FUJITEC

Annual Report 2016

Year ended March 31, 2016

Creating Sophisticated Cities with People around the World

Fujitec is a specialized manufacturer engaging in comprehensive operations, which includes development, manufacturing, sales, installation and maintenance of elevators, escalators, moving walks and other transportation systems.

Based on the 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 provides products and services trusted by users all over the world through our global network spanning from Japan to East Asia, South Asia, North and South America, Europe and the Middle East.

Teikyo University Hachioji Campus (Japan)

The Children's Hospital of Philadelphia (U.S.A.)

CONTENTS

Photos of Tokyu Plaza Ginza on the cover courtesy of Kenichi Komeiji

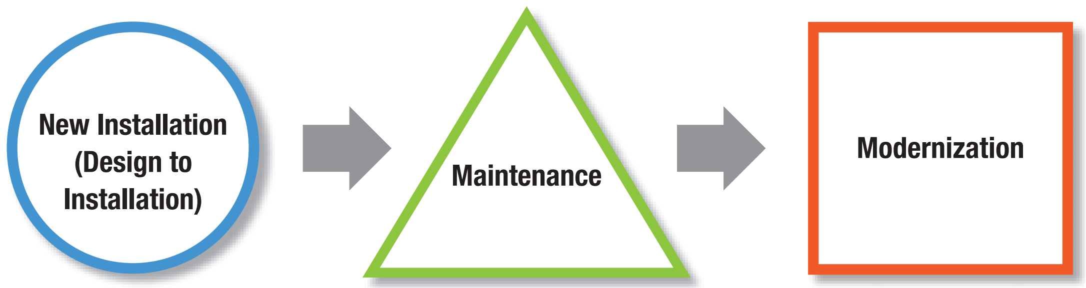
Forward-Looking Statements

This annual 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.

Fujitec Overview

Full-Line Producer

Fujitec is a specialized manufacturer of transportation systems. We produce a full line of safe and reliable elevators and escalators through an integrated structure covering all aspects that include design, development, sales, manufacturing, installation, maintenance and modernization.



New Installation (Design to Installation)

Fujitec's products are world-renowned for high quality. This is due to the establishment of a quality control structure in the production, development, design and installation processes. Through our constant pursuit of high-precision products and innovative quality, Fujitec continues to gain the support and trust of customers worldwide.

Maintenance

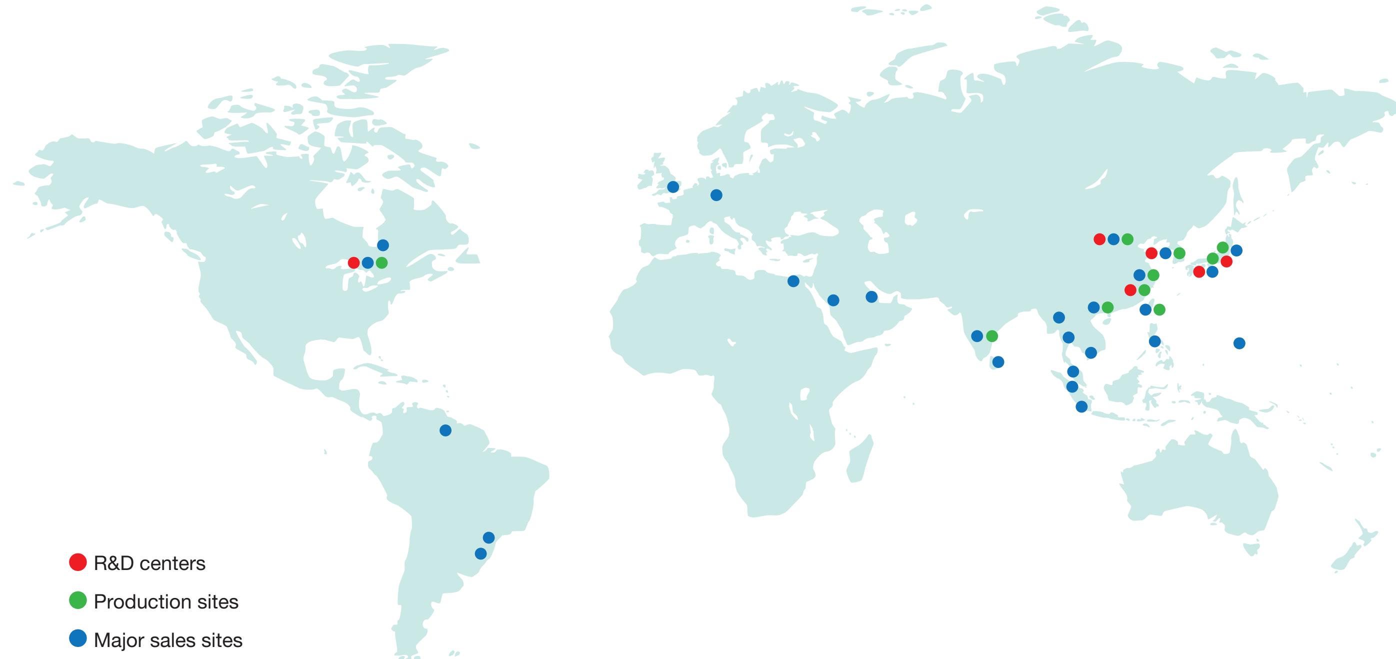
Fujitec constantly seeks more advanced maintenance technologies and innovation in safety systems concurrently with the nationwide network of its maintenance service centers. The Parts Supply Center provides real-time parts support while our Safenet Centers deliver 24-7 remote monitoring. Together, these centers work closely to ensure that our elevators and escalators are always safe and in operation.

Modernization

After 20 to 25 years in operation, elevators and escalators need to be modernized. Fujitec's sophisticated modernization technologies enhance safety and comfort. For example, we offer an Unintended Car Movement Package (UCMP) that controls operation and prevents passengers from being trapped in the event of an earthquake or power outage and includes seismic reinforcement in the hoistway.

Global Supply Chain

Beginning with Hong Kong in the 1960s, Fujitec was among the first in the industry to expand into the global market. Since then, we have been pursuing business development around the world. Fujitec currently operates in 25 countries and regions worldwide and has successfully established a global supply chain. These locations collaborate and engage local markets with quick and flexible solutions that are finely tuned to their respective regional needs.



Head Office Big Wing (Japan)

Huasheng Fujitec Elevator Co., Ltd. (China)

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

Fujitec Korea Co., Ltd. (Korea)

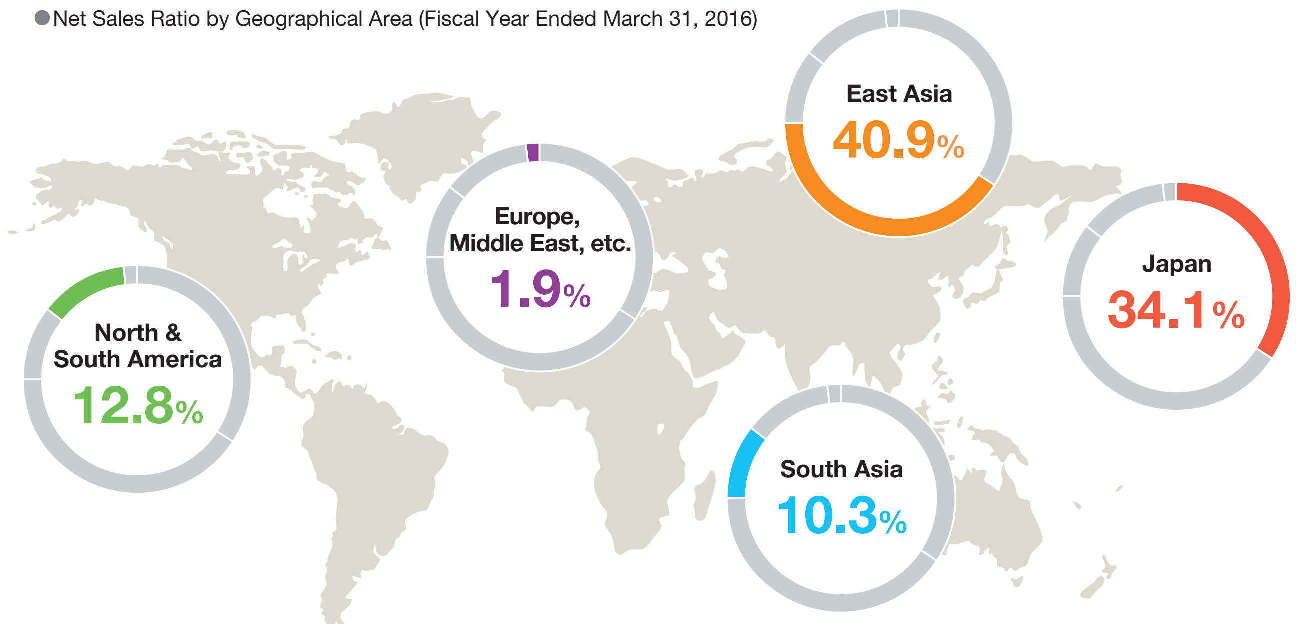
Fujitec India Private Ltd. (India)

Fujitec America, Inc. (U.S.A.)

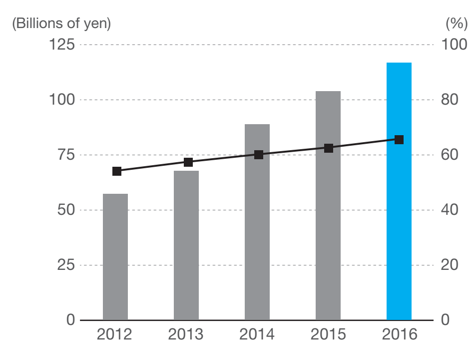
Overseas Sales Ratio of 65.9%

Transportation systems such as elevators and escalators are becoming a necessity for urban and social infrastructure growth. In addition to developed countries, there is a particularly strong demand for new installations in emerging countries. Fujitec is proactively focusing on global business development to meet the increase in demand.

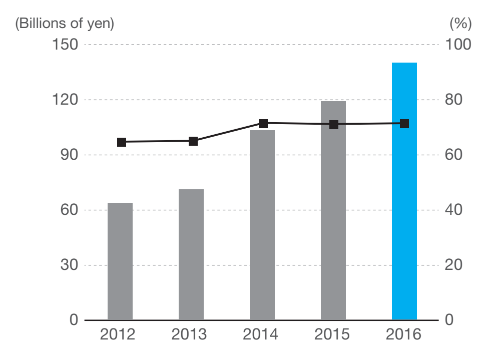
●Net Sales Ratio by Geographical Area (Fiscal Year Ended March 31, 2016)



●Overseas Sales / Overseas Sales Ratio (Fiscal Year Ended March 31)



●Overseas Order Backlogs / Overseas Order Backlog Ratio (Fiscal Year Ended March 31)



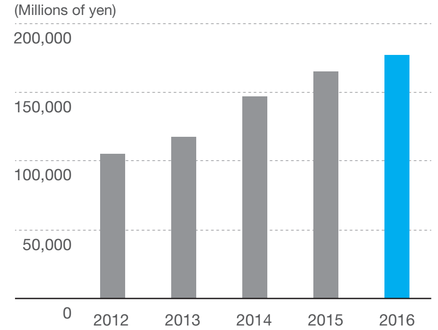
Financial Highlights

Fiscal years ended March 31	2012	2013	2014	2015	Millions of yen 2016	Thousands of U.S. dollars 2016
Net sales	¥105,061	¥117,468	¥147,054	¥165,297	**¥177,128**	**$1,567,504**
Domestic	47,948	49,805	58,338	61,508	**60,381**	**534,345**
Overseas	57,113	67,663	88,716	103,789	**116,747**	**1,033,159**
Operating income	5,363	9,172	12,871	13,488	**14,449**	**127,867**
Profit attributable to owners of parent	2,607	5,507	7,664	8,356	**8,807**	**77,938**
Comprehensive income	2,206	12,043	19,450	19,343	**6,533**	**57,814**
R&D expenses	1,971	1,930	1,976	2,023	**2,179**	**19,283**
Capital investment	1,354	1,614	1,867	4,071	**4,138**	**36,619**
Depreciation and amortization	2,204	2,083	2,237	2,373	**2,748**	**24,319**
Acquisition of property, plant and equipment	1,338	1,544	2,007	3,867	**4,210**	**37,257**
Total assets	107,213	122,643	154,265	179,856	**171,872**	**1,520,991**
Net assets	67,915	78,272	93,501	104,620	**100,406**	**888,549**
Cash flows from operating activities	9,685	7,913	9,294	10,753	**8,932**	**79,044**
Cash flows from investing activities	(3,952)	(232)	(2,655)	(619)	**(5,319)**	**(47,071)**
Cash flows from financing activities	(4,179)	(3,048)	(3,823)	(3,225)	**(11,532)**	**(102,053)**
Cash and cash equivalents at end of year	9,718	15,519	20,903	30,602	**21,833**	**193,212**
Net income per share (exact yen/dollars)	27.86	58.87	82.32	90.84	**109.36**	**0.97**
Diluted net income per share (exact yen/dollars)	—	—	82.31	90.79	**109.28**	**0.97**
Net assets per share (exact yen/dollars)	674.78	768.64	912.40	1,074.82	**1,102.66**	**9.76**
Cash dividends per share (exact yen/dollars)	12.00	16.00	22.00	24.00	**30.00**	**0.27**
Shareholders' equity ratio (%)	58.9	58.6	54.8	51.9	**51.6**	**—**
Return on shareholders' equity (%)	4.1	8.2	9.8	9.4	**9.7**	**—**
Order backlogs	97,996	108,972	143,881	166,745	**195,339**	**1,728,664**
Domestic	34,391	37,896	40,692	47,779	**55,475**	**490,929**
Overseas	63,605	71,076	103,189	118,966	**139,864**	**1,237,735**

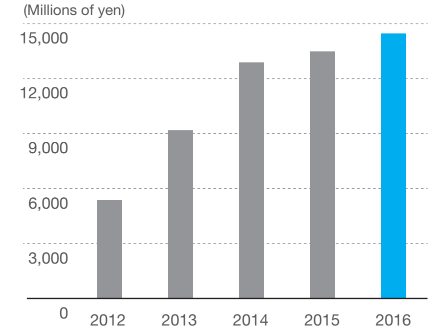
(Notes) 1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥113 to US$1.00, which was the exchange rate on March 31, 2016.
2. During the fiscal year ended March 31, 2012, the accounts of Fujitec (Thailand) Co., Ltd. were newly included in the consolidation.
3. During the fiscal year ended March 31, 2015, the accounts of Fujitec M&E Sdn. Bhd. were newly included in the consolidation.
4. During the fiscal year ended March 31, 2016, the accounts of Fujitec Lanka (Private) Ltd. were newly included in the consolidation.
5. During the fiscal year ended March 31, 2016, the accounts of Fujitec (Thailand) Co., Ltd. were removed from the consolidation.
6. Net income per share amounts are computed based on the weighted average number of shares outstanding during each fiscal year. Net assets per share amounts are computed based on the number of shares outstanding at each fiscal year-end.
7. Diluted net income per share is not recorded for the fiscal years ended March 31, 2012 and 2013 because there were no dilutive shares during those fiscal years.

