 million yen, up 2,828 million yen compared with the end of the previous consolidated fiscal year. This result was mainly due to profit attributable to owners of parent of 3,546 million yen, an increase of 1,065 million yen in foreign currency translation adjustments, and an increase of 821 million yen in valuation difference on available-for-sale securities. These increases were offset in part by dividend payments of 3,120 million yen. Our shareholders' equity ratio as of June 30, 2023, was 55.8%, up 0.2 points compared to the end of the prior consolidated fiscal year. Net assets per share amounted to 1,669.68 yen, up 29.39 yen compared with the end of the prior consolidated fiscal year.

(3) Explanation of Consolidated Earnings Forecasts and Other Forecasts

We have made revisions to the consolidated earnings forecasts for fiscal 2023 (April 1, 2023 - March 31, 2024) as announced on May 12, 2023.

For more details, see *Notice Concerning Revisions to Earnings Forecasts*, published today, August 7, 2023.

Revisions to Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(Amounts less than one million yen are rounded down)

	Previous forecast (A)	Revised forecast (B)	Change (%)
Net sales	223,000	226,000	1.4
Operating income	13,400	13,800	3.0
Ordinary income	15,100	15,500	2.7
Profit attributable to owners of parent	10,400	15,600	50.0
Net income per share	133.38 yen	200.02yen	—

(Amounts less than one million yen are rounded down)

	Net sales			Operating income		
	Previous forecast (A)	Revised forecast (B)	Change (%)	Previous forecast (A)	Revised forecast (B)	Change (B-A)
Japan	85,000	85,000	—	3,400	3,400	—
East Asia	87,000	86,000	(1.2)	4,400	4,500	100
South Asia	25,000	27,000	8.0	3,700	3,900	200
The Americas and Europe	39,000	41,000	5.1	2,000	2,100	100
Subtotal	236,000	239,000	1.3	13,500	13,900	400
Adjustments	(13,000)	(13,000)	—	(100)	(100)	—
Total	223,000	226,000	1.4	13,400	13,800	400

Reasons for revisions

As disclosed in *Notice Concerning Transfer of Fixed Assets of Consolidated Subsidiary*, published July 6, 2023, we revised our forecasts of net sales, operating income, ordinary income, and profit attributable to owners of parent to 226.0 billion yen, 13.8 billion yen, 15.5 billion yen, and 15.6 billion yen respectively. This change in forecast is due to the recording of gain on sales of property, plant and equipment as special gain resulting from the transfer of fixed assets from consolidated subsidiary Fujitec (HK) Company Limited, as well as a review of assumed exchange rates.

(Note) The earnings forecasts above are based on 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.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	58,297	67,535
Notes and accounts receivable-trade, and contract assets	75,545	71,410
Merchandise and finished goods	4,968	4,837
Work in process	3,303	3,601
Raw materials and supplies	12,382	13,400
Other	7,771	7,118
Allowance for doubtful accounts	(3,135)	(3,331)
Total current assets	159,132	164,571
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	20,068	20,147
Machinery and equipment, net	5,644	5,548
Tools, furniture and fixtures, net	2,739	2,748
Land	7,200	7,197
Leased assets, net	2,010	1,973
Construction in progress	843	648
Total property, plant and equipment	38,506	38,264
Intangible assets		
Goodwill	1,612	1,622
Other	3,756	3,730
Total intangible assets	5,368	5,352
Investments and other assets		
Investments securities	10,059	11,025
Long-term loans receivable	1,262	1,373
Other	16,549	13,667
Allowance for doubtful accounts	(780)	(894)
Total investments and other assets	27,090	25,171
Total fixed assets	70,966	68,788
Total assets	230,098	233,360

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable-trade	18,548	17,970
Electronically recorded obligations-operating	3,904	3,615
Short-term debt	9,789	5,168
Current portion of long-term debt	6	7
Accrued income taxes	1,430	1,658
Provision for bonuses	2,628	3,247
Provision for losses on construction contracts	8,568	8,640
Other provision	2,248	2,356
Advances from customers	21,010	22,224
Other	11,752	15,320
Total current liabilities	79,888	80,209
Non-current liabilities		
Long-term debt	13	12
Net defined benefit liability	4,232	4,398
Other	1,845	1,794
Total non-current liabilities	6,092	6,204
Total liabilities	85,980	86,413
Net assets		
Shareholders' equity		
Paid-in capital	12,533	12,533
Additional paid-in capital	14,475	14,477
Retained earnings	99,546	99,971
Treasury stock	(2,287)	(2,244)
Total Shareholders' equity	124,268	124,738
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,426	3,247
Deferred gains or losses on hedges	(127)	(117)
Foreign currency translation adjustments	2,098	3,164
Remeasurements of defined benefit plans	(768)	(812)
Total accumulated other comprehensive income	3,629	5,481
Stock acquisition rights	35	35
Non-controlling interests	16,185	16,691
Total net assets	144,118	146,946
Total liabilities and net assets	230,098	233,360

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

Quarterly Consolidated Statements of Income

For the three months ended June 30, 2022 and June 30, 2023

(Millions of yen)

	FY2022 Q1 April 1 – June 30, 2022	FY2023 Q1 April 1 – June 30, 2023
Net sales	41,705	50,453
Cost of sales	32,639	38,891
Gross profit	9,065	11,561
Selling, general and administrative expenses	6,910	7,739
Operating income	2,155	3,822
Other income		
Interest income	169	446
Dividend income	113	124
Foreign exchange gains	550	230
Other	72	160
Total other income	905	961
Other expenses		
Interest expenses	25	89
Provision of allowance for doubtful accounts	19	96
Other	24	24
Total other expenses	69	210
Ordinary income	2,991	4,572
Special gain		
Gain on sales of property, plant and equipment	5	0
Gain on sales of investment securities	10	86
Total special gain	15	86
Special loss		
Loss on sales and retirement of property, plant and equipment	4	9
Impairment loss	17	22
Loss on valuation of investment securities	0	—
Total special loss	22	32
Profit before income taxes	2,984	4,627
Income taxes expense	992	1,478
Deferred taxes expense	(972)	(684)
Total income taxes	20	794
Profit	2,964	3,833
Profit attributable to non-controlling interests	118	286
Profit attributable to owners of parent	2,845	3,546

Quarterly Consolidated Statements of Comprehensive Income
For the three months ended June 30, 2022 and June 30, 2023

(Millions of yen)

	FY2022 Q1 April 1 – June 30, 2022	FY2023 Q1 April 1 – June30, 2023
Profit	2,964	3,833
Other comprehensive income		
Valuation difference on available-for-sale securities	(113)	821
Deferred gains or losses on hedges	(8)	11
Foreign currency translation adjustments	9,977	1,288
Remeasurements of defined benefit plans	115	(43)
Total other comprehensive income	9,971	2,076
Comprehensive income	12,936	5,909
Comprehensive income attributable to:		
Owners of parent	11,994	5,398
Non-controlling interests	941	511

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes Regarding Assumptions of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Segment and Other Information)

I Three months ended June 30, 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	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

Notes 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.

II Three months ended June 30, 2023

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	17,866	14,928	7,982	9,675	50,453	—	50,453
Intersegment sales/transfers	841	2,686	0	17	3,546	(3,546)	—
Total	18,708	17,615	7,982	9,693	53,999	(3,546)	50,453
Segment income	202	1,312	2,252	204	3,971	(149)	3,822

Notes 1. Segment income adjustments of (149) million yen include eliminations of intersegment transactions of (0) million yen and inventory adjustments of (149) 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.