●Five-Year Performance (Fiscal Years Ended March 31)

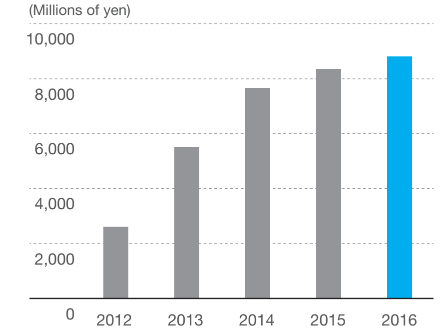
Net Sales
(Millions of yen)



Operating Income
(Millions of yen)



Profit Attributable to Owners of Parent
(Millions of yen)



Takakazu Uchiyama
President and Chief Executive Officer

Net Sales, Operating Income and Ordinary Income Reach Record Highs for the Fourth Consecutive Year

North American Market Remains Strong While Asian Region Is in Flux

During the fiscal year ended March 31, 2016, the elevator and escalator industry saw a decline in demand in China amid the tough market environment in which real estate investment continued to slow. While demand also declined in other Asian countries, it remained strong in North America. In Japan, there were greater moves to pull back on new construction due to rising construction costs, but development projects for office buildings and other large-scale multi-purpose facilities made progress in the Tokyo metropolitan area.

Under these conditions, new escalator sales declined (including retail stores) but new elevator installations increased for office and multi-unit dwellings primarily in the Tokyo metropolitan area. Our modernization division (upgrading and/or retrofitting outdated equipment with new technology) experienced solid returns on the sale of control panels and safety enhancement packages, but saw an overall order decrease due in part to the saturation of demand.

Domestic Sales Decrease 1.8% and Overseas Sales Rise 12.5%

Reflecting these factors, net sales increased 7.2% year over year to ¥177,128 million, with domestic sales of ¥60,381 million, down 1.8%, and overseas sales of ¥116,747 million, up 12.5%. The actual percentage increase in overseas sales, excluding the effect of foreign exchange fluctuations, was 0.7%.

North America achieved profitability by contributing to the aforementioned 12.5% sales increase, after posting an operating loss in the fiscal year ended March 31, 2015. Additionally, Japan increased overall company profitability by improving the level of efficiency in the new installation business sector. As a result, operating income rose 7.1% year over year to ¥14,449 million, ordinary income edged up 2.3% to ¥15,162 million and profit attributable to owners of parent increased 5.4% to ¥8,807 million. These developments helped net sales, operating income and ordinary income reach record highs for the fourth consecutive year.

Initial Net Sales Target Achieved under the Previous Mid-Term Management Plan

The fiscal year ended March 31, 2016 was the final year of the three-year Mid-Term Management Plan “Grow Together! Yes, Fujitec Can.” We achieved the targets of ¥175,000 million in net sales and ¥14,000 million in operating income as planned.

Under the plan, a collective effort set the following key objectives: 1) Enhance Fujitec’s ability to supply products and be cost-competitive as a producer of full-line products in the global market; 2) Accelerate Fujitec’s production reorganization in the Asian region, including Japan, to revamp its global supply chain; 3) Place the highest priority on safety and quality to earn customers’ trust and meet their expectations; and 4) Provide resources to improve training programs that support Fujitec’s global collaboration initiative.

Strengthening Development and Production Capabilities with a Focus on China

With regard to production during the period of the Mid-Term Management Plan, Fujitec focused on the reorganization of a global supply chain in China and East Asia in an effort to strengthen our development and production capabilities.

In March 2014, Huasheng Fujitec Elevator Co., Ltd., located in the suburbs of Beijing, completed the Xiangyun elevator research tower (height: 151 meters) to improve its elevator research and development functions. In Shanghai, an experiment building of the Shanghai R&D Center was constructed in July 2014, and was soon followed by the completion of the Shanghai Procurement Center in July 2015. In October 2015, construction of the second plant was completed at Shanghai Huasheng Fujitec Escalator Co., Ltd. In October 2014 in Korea, we renovated the Incheon Plant and constructed the MARUNA81 elevator research tower (height: 81 meters) at Fujitec Korea Co., Ltd., with an aim to manufacture products with higher performance and quality.

We are also accelerating the global development of the modernization business, which is enhancing its presence mainly in mature markets. For example, we completed the renovation of the Hsinchu Plant of Fujitec Taiwan Co., Ltd. in March 2016. As a production base for modernization-related equipment, this plant will play an important role in responding to global demand mainly from East Asia and South Asia.

Releasing New Global Standard Models

Regarding our product strategy, we intend to accelerate our efforts in raising product supply capabilities and strengthening cost competitiveness as a full-line producer that offers an array of highly market competitive products. These will range anywhere from standard elevators on up to the high-speed or more custom-made applications.

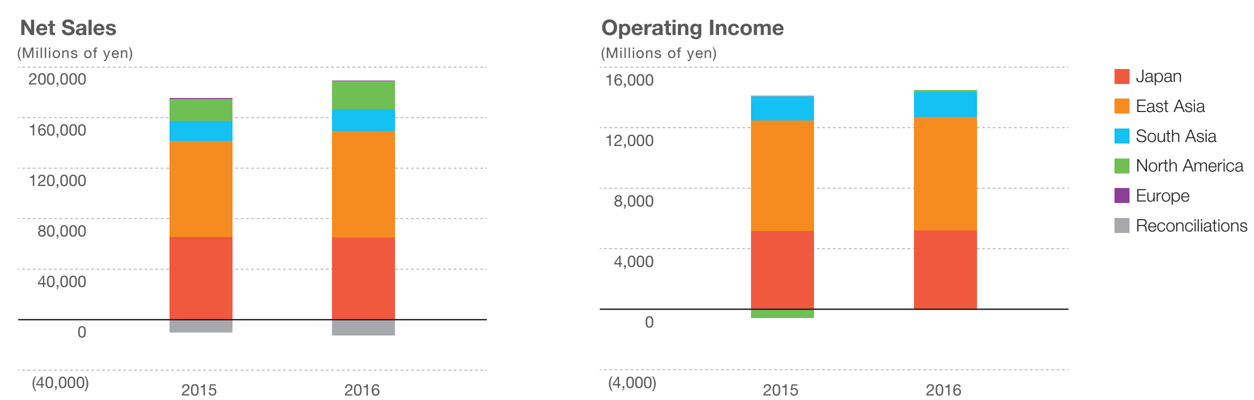
More specifically, we will review the design and components of each system as it relates to their market segment to help standardize products for optimal efficiency. Moreover, we will reorganize our product lineup by combining modules that maximize the benefits of large-scale procurement. In November 2014, we launched ZEXIA, a new global standard elevator for which sales are increasing, in the Chinese market. In Japan, we added globally standardized traction machines and control panels to the large-capacity type and custom-made type of XIOR (standard elevators) in

● Business Results (Fiscal Years Ended March 31)

(Millions of yen)

	2015	2016	Increase/Decrease (%)
Net sales	165,297	**177,128**	7.2
Domestic	61,508	**60,381**	(1.8)
Overseas	103,789	**116,747**	12.5
Operating income	13,488	**14,449**	7.1
Ordinary income	14,826	**15,162**	2.3
Profit attributable to owners of parent	8,356	**8,807**	5.4

● Performance by Segment (Fiscal Years Ended March 31)



To Our Shareholders and Investors

December 2015. In the modernization business, we steadily added more models that are globally compatible with the control panel replacement package to expand our product lineup.

Strengthening Sales Capability in the Entire Asia Region

In the area of sales, with China being the region of greatest priority, we focused our efforts on expansion in Beijing and Shanghai where we have production and sales bases as well as the major cities of Guangzhou, Chongqing and Chengdu. In regard to the sales network, we proactively looked for new distributors in inland areas, where demand is expected to grow, in addition to developing our network of existing distributors that extends across China.

There are plans to modernize products we delivered in Singapore and Hong Kong in the past, and we expanded our lineup for renewal products and focused our efforts on capturing the demand for modernization. In India, we strived to supply products that meet customer needs while expanding the sales network and exporting products to other South Asian countries. In addition, we worked to strengthen our sales capabilities throughout the entire Asia region with the establishment of Fujitec Lanka (Private) Ltd. in Sri Lanka in October 2014 and Fujitec Myanmar Co., Ltd. in Myanmar in June 2015.

In Japan, we aimed to increase our market share in the new installation business. At the same time, we continued to proactively manage the modernization business in the after-sales service market, where demand is expected to be brisk.

Sales and Profits Expected to Decline in the Fiscal Year Ending March 31, 2017 due in Part to the Impact of Exchange Rate Fluctuations

Looking at the elevator and escalator market in the fiscal year ending March 31, 2017, demand is forecast to decline in China and emerging countries in Asia, where the economy is expecting a continued slowdown. On the other hand, demand in North America is anticipated to remain strong. Although there are moves to pull back on new construction due to rising construction costs in Japan, demand is expected to remain steady in the Tokyo metropolitan area.

Under these conditions, the business environment surrounding the Fujitec Group is expected to grow tougher, with price competition becoming fierce in China and Japan.

As a result of these factors, we are projecting net sales of ¥170,000 million for the fiscal year ending March 31, 2017, down 4.0% year over year. At the profit level, due to the decline in China and impact of exchange rate fluctuations, we are projecting operating income of ¥12,000 million, down 17.0% year on year; ordinary income of ¥13,000 million, down 14.3%; and profit attributable to owners of parent of ¥8,500 million, down 3.5% (with an assumed average exchange rate of ¥110 to US$1).

Launch of the New Mid-Term Management Plan

In April 2016, the Fujitec Group launched the new three-year Mid-Term Management Plan "No Limits! Push Forward Together!" the final year of which is the fiscal year ending March 31, 2019.

This slogan conveys our strong resolve to make concerted efforts throughout the Fujitec Group and do our best together to achieve our goals rather than merely maintaining the status quo. Our targets for the final fiscal year are net sales of ¥200,000 million, operating income of ¥16,000 million and an operating margin of 8.0%.

To achieve these targets, we have set the following four key objectives of the action vision: 1) Increase Fujitec's market share by identifying and supporting specific regional needs (Regional Strategy); 2) Increase competitiveness through the unification of product specifications (Product and Technology Strategy); 3) Innovate procurement systems and establish a new global network for product design (Operation Strategy); and 4) Enhance the quality of Fujitec's corporate management (Corporate Strategy).

We will strive to achieve the targets for the final fiscal year by implementing the respective strategies for regions, products and technologies, operations and corporate matters.

Basic Policy on Profit Distribution and Dividends for the Fiscal Year Ended March 31, 2016 and Fiscal Year Ending March 31, 2017

With regard to profit distribution, our basic policy for paying dividends is to regard enhancement of the return of profit to our shareholders as our top management priority. At the same time, we balance the need to retain internal reserves to ensure the long-term stability of the company's foundation.

We will continue to allocate internal reserves effectively for activities that raise our corporate value, for example, making capital investments in growth fields, funding investments and financing for our global business expansion and investing in R&D. Fujitec also executes repurchases of treasury stock.

As announced on May 13, 2015, the company paid year-end cash dividends per share of ¥15. Together with interim cash dividends per share of ¥15, total dividends per share for the fiscal year ended March 31, 2016 therefore amounted to ¥30.

For the fiscal year ending March 31, 2017, we plan to pay interim and year-end cash dividends per share of ¥15, respectively, amounting to total dividends per share of ¥30 for the fiscal year.

We position the new Mid-Term Management Plan "No Limits! Push Forward Together!" as an important plan for moving toward a new era. We hope our shareholders and investors will continue to lend us their support and cooperation.

June 23, 2016

Takakazu Uchiyama
President and Chief Executive Officer

Xiangyun Research Tower (elevator research tower) constructed at Huasheng Fujitec Elevator Co., Ltd. in China (March 2014)

Renovation of the Incheon Plant completed at Fujitec Korea Co., Ltd. (October 2014)

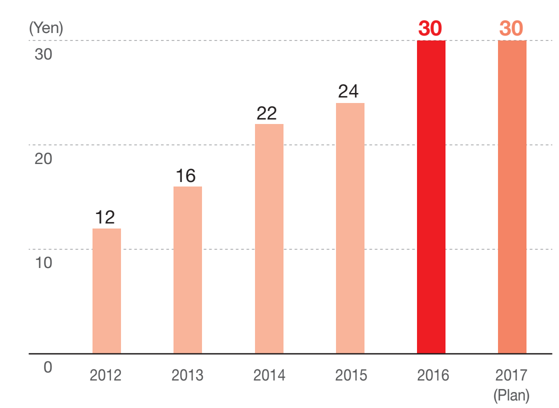
Renovation of the Hsinchu Plant completed at Fujitec Taiwan Co., Ltd. (March 2016)

● Targets by Segment for Fiscal Year Ending March 31, 2017

(Millions of yen)

	Net Sales	Operating Income	Operating Margin (%)
Japan	66,000	52,000	7.9
East Asia	80,000	52,000	6.5
South Asia	15,000	1,400	9.3
North America	21,000	300	1.4
Europe	500	0	—
Total	**182,500**	**12,100**	**6.6**
Reconciliations	(12,500)	(100)	—
Consolidated	**170,000**	**12,000**	**7.1**

● Annual Dividends (Fiscal Years Ended March 31)



Special Feature

New Mid-Term Management Plan

For Achieving Sustainable Growth of Our Corporate Value

Fujitec launched a new three-year Mid-Term Management Plan, “No Limits! Push Forward Together!” This slogan conveys our strong resolve to do our best together to achieve our goals rather than merely maintaining the status quo. In the fiscal year ending March 31, 2019, the final year of the plan, we aim to achieve net sales of ¥200,000 million and operating income of ¥16,000 million.

Action Vision

We have set the following four key objectives to achieve the targets.

Regional Strategy

Increase Fujitec’s market share by identifying and supporting specific regional needs.

- Aim for market share expansion by providing products and services respectively matched to mature markets and emerging country markets.
- Strive to improve the level of customer satisfaction and enhance the Fujitec brand by receiving orders for high-profile projects.

Product and Technology Strategy

Increase competitiveness through the unification of product specifications.

- Aim for higher competitiveness through a strong supply chain by unifying and standardizing products.
- Internally manufacture and raise the production efficiency of primary devices and strengthen forward-looking R&D.

Operation Strategy

Innovate procurement systems and establish a new global network for product design.

- Promote bulk procurement and establish a structure that maximizes global design resources.
- Accelerate initiatives to promote unified operation of the escalator business while strengthening the modernization business.

Corporate Strategy

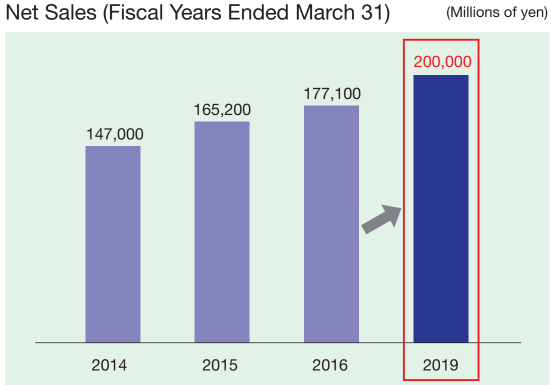
Enhance the quality of Fujitec’s corporate management.

- Raise the quality of management by strengthening corporate governance; establish and improve IT-based infrastructure; support the development of global human resources; and implement initiatives to ensure safety and security of products and services.

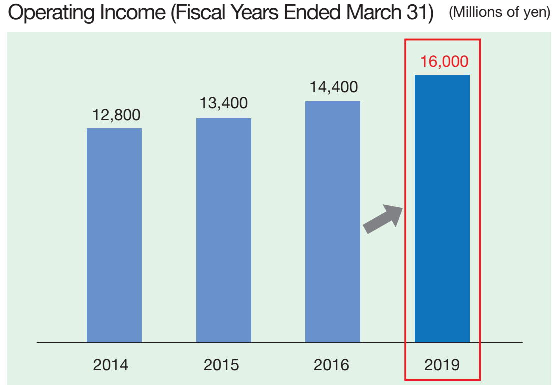
Target Management Indicators

Our target management indicators for the fiscal year ending March 31, 2019, which is the final year of the Mid-Term Management Plan, are net sales of ¥200,000 million, operating income of ¥16,000 million and an operating margin of 8.0% on a consolidated basis.

Net Sales (Fiscal Years Ended March 31) (Millions of yen)



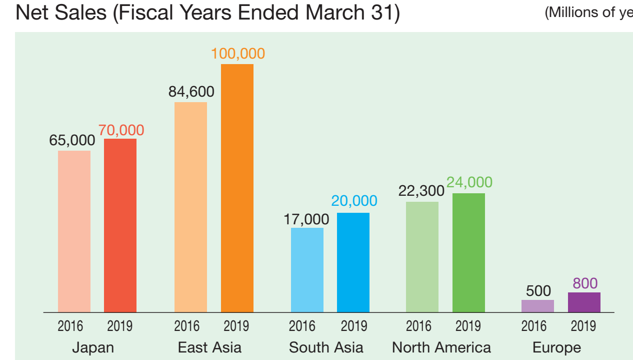
Operating Income (Fiscal Years Ended March 31) (Millions of yen)



Segment-Specific Targets

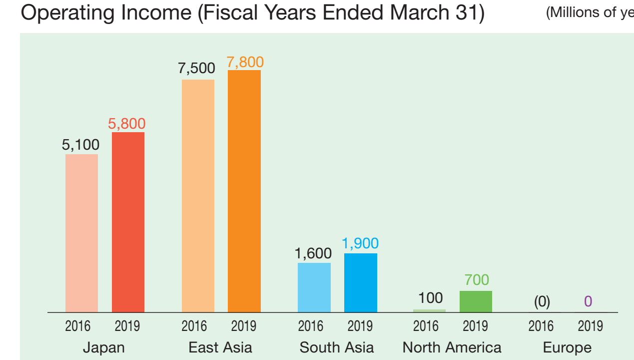
For the fiscal year ending March 31, 2019, we aim to increase both sales and profits in all segments.

Net Sales (Fiscal Years Ended March 31) (Millions of yen)



Excluding reconciliations

Operating Income (Fiscal Years Ended March 31) (Millions of yen)



Excluding reconciliations

Regional Strategy

East Asia

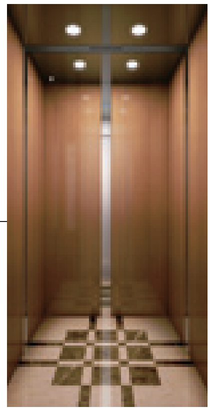
China

- Strengthen the sales network and improve cost competitiveness
- Supply standard models globally

Hong Kong, Taiwan and Korea

- Focus on the modernization business in Hong Kong
- Supply modernization equipment globally from Taiwan
- Supply custom-made models globally from Korea

In East Asia, we will strive to increase our market share in China (the world's largest market) by strengthening our sales network and improving our product development capabilities and cost competitiveness. In the mature markets of Hong Kong, Taiwan and Korea, we will focus on the promotion of the modernization business. We will also establish a global-market supply chain in which we will deliver standard models of elevators and escalators from China, custom-made elevators from Korea and modernization equipment from Taiwan.



South Asia

- Invest management resources in India and the ASEAN region
- Expand production capacity in India

In South Asia, we will invest our management resources in India and the ASEAN region, where growth is expected. We will aim to strengthen our presence by further expanding our elevator production capacity in India and improving our capabilities in developing and supplying products that can also be offered to markets such as the Mekong area. In Sri Lanka, where we established our subsidiary in 2014, we received an order for 16 elevators and escalators for the Lotus Tower (height: 350 meters), a TV tower that will be the tallest in the country when it is completed.

North America and Europe

- Carry out sales activities to win orders for new installations in large cities
- Focus on expanding businesses in the after-sales service market

In North America and Europe, we will aim for stable profitability by expanding the new installation business in large cities and reinforcing our foundation in the after-sales service market mainly in the modernization business. In New York, we have received an order for 14 elevators for One Manhattan Square, a multi-purpose high-rise building. We will continue to accelerate activities for receiving orders in New York and other large cities.

Japan

- Raise profitability and increase market share in the new installation business
- Focus on the modernization business

In Japan, we will aim to improve profitability through cost reduction measures and increase our market share in the new installation business. In the after-sales service market, we will continue to focus on the modernization business to reinforce our revenue base.

Product and Technology Strategy

Concept Improving market competitiveness with global models

Product strategy

- Integrate products across global production bases (elevators, escalators and modernization)

Technology strategy

- Develop technologies for equipment that supports the product lineup
- Carry out forward-looking R&D

In each product category, namely elevators, escalators and modernization, we will enhance our market competitiveness by integrating products among global production bases, including Japan. In addition, we will improve our price competitiveness and create new product value by developing technologies for equipment that supports the product lineup by carrying out forward-looking R&D.

Operation Strategy

- Promoting procurement through global bulk purchasing
- Building a global design network
- Promoting unified operation of the escalator business
- Promoting the global modernization business

We will aim to reduce purchase costs and logistics costs by promoting procurement innovation through bulk purchasing by the entire Fujitec Group. In addition, we will build a global design network to support the design resources the Fujitec Group possesses. In the escalator business, we will promote unified operation at production bases in China and Japan. At the same time, we will promote the global modernization business centering on Taiwan.

Corporate Strategy

- Strengthening corporate governance
- Strengthening the development of global human resources
- Strengthening the establishment of IT-based infrastructure
- Implementing initiatives for safety and quality

Based on our basic policy on corporate governance, we will build a governance structure that is highly ethical and transparent and will strengthen our internal control and risk management systems. We will also strengthen our global management structure and promote the establishment of the Fujitec Group's IT infrastructure by leveraging the latest information technologies.

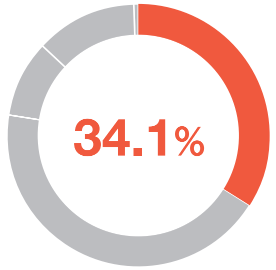
For the development of global human resources, we will strive to enhance our training programs by encouraging employees all over the world to share the same set of values while respecting their expertise and diversity so that we can contribute to customers and society.

With regard to initiatives for safety and quality, we will continue to ensure safety by further improving our field technologies for elevator and escalator installation and maintenance. At the same time, we will build a quality assurance system for our products on a global scale.

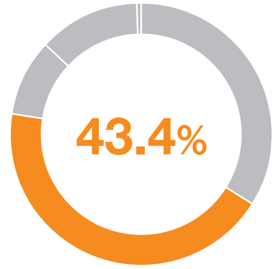
Review of Operations (For the Fiscal Year Ended March 31, 2016)

Net Sales Composition Ratio by Segment (%)

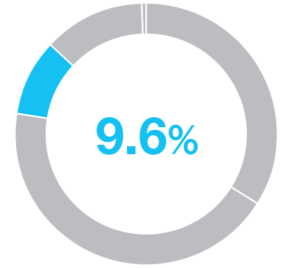
Japan



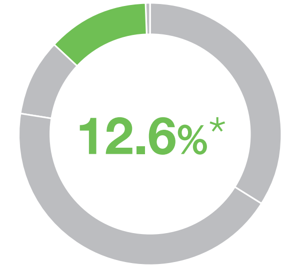
East Asia



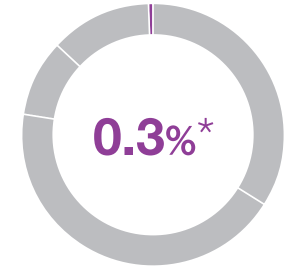
South Asia



North & South America



Europe & Middle East



Segment Information

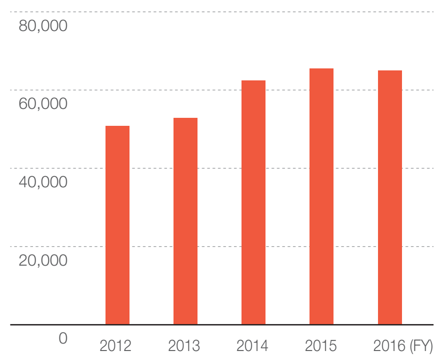
(Consolidated subsidiaries only for net sales, operating income (loss) and the number of employees)

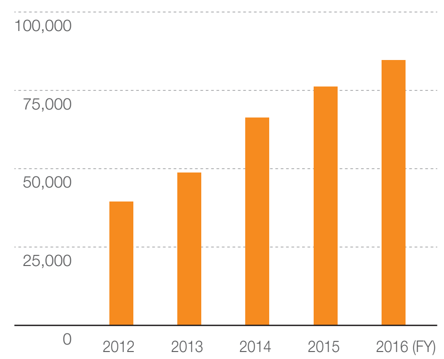
	Japan	East Asia	South Asia	North & South America	Europe & Middle East
Net sales	¥65,001 million (Down 0.8% YoY)	¥84,606 million (Up 11.0% YoY)	¥17,075 million (Up 10.2% YoY)	Net sales* ¥22,360 million (Up 26.1% YoY)	Net sales* ¥508 million (Down 15.5% YoY)
Operating income	¥5,199 million (Up ¥50 million YoY)	¥7,500 million (Up ¥172 million YoY)	¥1,626 million (Up ¥67 million YoY)	Operating income* ¥137 million (Operating loss of ¥582 million in the previous fiscal year)	Operating loss* (¥43 million) (Operating loss of ¥1 million in the previous fiscal year)
Number of affiliates	3	8 (7 of which are consolidated subsidiaries)	12 (8 of which are consolidated subsidiaries)	7 (2 of which are consolidated subsidiaries)	4 (2 of which are consolidated subsidiaries)
Number of employees	2,824	4,536	1,328	Number of employees* 770	Number of employees* 28
Areas covered	All over Japan	China, Taiwan, Hong Kong and Korea	Singapore, Malaysia, the Philippines, Thailand, Vietnam, Indonesia, India, Sri Lanka and Myanmar	U.S.A., Canada, Venezuela, Argentina, Uruguay and Guam	U.K., Germany, Saudi Arabia, Egypt and UAE

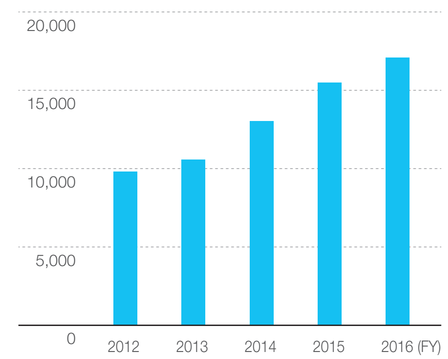
*North America only

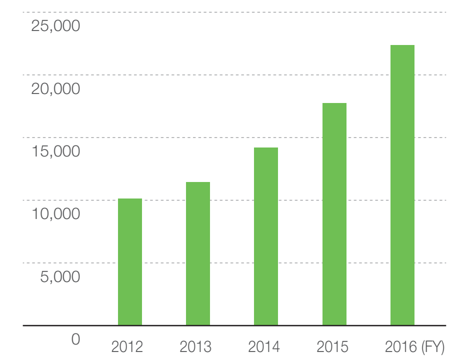
*Europe only

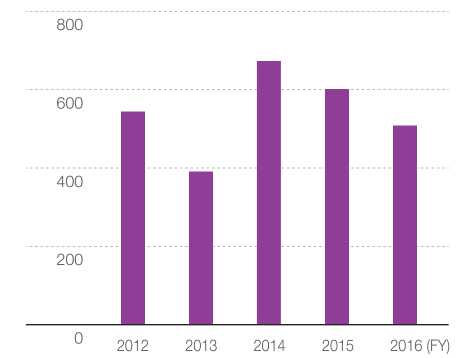
Net Sales (Millions of yen)



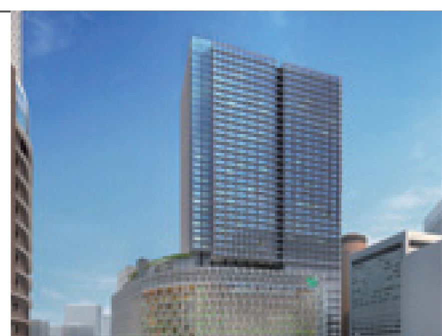






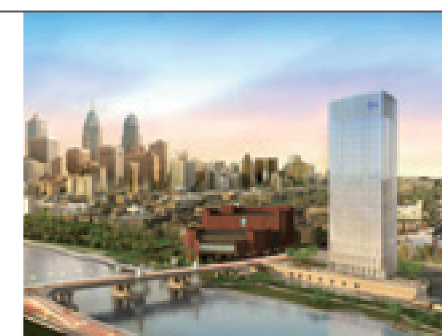


Main Projects


Umeda 1-1 Building (tentative name) (Osaka)


LOTTE MALL Eunpyeong New Town (Korea)


IOI City Mall (Malaysia)


CHOP Schuylkill Avenue Project (U.S.A.)

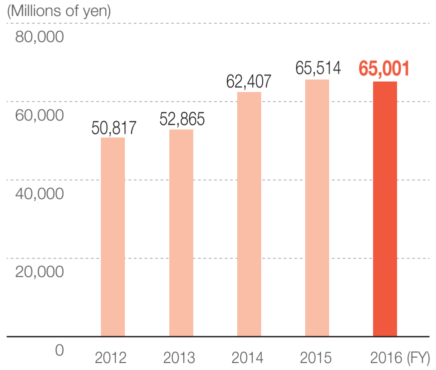

Goodies Restaurant (Saudi Arabia)

Japan

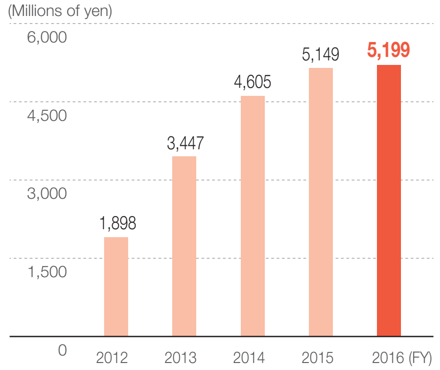
Fiscal years ended March 31

	2015	2016	Percentage change
Net Sales	¥65,514 million	¥65,001 million	-0.8%
Operating Income	¥5,149 million	¥5,199 million	+1.0%

Net Sales
(Millions of yen)



Operating Income
(Millions of yen)



Tokyu Plaza Ginza (Tokyo)
Based on the concept of "Creative Japan—The World Gets Interesting from Here," "Tokyu Plaza Ginza," a large-scale retail facility, opened in March 2016 as a new landmark in the Ginza district. Fujitec delivered 55 elevators and escalators.

Market Environment and Overview

The Japanese economy sustained a modest recovery underpinned by improvements in corporate earnings and the employment situation.

In the elevator and escalator industry, there were greater moves to pull back on new construction due to rising construction costs, but development projects for office buildings and other large-scale multi-purpose buildings made progress in the Tokyo metropolitan area. Sales in our service business were solid despite a decline in new installations.

As a result, domestic net sales decreased 0.8% from the previous fiscal year. Conversely, operating income rose by ¥50 million compared with the previous fiscal year, as higher profitability of new installations and an increase in maintenance sales offset rising costs for imported materials and increased installation costs.

Initiatives in the Fiscal Year Ended March 31, 2016

New Installation Business

In the new installation business, Fujitec received numerous orders and delivered products for retail facilities, multi-purpose facilities and other buildings.

In Tokyo, Fujitec supplied 55 elevators and escalators for "Tokyu Plaza Ginza," a large-scale retail facility facing the busy Sukiya-bashi intersection, and 38 elevators and escalators for a new school building at "Teikyo University Hachioji Campus."

In Osaka, we received an order for 32 elevators and escalators for "Umeda 1-1 Building (tentative name)" and supplied 81 elevators and escalators for "EXPOCITY," both of which are large-scale multi-purpose facilities.

In other areas, we supplied 24 elevators and escalators for "Oroshimachi and Renbo stations" for the Tozai subway line, which opened in December 2015 in Sendai City.

Regarding new products, we commenced sales of "Made-to-Order XIOR," a new line of downsized, custom-made elevators, in December 2015.

Modernization Business

In the modernization business (the updating of existing equipment), Fujitec recorded an increase in work for custom-made elevators, mainly in the Tokyo metropolitan area. Additionally, we posted steady growth in sales for safety enhancement modernization packages in response to the Building Standards Act amendment in April 2014.

We further improved the safety and security of these packages by adding anti-seismic functions to accompany our low-cost/quick installation benefits. We are working to expand sales of these packages as products that assure the safety of existing elevators.

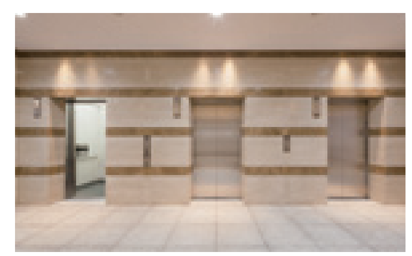
Outlook and Initiatives for the Next Fiscal Year

On the back of an economic recovery overseas, the Japanese economy is expected to sustain a mild recovery in exports and improved domestic consumption.

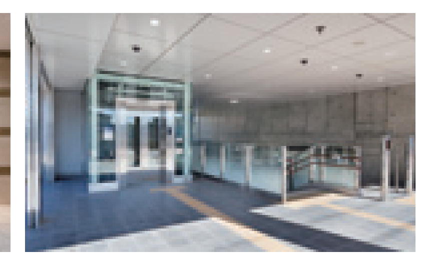
Demand is expected to remain steady in the Tokyo metropolitan area for the elevator and escalator industry despite moves to pull back because of rising construction costs.

In the new installation business, we will raise earning potential through cost reductions while increasing market share. Fujitec will continue to proactively promote its modernization business by strengthening its product lineup and capabilities in the after-sales service market, where robust demand is expected.

For the fiscal year ending March 31, 2017, we are anticipating a slight increase in sales while profits are to remain virtually unchanged.



Teikyo University Hachioji Campus (Tokyo)



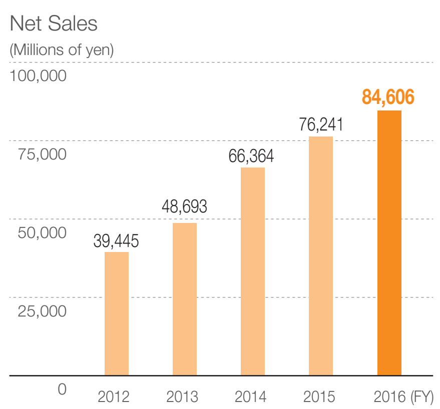
Tozai subway line (Sendai)

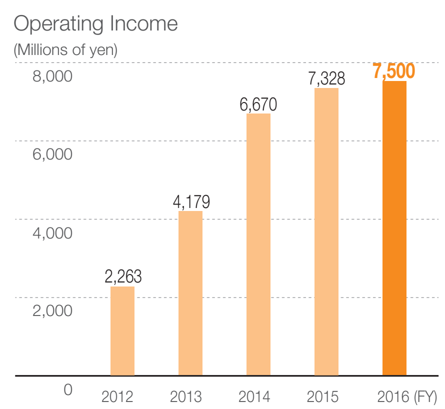
EXPOCITY (Osaka)
Opened in November 2015 in the Expo'70 Commemorative Park, "EXPOCITY" is one of Japan's largest-scale multi-purpose facilities, comprising eight entertainment facilities and 305 retail stores. Fujitec delivered 81 elevators and escalators.

East Asia

Fiscal years ended March 31

	2015	2016	Percentage change
Net Sales	¥76,241 million	¥84,606 million	+11.0%
Operating Income	¥7,328 million	¥7,500 million	+2.3%





Initiatives in the Fiscal Year Ended March 31, 2016

In East Asia, demand in China continued to expand moderately despite the impact of a slowdown in real estate investment, while demand in other countries and regions was also firm.

In China, we delivered 18 elevators and escalators for "Shangri-La Hotel, Nanchang," a luxury hotel in Nanchang City, Jiangxi Province. We also delivered 72 elevators and escalators for the "DAMG International Shopping Center," a large retail facility in Luoyang City, Henan Province.

In Hong Kong, we delivered 12 elevators and escalators for a high-rise office building named the "Global Gateway Tower," while in Korea we received an order for 64 escalators and moving walks for "LOTTE MALL Eunpyeong New Town," a large retail facility in Seoul Special City.

Outlook and Initiatives for the Next Fiscal Year

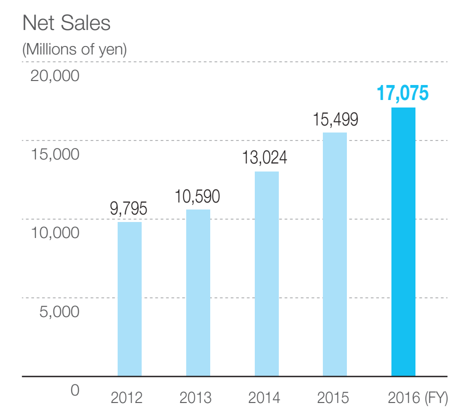
In the elevator and escalator market in China, we expect demand to decrease due mainly to persistent sluggishness in real estate investment. Fujitec will continue to position China as its most important market and invest management resources there. We will strive to increase our share in China by enhancing our sales network and strengthening cost competitiveness. At the same time, we will establish a supply chain that delivers products from China to the rest of the world. In the mature markets of Hong Kong, Taiwan and Korea, we will focus on promoting modernization operations.

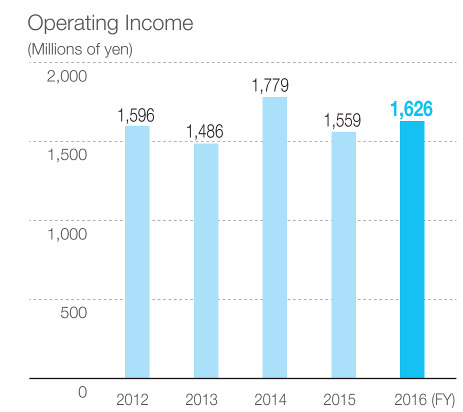
DAMG International Shopping Center (China)

South Asia

Fiscal years ended March 31

	2015	2016	Percentage change
Net Sales	¥15,499 million	¥17,075 million	+10.2%
Operating Income	¥1,559 million	¥1,626 million	+4.3%





Initiatives in the Fiscal Year Ended March 31, 2016

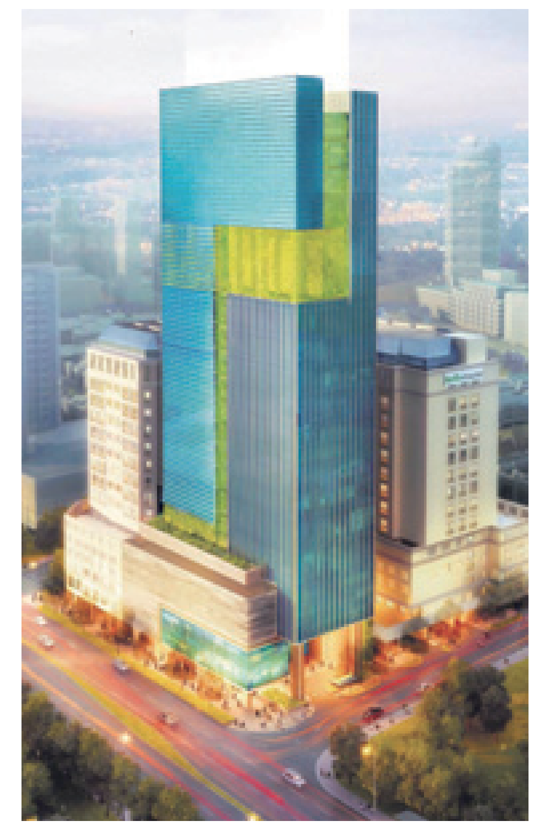
In South Asia, we posted increases in both sales and profits as a result of increases in new installations and service businesses.

In Singapore, we received an order for 17 elevators and escalators for "Raffles Hospital." In Malaysia, we received an order for 38 elevators and escalators for "D'Sara Sentral," a multi-purpose retail facility that combines retail, office space and residences in Selangor State. In Indonesia, we delivered 28 elevators and escalators for "Semarang Town Square," a large-scale retail facility in Semarang City, Central Java Province.

Outlook and Initiatives for the Next Fiscal Year

With substantial growth expected in India, we will augment our production capabilities and expand our network of sales bases and distributors in an effort to strengthen our performance capabilities and keep pace with market demand. We will also supply the various countries in the ASEAN region, with a focus on developing business for the standard elevator models KYUTO and ERITO, which have been well-received in India.

In Myanmar, we will continue to cultivate the market through Fujitec Myanmar Co., Ltd., which was established in June 2015 in Yangon, which is the largest city in the country.



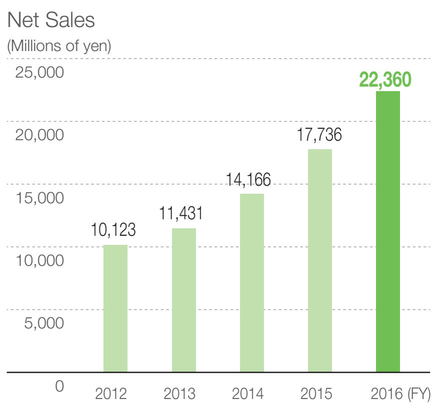
Raffles Hospital (Singapore)

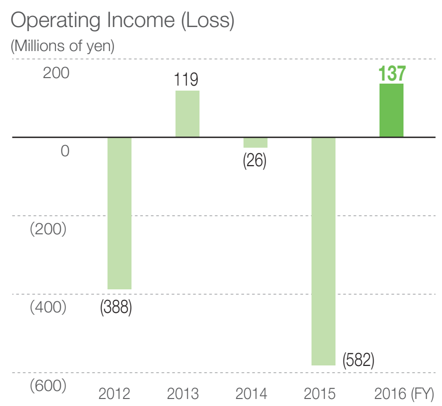
North & South America

Fiscal years ended March 31

	2015	2016	Percentage change
Net Sales	¥17,736 million	¥22,360 million	+26.1%
Operating Income (Loss)	(¥582 million)	¥137 million	—

*North America only





Initiatives in the Fiscal Year Ended March 31, 2016

In North America, the economy expanded overall, and the elevator and escalator industry posted solid results. Fujitec achieved an increase in sales thanks to growth in new installation and service businesses. Operating income also increased due mainly to a decrease in installation costs and higher profitability of service business.

Looking at orders and completed projects, we received an order for 13 elevators for the “CHOP Schuylkill Avenue Project,” in which The Children’s Hospital of Philadelphia, one of the best medical facilities in the United States, is building new facilities.

In New York, we delivered 12 elevators for “Sky,” an ultra-high-rise luxury residential building. In Houston, we completed the modernization work for 40 elevators and escalators for “Chevron 1400 Smith Street.” We also received an order for 19 elevators and escalators for the “Centro Square Condos,” a high-rise residential building in Ontario, Canada.

Outlook and Initiatives for the Next Fiscal Year

The North American economy is expected to continue expanding and the elevator and escalator industry is also projected to post solid results. In addition to implementing sales activities to capture orders for new installations in large cities in the new installation business, Fujitec will also strengthen product capabilities in the modernization sector, which has high growth potential, and proactively strive to expand the overall market. For the fiscal year ending March 31, 2017, we forecast a decrease in net sales but an increase in operating income.

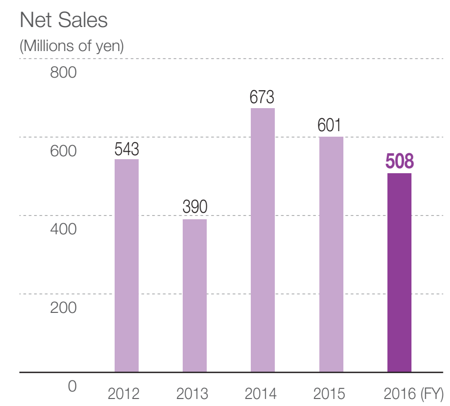
Chevron 1400 Smith Street (U.S.A.)

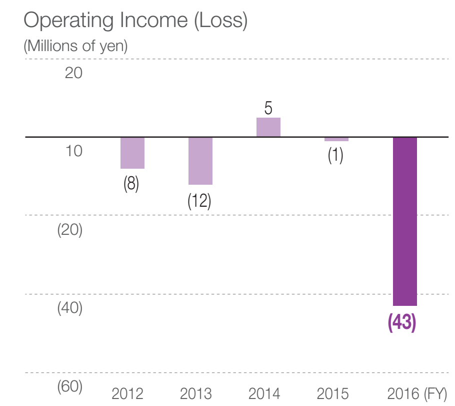
Europe & Middle East

Fiscal years ended March 31

	2015	2016	Percentage change
Net Sales	¥601 million	¥508 million	–15.5%
Operating Loss	(¥1 million)	(¥43 million)	—

*Europe only





Initiatives in the Fiscal Year Ended March 31, 2016

In the Europe and Middle East region, both net sales and profits decreased due primarily to a decline in escalator sales in Europe, offsetting a strong stream of orders in the Middle East.

The Middle East received an order for 11 elevators and escalators for “Goodies Restaurant,” a multi-purpose retail facility in Riyadh, the capital city of Saudi Arabia. In the United Arab Emirates (UAE), orders increased for elevators and escalators in offices, hotels and other facilities (mainly in the capital of Dubai), including 17 elevators for “Marina 106,” which will be the tallest residential building in the world when complete. In other countries, orders were received for various projects and large-scale retail facilities.

Outlook and Initiatives for the Next Fiscal Year

The European economy is on its way to recovery from the financial and debt crises but is expected to move toward moderate recovery driven by intra-EU consumption. Regarding demand for elevators and escalators in the Middle East, we forecast a continued expansion primarily in Saudi Arabia, Egypt, the UAE and Qatar.

Amid this environment, Fujitec will promote cost reductions and more streamlined business operations. For the fiscal year ending March 31, 2017, we expect to record a decrease in net sales but an increase in operating income in Europe.

Marina 106 (UAE)

Corporate Social Responsibility (CSR)

Fujitec's global mission statement states, "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." Recognizing that the implementation of this mission statement represents the genuine essence of our CSR, we work in unison to undertake CSR activities. Fujitec also collaborates with its stakeholders to carry out diverse CSR activities as part of efforts to coexist harmoniously with society and nature while achieving sustainability and added-value initiatives.

Safety first | Respect for employees | Customer oriented | Social contributions | Environmental protection

Initiatives for Safety

Maintenance Operations

Elevators require proper management, maintenance inspections and regular inspection to continue operating safely and comfortably at all times. Fujitec offers an integrated system of in-house development, production and maintenance, thereby contributing to the development of safe social infrastructure. As a benchmark, we perform maintenance inspections of elevators by specialists once a month to provide stable, high-quality services.


Elevator maintenance operations

Safety Enhancement Modernization Packages

Fujitec provides safety enhancement modernization packages as countermeasures for existing elevators. In addition to providing functions that prevent elevators from moving while their doors are open and prevent people from being trapped inside during an earthquake or power outage, these packages include seismic reinforcement to prevent rope displacement or entanglement as well as derailment. Bringing these enhancements into a single package, the product enables elevator owners to comply with legal safety standards at minimal cost and effort.

Raising the Level of Safety Awareness

To raise the level of safety awareness on a global basis, the Fujitec Group conducts safety training in respective regions. We gather field engineers from bases around the world to the "Big Fit," a core facility for training located in Japan, and hold safety-related training on a periodic basis. Participants then bring back knowledge to their own countries and effectively teach training sessions for field engineers at their respective subsidiaries.

Two Technique Competitions to Develop Human Resources and Hand Down Technologies

Fujitec holds the National Installation/Renovation Technique Competition aimed at raising elevator and escalator installation skills, and the National Maintenance Technique Competition for increasing the level of maintenance skills. Each competition is held every two years.

In the Fourth National Installation/Renovation Technique Competition held in 2015, participants selected from 14 bases in Japan competed in a variety of events. These ranged from paper tests and practical skills exams on installation/renovation as well as a customer-response competition using customer-dialogue simulations. By holding these competitions, we aim to share advanced field techniques and knowledge in our efforts to raise the quality of our human resources.


Participants in the technique competition

Social Contribution Activities

Providing Support for Cultural and Artistic Activities

Fujitec also actively supports musical events and other cultural and artistic activities. In 2015, we served as the special sponsor of the "Self-Made & Classic" Orchestra Concert by popular pianist Nobuyuki Tsujii and the Orchestra Ensemble Kanazawa.


Nobuyuki Tsujii

Holding Safety Education Sessions in China and Japan

Every year, Fujitec holds a safety education session for elevators and escalators targeting elementary school children. In 2015, we held safety classes in China and Japan.

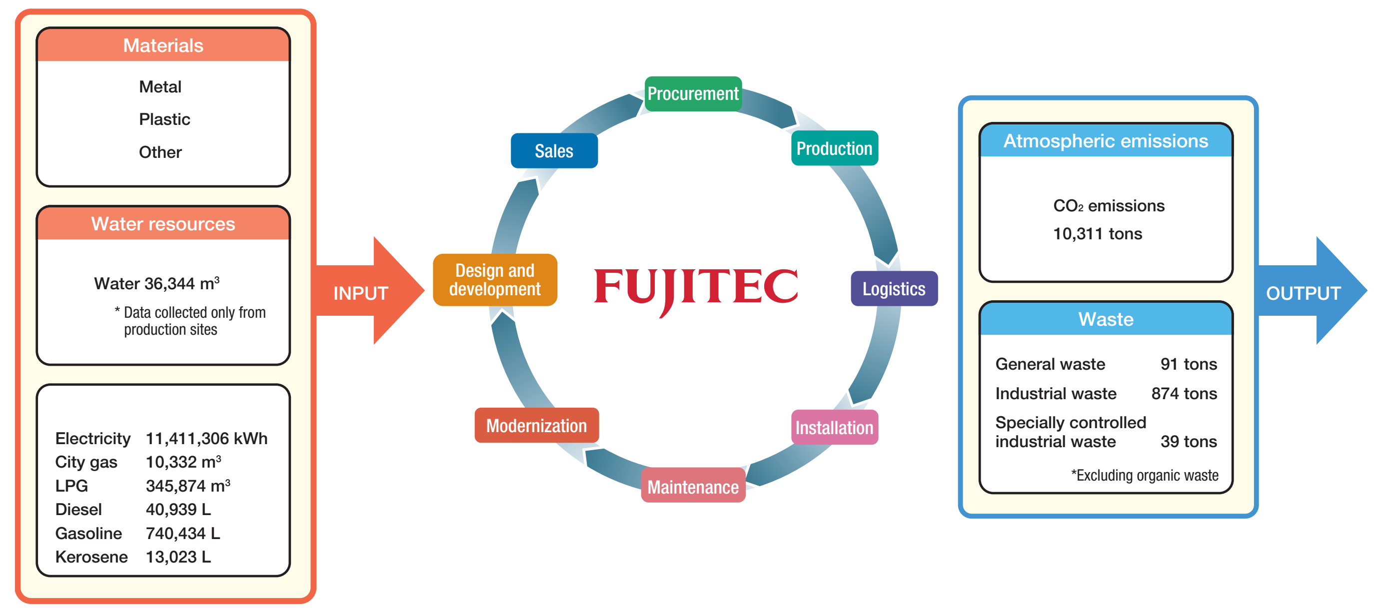

Safety education session held in China

Environmental Activities

Fujitec positions the implementation of environmental initiatives as one of its top management priorities for the sustainable development of society. Aiming for coexistence between social and economic development and the earth's environment, we strive to accurately assess the environmental impact of development, design and production of elevators and escalators in addition to field services and actual products. We then formulate environmental goals and targets, making unified group-wide efforts to attain these objectives.

Overall Environmental Load (Fiscal Year Ended March 31, 2016)

Scope for data collection: Head office, factories, branch offices, branch operation sites, sales offices and services centers in Japan



Corporate Governance

Basic Policy

Basic Approach to Corporate Governance

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 that 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 construct and establish the corporate governance structure we require to ensure sound and transparent group management.

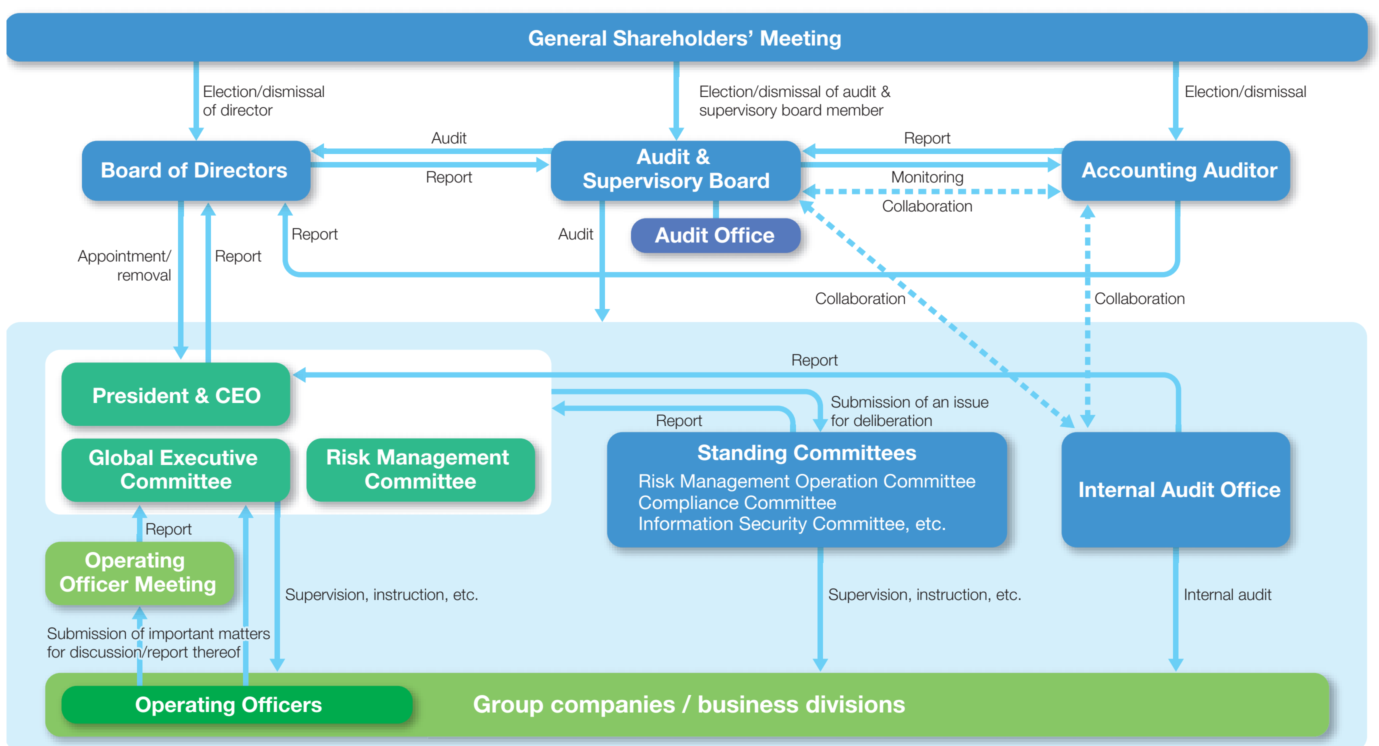
Management Structure

Matters Related to Functions of Business Execution, Audits and Oversight, Nominations and Determination of Compensation (Overview of Current Corporate Governance Structure)

Fujitec is a company with a Board of Directors and an Audit & Supervisory Board. The Board of Directors is comprised of seven directors (including three outside directors) and is responsible for deciding on important matters relating to business management and overseeing directors' performance of their duties. At the same time, the Audit & Supervisory Board comprised of four audit & supervisory board members (including three outside audit & supervisory board members) audits the directors' performance of their duties.

The business execution framework of the company and its subsidiaries is the subject of the important conferences of the Global Executive Committee, which meets on a quarterly basis to deliberate on important issues in group management, including business promotion in Japan and abroad, and the Operating Officer Meeting, which 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 CEO, the executive vice president and the standing audit & supervisory board members. At the Operating Officer Meeting, all directors in Japan concurrently serving as operating officers attend, including the CEO and the executive vice president. In addition, the proceedings and results of these important conferences are reported to outside directors following each meeting.

Corporate Governance Structure



Reason for Selecting the Current Corporate Governance Structure

In line with the company's basic approach to corporate governance, the company seeks to strengthen guidance and management through Standing Committees, such as the Risk Management Committee, while overseeing the status of business execution through the attendance of directors serving concurrently as operating officers in important meetings and other means. Moreover, the proceedings and results of important meetings are reported to the outside directors so that they can give appropriate advice. The company also promotes the sharing of information of audits by the audit & supervisory board members, accounting audits and internal audits, which are undertaken independently of business execution, and strives to optimize the governance structure so that each of these can perform its role and function effectively.

Internal Control

Basic Approach and Status of the Internal Control System

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 an Internal Control Department to promote related activities. That 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 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. Underneath 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.

Internal Control Structure

1. Structure for assuring that directors and employees of Fujitec Co., Ltd. as well as directors, executives and employees of Fujitec Co., Ltd.'s subsidiaries execute their duties in compliance with laws and regulations as well as the Articles of Incorporation
2. Structure concerning storage and management of information related to execution of duties by directors
3. Structure for rules and other matters related to management of risks for exposure to losses of Fujitec Co., Ltd. and its subsidiaries
4. Structure for assuring that directors of Fujitec Co., Ltd. as well as directors and executives of Fujitec Co., Ltd.'s subsidiaries execute their duties efficiently
5. Structure concerning reporting to Fujitec Co., Ltd. matters related to execution of duties by directors and executives of subsidiaries as well as other structures for assuring the appropriateness of business operations of the corporate group comprising Fujitec Co., Ltd. and its subsidiaries
6. Matters concerning employees assigned to assist audit & supervisory board members; matters concerning the independence of such employees from directors; and matters for assuring the effectiveness of instructions from audit & supervisory board members to such employees
7. Structure for reporting by directors and employees to audit & supervisory board members; structure for reporting to audit & supervisory board members of Fujitec Co., Ltd. by directors, audit & supervisory board members, persons who perform work duties such as employees and persons who are assigned to positions equivalent to these of Fujitec Co., Ltd.'s subsidiaries as well as by Fujitec Co., Ltd.'s employees and persons who receive reports from these persons; other structures concerning reporting to audit & supervisory board members; and structure for assuring that audits carried out by audit & supervisory board members are performed effectively
8. Structure for assuring that persons who made reports to audit & supervisory board members are not unjustly treated as a result of making such reports
9. Matters concerning the advance payment of expenses that arise from the execution of duties by audit & supervisory board members; matters concerning expenses that arise from reimbursement procedures and the execution of such procedures; and matters concerning policies related to the disposal of liabilities

Compliance

The Compliance Committee promotes compliance with the laws, regulations and corporate ethics necessary for promoting appropriate corporate activities and disseminates these to group employees and other concerned persons as cohesivery 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 for employees according to their position and department as deemed necessary to ensure that laws and regulations are made known to employees together with carrying out activities to raise employee awareness. The company has also established an internal reporting system to curb fraud. This includes a Compliance Consultation Desk as an internal reporting system related to compliance that allows all employees to consult directly regardless of organizational lines and which will receive 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 an appreciable level of 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.

Audit & Supervisory Board Members

Audit & supervisory board members determine audit standards, policies and plans at the Audit & Supervisory Board. Full-time audit & supervisory board members properly audit the execution of business duties by directors by attending the Global Executive Committee as well as by getting reports on the status of the execution of business duties.

As the secretariat for audit & supervisory board members and the Audit & Supervisory Board, we have set up the Audit Office, which is independent from business execution departments and exclusively plays an ancillary role in audit operations, and established a structure for promoting smooth audit operations.

Mutual Collaboration among the Internal Auditors, Audit & Supervisory Board Members and Accounting Auditors and Relationship with 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 to share auditing information with audited departments and implement activities 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.

Outside Directors and Outside Audit & Supervisory Board Members

The company has three outside directors and three outside audit & supervisory board members. The outside directors possess a wealth of experience and knowledge in corporate management and provide useful advice and recommendations from objective perspectives to the company's management. We also believe the outside audit & supervisory board members can utilize their abundant experience and knowledge in legal matters, finance and accounting in the company's audits and execute proper audits from objective and specialist perspectives.

Additionally, the company reports to outside directors on the proceedings and results from the Global Executive Committee and the Operating Officer Meeting that deliberate on important matters concerning management and the implementation of businesses in Japan and overseas. The company reports to outside audit & supervisory board members on the proceedings of liaison meetings held by the full-time audit & supervisory board members, accounting auditors and Internal Audit Office for the purpose of sharing audit-related information. In this manner, we collaborate with and support outside directors and outside audit & supervisory board members by providing them with information on the company and its group companies that is necessary for oversight and audits.

Mr. Hisao Shigekane is Fujitec's outside director and serves as counselor for Fuji Electric Co., Ltd., one of Fujitec's major shareholders. Fuji Electric holds 2,889 thousand shares of Fujitec's total shares, while Fujitec holds 1,570 thousand shares of Fuji Electric's total shares. Fujitec also has business dealings with Fuji Electric and its subsidiaries in the areas of receiving orders for installation and maintenance of Fujitec's elevators and other products as well as procurement of materials and equipment. Mr. Shigekane also serves as an outside director for Tsukishima Kikai Co., Ltd., which has business dealings with Fujitec in the areas of receiving orders for installation and maintenance of Fujitec's elevators and other products.

Mr. Terumichi Saeki, Fujitec's outside director, is a partner/attorney at Kitahama Partners (a foreign law joint enterprise). Fujitec commissions its legal business for individual matters to the law firm.

Mr. Kenichi Ishikawa, Fujitec's outside audit & supervisory board member, worked for Resona Bank Limited, which is one of Fujitec's shareholders and deals with Fujitec's financial transactions, and retired from the bank on June 23, 2014. The Resona Bank holds 4,051 thousand shares of Fujitec's total shares, while Fujitec holds 258 thousand shares of Resona Holdings Inc.'s total shares. Fujitec also has business dealings with Resona Holdings and its subsidiaries in the areas of receiving orders for installation and maintenance of Fujitec's elevators and other products as well as borrowing funds.

Mr. Tatsuo Ikeda, Fujitec's outside audit & supervisory board member, is a professor at a graduate school of Osaka University. Fujitec also has business dealings with the university in the areas of receiving orders for installation and maintenance of Fujitec's elevators and other products.

Outside Directors Yasuo Hanakawa and Terumichi Saeki as well as Outside Audit & Supervisory Board Members Masanobu Nakano and Tatsuo Ikeda are designated as independent members of management as stipulated by the regulations of Tokyo Stock Exchange, Inc. and registered with the securities exchange accordingly.

Compensation for Executives

Policy Regarding the Determination of Amounts of Compensation for Executives

Fujitec determines the compensation and other benefits for directors based on the compensation rules resolved by the Board of Directors within the limit for compensation approved at the General Shareholders' Meeting. The amount of compensation for each director is deliberated based on these rules by a committee consisting of directors and other executives (excluding the CEO appointed by the Board of Directors) and determined by taking into account such factors as each director's performance, the standard level at other companies and employees' salaries. In addition, in order to instill management awareness and raise the motivation of directors toward enhancing and expanding business performance, a portion of the compensation is contributed to the Director Shareholding Association. Fujitec determines the compensation and other benefits for audit & supervisory board members within the limit for compensation approved at the General Shareholders' Meeting. The amount of compensation is deliberated by audit & supervisory board members by taking into account such factors as whether or not he/she is a standing audit & supervisory board member and assigned duties.

Measures Related to Granting of Incentives to Directors

Fujitec has introduced a performance-based remuneration system and a stock option system. In the stock option system, Fujitec issues subscription rights to new shares to internal directors in the amount of up to ¥100 million per fiscal year. The unit per stock is set at 1,000 shares and a maximum of 400 units is allocated.

Anti-Takeover Measures

Request for Provision of Information and Setting of Waiting Period for Large-Scale Purchase of Fujitec's Shares

To ensure and improve Fujitec's corporate value and the common interest of shareholders, the Large-Scale Purchase Rules lay out the procedures for the Board of Directors to proceed with negotiations with large-scale purchasers. Specifically, the rules require that when a large-scale purchase is initiated, the Board of Directors requests that (1) a large-scale purchaser provide necessary and sufficient information related to the large-scale purchase beforehand and (2) a large-scale purchaser give sufficient time for the Board of Directors to collect and assess information on the large-scale purchase, after which (3) the Board of Directors provides shareholders with Fujitec management's plan or alternative plan. At the same time, the Board of Directors requests that a large-scale purchaser and its shareholder groups commence a large-scale purchase after all the procedural transactions prescribed in the Large-Scale Purchase Rules are complete in order to achieve the purpose and goals of the large-scale purchase.

Establishing and Consulting with an Independent Committee

In order to appropriately operate the Large-Scale Purchase Rules and eliminate the risk of the Board of Directors making arbitrary judgments, Fujitec has established an independent committee comprised of outside directors, outside audit & supervisory board members or outside experts (company managers, attorneys, certified public accountants, academics and others) who are independent from Fujitec's top management. The Large-Scale Purchase Rules stipulate that countermeasures will not be set forth unless predetermined objective conditions are not complied with. In addition, the rules prescribe that in cases when requesting a large-scale purchaser to provide additional information, when making resolutions to extend the consideration period of a large-scale purchase by the Board of Directors, when adopting a countermeasure through the gratis allotment of the stock acquisition rights or when making other important decisions regarding a large-scale purchase, the Board of Directors will consult with the independent committee and pay the highest degree of respect to its recommendations. In this way, Fujitec has a mechanism in place to ensure the transparent operation of the Large-Scale Purchase Rules within the scope that serves to protect Fujitec's corporate value and the common interest of shareholders.

Directors, Audit & Supervisory Board Members and Operating Officers (As of June 23, 2016)

Directors

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

Takakazu Uchiyama

Jul. 2005 Chief executive officer (current)
Jun. 2002 Representative director and president (current)
Apr. 1976 Joined the company

Executive Vice President
General Manager of Japan Business HQ
General Manager of Production HQ

Iwataro Sekiguchi

Apr. 2010 Representative director (current)
Apr. 2007 Vice president (current)
Apr. 1974 Joined the company

Director
In charge of South Asia

Narayanapillai Sugumaran

Jun. 2012 Director of the company (current)
Apr. 2012 Senior executive operating officer (current)
Jul. 1974 Joined Fujitec Singapore Corpn. Ltd.

Director
Deputy General Manager of Global Business HQ
General Manager of Global Operations
In charge of China
Deputy General Manager of Japan Business HQ
General Manager of Materials

Takao Okada

Jun. 2012 Director of the company (current)
Apr. 2012 Senior executive operating officer (current)
Apr. 1976 Joined the company

Outside Director

Hisao Shigekane

Jun. 2014 Director of the company (current)
Jun. 2014 Outside Director of Tsukishima Kikai Co., Ltd. (current)
Jun. 2014 Counselor, Fuji Electric Co., Ltd. (current)
Apr. 1974 Joined Fuji Electric Manufacturing Co., Ltd. (currently Fuji Electric Co., Ltd.)

Outside Director

Yasuo Hanakawa

Jun. 2007 Director of the company (current)
Apr. 2004 Professor at the Faculty of Accounting & Finance of Nagoya University of Commerce & Business
Sep. 2003 Professor at the Faculty of Management of Nagoya University of Commerce & Business
Jun. 1998 Managing Director of Nissay Asset Management Corporation
Jun. 1997 Managing Director of Dai-ichi Securities Co., Ltd.

Outside Director

Terumichi Saeki

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

Audit & Supervisory Board Members

Audit & Supervisory Board Member (Standing)

Haruo Inoue

Jun. 2016 Audit & Supervisory Board Member of the company (current)
Apr. 2009 Operating officer of the company
Apr. 1976 Joined the company

Outside Audit & Supervisory Board Member (Standing)

Kenichi Ishikawa

Jun. 2014 Audit & Supervisory Board Member of the company (current)
Apr. 1985 Joined Daiwa Bank, Ltd. (currently Resona Bank, Ltd.)

Outside Audit & Supervisory Board Member

Masanobu Nakano

Jun. 2007 Audit & Supervisory Board Member of the company (current)
Mar. 2005 Established tax accounting corporation, TAS representative member (current)
Oct. 2002 Registered as a tax accountant (current)
Oct. 1975 Registered as a certified public accountant (current)

Outside Audit & Supervisory Board Member

Tatsuo Ikeda

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

Operating Officers

President and CEO	Takakazu Uchiyama*
Executive Vice President and Operating Officer	Iwataro Sekiguchi*
Senior Executive Operating Officer	Narayanapillai Sugumaran*
Senior Executive Operating Officer	Takao Okada*
Executive Operating Officer	Keiji Tsuyama
Executive Operating Officer	Katsuji Okuda
Executive Operating Officer	Yoshiichi Kato
Executive Operating Officer	Takashi Asano
Executive Operating Officer	Yasuo Utsunomiya
Operating Officer	Junji Kajita
Operating Officer	Masahiro Tagawa
Operating Officer	Masayoshi Harada
Operating Officer	Yasuyuki Uchiyama
Operating Officer	Kunihiko Tsutsui
Operating Officer	Hisao Izuhara
Operating Officer	Masashi Tsuchihata
Operating Officer	Kenji Tomooka
Operating Officer	Asami Araki

* Concurrently serving as directors

Financial Section

Management Discussion and Analysis

Operating Results

Net Sales

Consolidated net sales for the fiscal year ended March 31, 2016 were ¥177,128 million, an increase of 7.2% compared with the previous fiscal year. Domestic net sales were ¥60,381 million, a decrease of 1.8% compared with the previous fiscal year, and overseas net sales were ¥116,747 million, an increase of 12.5% compared with the previous fiscal year. The actual percentage increase in overseas sales, excluding the effect of foreign exchange fluctuations, was 0.7%.

1. Japan

In Japan, net sales were ¥65,001 million, a decrease of 0.8% compared with the previous fiscal year. Despite solid sales of service businesses, net sales decreased due to a decline in new installations arising from extensions of the construction period. Operating income was ¥5,199 million, an increase of ¥50 million compared with the previous fiscal year, as a result of higher profitability of new installations and an increase in maintenance sales that offset rising costs for imported materials and an increase in installation costs.

2. North America

In North America, net sales were ¥22,360 million, an increase of 26.1% compared with the previous fiscal year, due mainly to growth in new installations and service businesses. Operating income was ¥137 million due to a decrease in installation costs and higher profitability of service businesses, whereas an operating loss of ¥582 million was recorded in the previous fiscal year. The actual percentage increase in net sales, excluding the effect of foreign exchange fluctuations, was 14.0%.

3. Europe

In Europe, net sales were ¥508 million, a decrease of 15.5% compared with the previous fiscal year, due primarily to a decline in sales of escalators. An operating loss of ¥43 million was recorded compared with an operating loss of ¥1 million in the previous fiscal year.

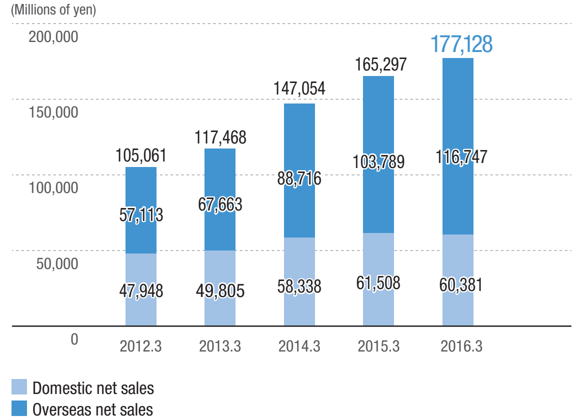
4. South Asia

In South Asia, net sales were ¥17,075 million, an increase of 10.2% compared with the previous fiscal year, as a result of increases in new installations and service businesses. Operating income was ¥1,626 million, an increase of ¥67 million compared with the previous fiscal year. The actual percentage increase in net sales, excluding the effect of foreign exchange fluctuations, was 3.7%.

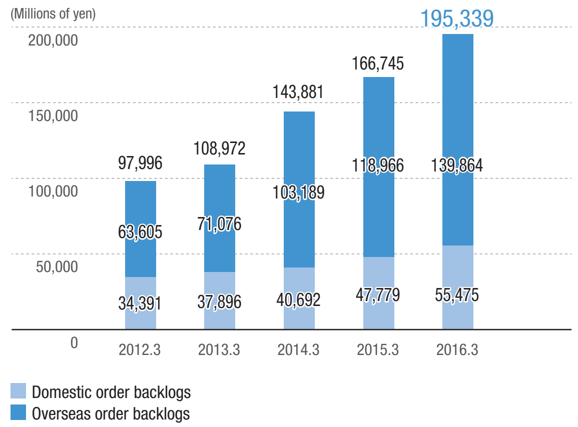
5. East Asia

In East Asia, net sales were ¥84,606 million, an increase of 11.0% compared with the previous fiscal year, due to an increase in sales in Hong Kong and favorable effects of the weak yen. Operating income was ¥7,500 million, an increase of ¥172 million compared with the previous fiscal year. The actual percentage decrease in net sales, excluding the effect of foreign exchange fluctuations, was 2.1%, because of a decrease in sales in China arising from extensions of the construction period.

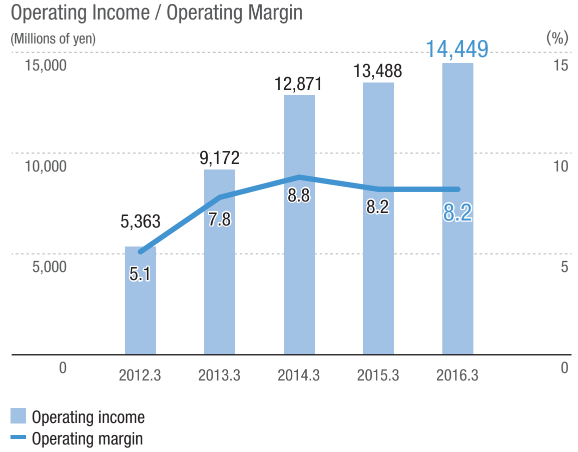
Net Sales (Domestic/Overseas)



Order Backlogs (Domestic/Overseas)



Operating Income / Operating Margin



Order Backlogs

In Japan, order backlogs were ¥55,475 million, an increase of 16.1% compared with the level at the end of the previous fiscal year. Overseas, order backlogs were ¥139,864 million, an increase of 17.6% compared with the level at the end of the previous fiscal year. As a result, the total amount of order backlogs was ¥195,339 million, an increase of 17.1% compared with the level at the end of the previous fiscal year. The actual percentage increase in total order backlogs overseas, excluding the effect of foreign exchange fluctuations, was 4.8%.

Operating Income and Profit Attributable to Owners of Parent

Operating income was ¥14,449 million, an increase of 7.1% compared with the previous fiscal year, due to higher profitability in North America. Ordinary income was ¥15,162 million, an increase of 2.3% compared with the previous fiscal year, because of an increased financial balance offsetting a foreign currency exchange loss that arose from the strong yen at the fiscal year-end. Profit before income taxes was ¥15,036 million, an increase of 1.6% compared with the previous fiscal year. Profit attributable to owners of parent was ¥8,807 million, an increase of 5.4% compared with the previous fiscal year.

Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the fiscal year ended March 31, 2016 were ¥171,872 million, a decrease of ¥7,984 million compared with the end of the previous fiscal year. This was due mainly to a decrease in cash and deposits that arose from purchase of treasury stock.

Total liabilities were ¥71,466 million, a decrease of ¥3,770 million compared with the end of the previous fiscal year. This was mainly because of decreases in trade notes and accounts payable, electronically recorded obligations and advances from customers despite an increase in net defined benefit liability.

Net assets were ¥100,406 million, a decrease of ¥4,214 million compared with the end of the previous fiscal year. This was due mainly to a purchase of treasury stock of ¥7,666 million, a decrease in foreign currency translation adjustments of ¥1,824 million and a decrease in remeasurements of defined benefit plans of ¥1,367 million despite an increase in retained earnings of ¥6,583 million. The shareholders' equity ratio at March 31, 2016 was 51.6%, a slight decrease of 0.3 percentage point compared with the end of the previous fiscal year, and net assets per share were ¥1,102.66, an increase of ¥27.84 compared with the end of the previous fiscal year.

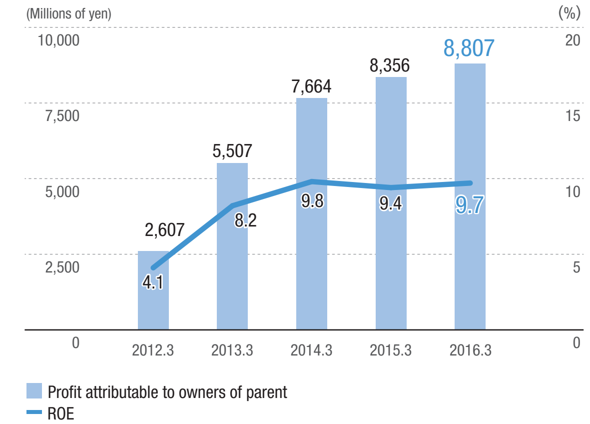
Cash Flows

Cash and cash equivalents at the end of the fiscal year ended March 31, 2016 were ¥21,833 million, a decrease of ¥8,769 million compared with the end of the previous fiscal year.

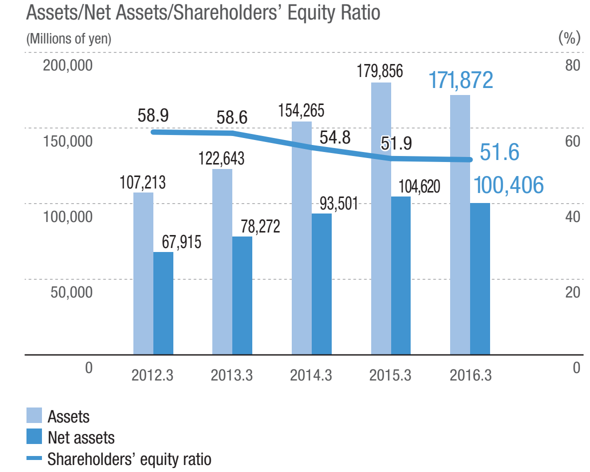
Cash Flows from Operating Activities

Net cash provided by operating activities was ¥8,932 million, a decrease in revenue of ¥1,821 million compared with the previous fiscal year. The main factors contributing to the decrease were that profit before income taxes of ¥15,036 million and depreciation and amortization of ¥2,748 million were offset by payment of income taxes as well as increases in trade notes and accounts receivable and inventories.

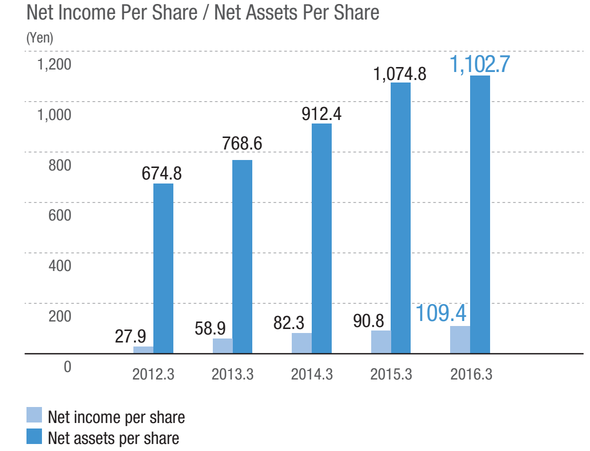
Profit Attributable to Owners of Parent / ROE



Assets/Net Assets/Shareholders' Equity Ratio



Net Income Per Share / Net Assets Per Share

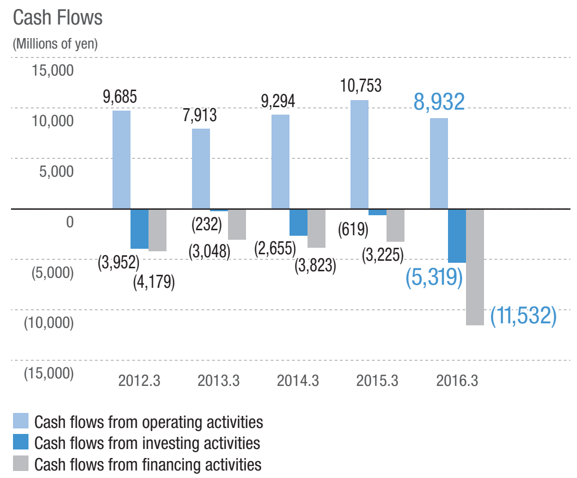


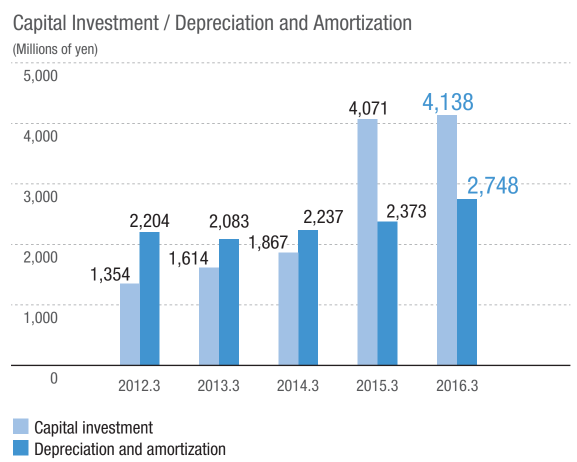
Cash Flows from Investing Activities
Net cash used in investing activities was ¥5,319 million, an increase in expenditures of ¥4,700 million compared with the previous fiscal year, due mainly to an increase in time deposits, net (with the maturity of more than three months) of ¥1,284 million and acquisitions of property, plant and equipment of ¥4,210 million.

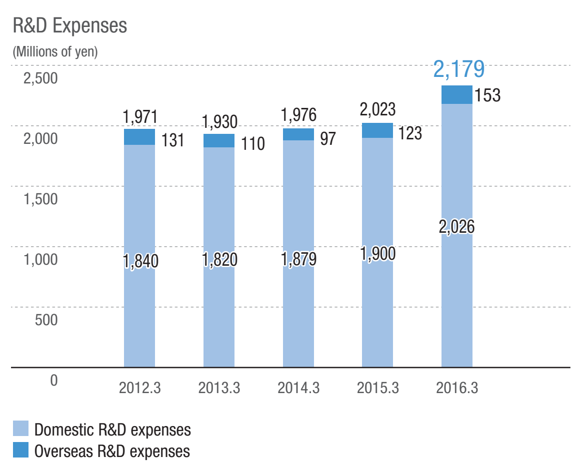
Cash Flows from Financing Activities
Net cash used in financing activities was ¥11,532 million, an increase in expenditures of ¥837 million compared with the previous fiscal year, due mainly to purchase of treasury stock of ¥7,666 million and cash dividends paid.

Capital Investment
Total capital investment during the fiscal year ended March 31, 2016 was ¥4,138 million. Within this, capital investment in Japan was ¥1,340 million mainly for additional facilities for elevator development and production bases and after-sales service bases. Overseas capital investment was ¥2,798 million for production bases in East Asia.

R&D Expenses
Total R&D expenses during the fiscal year ended March 31, 2016 were ¥2,179 million. Within this, R&D expenses in Japan came to ¥2,026 million, and overseas R&D expenses were ¥153 million, mainly in East Asia.







Business and Other Risks
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, business results and financial condition could be significantly and adversely affected by any risk factor in the future.

Forward-looking statements contained in this report represent judgments by the Fujitec Group as of the end of the consolidated fiscal year.

Political and Economic Circumstances
The Fujitec Group has 10 production bases and numerous sales bases in 25 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. Therefore, these products have one aspect whereby 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 business 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 condition and business results.

Price Competition
In domestic and overseas markets, where the Fujitec Group undertakes business, there is ongoing fierce competition with competitors that include leading manufacturers carrying out business on a global scale. In addition, it is expected to be a continued trend toward business dominance by increasing market share. 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 mutual competitors. This could have an adverse impact on the Fujitec Group's financial condition and business results.

Manufacturer's Liability
The Fujitec Group undertakes integrated production, sales, installation and maintenance of elevators, escalators and moving walks, and in each business process conforms with the laws, regulations and guidelines applicable in each market. Also, the Fujitec Group makes adequate considerations 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 equipment damage or an incident or even in certain instances 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 condition and business results because of indemnification for damages or the loss of trust by society.

Joint Ventures
The Fujitec Group basically carries out business using its own capital. However, it undertakes business through joint ventures due to legal restrictions in some countries. One such principal country is China, where the Fujitec Group has extremely favorable 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 re-evaluating 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 condition and business 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 business 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 production activities due to an infrastructure accident such as a power outage or interruption of the water supply at production 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 business 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 condition. 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 business results.

Exchange Rate Fluctuations
The Fujitec Group is operating global production 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 business results. However, an unexpectedly rapid and large fluctuation in exchange rates could have an adverse impact on the Fujitec Group's financial condition and business 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 condition.

IT (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 condition.

Consolidated Balance Sheets

Fujitec Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2016 and 2015

ASSETS	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
Current assets:			
Cash and cash equivalents	¥ 21,833	¥ 30,602	$ 193,212
Time deposits	21,865	21,072	193,496
Trade notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	1,067	335	9,442
Other	51,435	52,849	455,177
Allowance for doubtful accounts	(1,658)	(1,445)	(14,672)
	50,844	51,739	449,947
Inventories (Note 5)	21,076	20,554	186,513
Deferred tax assets (Note 6)	3,111	3,135	27,531
Other current asset	4,576	5,032	40,496
Total current assets	123,305	132,134	1,091,195
Investments and long-term loans:			
Investments in unconsolidated subsidiaries and affiliates	1,163	956	10,292
Investment securities (Note 4)	6,434	7,022	56,938
Long-term loans	283	14	2,504
Total investments and long-term loans	7,880	7,992	69,734
Property, plant and equipment, at cost (Note7)**:**			
Buildings and structures	33,258	29,932	294,319
Machinery, vehicles, tools, furniture and fixtures	18,711	17,784	165,584
Lease assets (Note 8)	15	—	133
	51,984	47,716	460,036
Accumulated depreciation	(25,531)	(24,639)	(225,938)
	26,453	23,077	234,098
Land	6,930	6,949	61,327
Construction in progress	445	2,859	3,938
Total property, plant and equipment, at cost	33,828	32,885	299,363
Other assets:			
Deferred tax assets (Note 6)	38	29	336
Goodwill	549	686	4,858
Intangible assets	3,515	3,626	31,106
Other	2,757	2,504	24,399
Total	¥ 171,872	¥ 179,856	$1,520,991

The accompanying notes are an integral part of these statements.

LIABILITIES	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
Current liabilities:			
Short-term debt (Note 7)	¥ 7,405	¥ 7,911	$ 65,531
Current portion of long-term debt (Note 7)	557	352	4,929
Lease obligations (Note 8)	2	—	18
Trade notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	41	25	363
Other	14,374	15,222	127,203
Electronically recorded obligations	3,970	5,281	35,133
Advances from customers	20,585	22,534	182,168
Accrued income taxes (Note 6)	1,776	1,706	15,717
Provision for bonuses to employees	3,280	3,241	29,026
Provision for bonuses to directors	95	86	841
Provision for losses on construction contracts	6,763	6,422	59,849
Provision for warranties for completed construction	268	292	2,372
Other current liabilities	7,866	8,334	69,611
Total current liabilities	66,982	71,406	592,761
Non-current liabilities:			
Long-term debt (Note 7)	926	1,379	8,195
Lease obligations (Note 8)	12	—	106
Deferred tax liabilities (Note 6)	336	1,133	2,973
Net defined benefit liability (Note 11)	2,997	1,103	26,522
Retirement benefits for directors	192	192	1,699
Asset retirement obligation	21	21	186
Other non-current liabilities	0	2	0
Total non-current liabilities	4,484	3,830	39,681
Total liabilities	71,466	75,236	632,442
NET ASSETS			
Net assets:			
Shareholders' equity (Note 9)**:**			
Common stock:			
Authorized: 300,000,000 shares			
Issued: 93,767,317 shares at March 31, 2016 and 2015	12,534	12,534	110,920
Capital surplus	14,566	14,566	128,903
Retained earnings	81,822	75,239	724,088
Treasury stock, at cost (Note 10): 13,308,582 shares at March 31, 2016 and 6,941,786 shares at March 31, 2015	(15,358)	(7,827)	(135,911)
Total shareholders' equity	93,564	94,512	828,000
Accumulated other comprehensive income:			
Net unrealized gains on securities	1,972	2,435	17,451
Foreign currency translation adjustments	(5,364)	(3,540)	(47,469)
Remeasurements of defined benefit plans	(1,453)	(86)	(12,858)
Total accumulated other comprehensive income	(4,845)	(1,191)	(42,876)
Stock acquisition rights (Note 16)	61	56	540
Non-controlling interests	11,626	11,243	102,885
Total net assets	100,406	104,620	888,549
Total	¥ 171,872	¥ 179,856	$1,520,991

Consolidated Statements of Income

Fujitec Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Net sales	¥ 177,128	¥ 165,297	$1,567,504
Operating costs and expenses:			
Cost of sales	137,879	129,548	1,220,168
Selling, general and administrative expenses	24,800	22,261	219,469
Total operating costs and expenses	162,679	151,809	1,439,637
Operating income	14,449	13,488	127,867
Other income (expenses):			
Interest and dividend income	1,273	1,083	11,265
Interest expense	(90)	(86)	(796)
Rent income	194	184	1,717
Foreign currency exchange gain, net	(748)	182	(6,619)
Other, net	84	(25)	743
	713	1,338	6,310
Special items:			
Gain on sales of property, plant and equipment	12	4	106
Gain on sales of investment securities	—	84	—
State subsidy	23	—	204
Loss on sales and disposal of property, plant and equipment	(49)	(34)	(433)
Write-down of an unconsolidated subsidiary's investment	—	(4)	—
Impairment loss on fixed assets	—	(70)	—
Loss on reduction of property, plant and equipment	(23)	—	(204)
Special extra retirement payments	(89)	—	(788)
	(126)	(20)	(1,115)
Profit before income taxes	15,036	14,806	133,062
Income taxes (Note 6)**:**			
Current	4,159	4,428	36,806
Deferred	85	(109)	752
Total income taxes	4,244	4,319	37,558
Profit	10,792	10,487	95,504
Profit attributable to non-controlling interests	1,985	2,131	17,566
Profit attributable to owners of parent	¥ 8,807	¥ 8,356	$ 77,938

Per share:	Yen		U.S. Dollars (Note 1)
Net income, based on the weighted average number of shares outstanding	¥ 109.36	¥ 90.84	$ 0.97
Diluted net income, based on the weighted average number of shares outstanding	109.28	90.79	0.97
Cash dividends applicable to the year	30.00	24.00	0.27

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, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Profit	¥ 10,792	¥ 10,487	$ 95,504
Other comprehensive income (Note 3)**:**			
Net unrealized gains on securities	(463)	898	(4,097)
Deferred gains or losses on hedges	—	2	—
Foreign currency translation adjustments	(2,429)	7,513	(21,496)
Remeasurements of defined benefit plans	(1,367)	443	(12,097)
Other comprehensive income, net	(4,259)	8,856	(37,690)
Comprehensive income	¥ 6,533	¥ 19,343	$ 57,814
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	5,153	16,022	45,602
Comprehensive income attributable to non-controlling interests	1,380	3,321	12,212

The accompanying notes are an integral part of these statements.

Consolidated Statements of Change in Net Assets

Fujitec Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Thousands	Millions of Yen				
		Shareholders' equity				
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2014	93,767	¥ 12,534	¥ 14,566	¥ 67,406	¥ (1,079)	¥ 93,427
Cumulative effects of changes in accounting policies				1,816		1,816
Restated balance		12,534	14,566	69,222	(1,079)	95,243
Cash dividends				(2,339)		(2,339)
Profit attributable to owners of parent				8,356		8,356
Purchase of treasury stock					(6,894)	(6,894)
Disposal of treasury stock					146	146
Net change in the year						
Balance at April 1, 2015	**93,767**	**12,534**	**14,566**	**75,239**	**(7,827)**	**94,512**
Change in treasury shares of parent arising from transactions with non-controlling shareholders			**0**			**0**
Cash dividends				**(2,266)**		**(2,266)**
Change of scope of consolidation				**42**		**42**
Profit attributable to owners of parent				**8,807**		**8,807**
Purchase of treasury stock					**(7,666)**	**(7,666)**
Disposal of treasury stock					**135**	**135**
Net change in the year						
Balance at March 31, 2016	**93,767**	**¥ 12,534**	**¥ 14,566**	**¥ 81,822**	**¥ (15,358)**	**¥ 93,564**

	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, 2014	¥ 1,538	¥ (2)	¥ (9,864)	¥ (529)	¥ (8,857)	¥ 36	¥ 8,895	¥ 93,501
Cumulative effects of changes in accounting policies								1,816
Restated balance	1,538	(2)	(9,864)	(529)	(8,857)	36	8,895	95,317
Cash dividends								(2,339)
Profit attributable to owners of parent								8,356
Purchase of treasury stock								(6,894)
Disposal of treasury stock								146
Net change in the year	897	2	6,324	443	7,666	20	2,348	10,034
Balance at April 1, 2015	**2,435**	**—**	**(3,540)**	**(86)**	**(1,191)**	**56**	**11,243**	**104,620**
Change in treasury shares of parent arising from transactions with non-controlling shareholders								**0**
Cash dividends								**(2,266)**
Change of scope of consolidation								**42**
Profit attributable to owners of parent								**8,807**
Purchase of treasury stock								**(7,666)**
Disposal of treasury stock								**135**
Net change in the year	**(463)**	**—**	**(1,824)**	**(1,367)**	**(3,654)**	**5**	**383**	**(3,266)**
Balance at March 31, 2016	**¥ 1,972**	**¥ —**	**¥ (5,364)**	**¥ (1,453)**	**¥ (4,845)**	**¥ 61**	**¥ 11,626**	**¥100,406**

	Thousands	Thousands of U.S. Dollars (Note 1)				
		Shareholders' equity				
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2015	**93,767**	**$110,920**	**$128,903**	**$665,832**	**$ (69,265)**	**$836,390**
Change in treasury shares of parent arising from transactions with non-controlling shareholders			**0**			**0**
Cash dividends				**(20,053)**		**(20,053)**
Change of scope of consolidation				**371**		**371**
Profit attributable to owners of parent				**77,938**		**77,938**
Purchase of treasury stock					**(67,841)**	**(67,841)**
Disposal of treasury stock					**1,195**	**1,195**
Net change in the year						
Balance at March 31, 2016	**93,767**	**$110,920**	**$128,903**	**$724,088**	**$(135,911)**	**$828,000**

	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, 2015	**$21,548**	**$ —**	**$ (31,327)**	**$ (761)**	**$ (10,540)**	**$ 496**	**$ 99,496**	**$925,842**
Change in treasury shares of parent arising from transactions with non-controlling shareholders								**0**
Cash dividends								**(20,053)**
Change of scope of consolidation								**371**
Profit attributable to owners of parent								**77,938**
Purchase of treasury stock								**(67,841)**
Disposal of treasury stock								**1,195**
Net change in the year	**(4,097)**	**—**	**(16,142)**	**(12,097)**	**(32,336)**	**44**	**3,389**	**(28,903)**
Balance at March 31, 2016	**$17,451**	**$ —**	**$ (47,469)**	**$ (12,858)**	**$ (42,876)**	**$ 540**	**$102,885**	**$888,549**

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, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
Cash flows from operating activities:			
Profit before income taxes	**¥ 15,036**	¥ 14,806	**$ 133,062**
Depreciation and amortization	**2,748**	2,373	**24,319**
Increase in allowance for doubtful accounts	**290**	23	**2,566**
Increase in provision for bonuses to employees	**101**	171	**894**
Increase in provision for losses on construction contracts	**376**	937	**3,327**
Interest and dividends income	**(1,273)**	(1,083)	**(11,265)**
Interest expense	**90**	86	**796**
Increase in trade notes and accounts receivable	**(1,297)**	(7,102)	**(11,478)**
Decrease (Increase) in inventories	**(1,356)**	1,137	**(12,000)**
Increase (decrease) in trade notes and accounts payable	**(1,325)**	1,726	**(11,726)**
Gain on sales of investment securities, net	**—**	(84)	**—**
Increase (decrease) in advances from customers	**(942)**	2,878	**(8,336)**
Loss (gain) on sales and retirement of property, plant and equipment	**37**	30	**327**
Decrease in net defined benefit liability	**(13)**	(252)	**(115)**
Other, net	**574**	1,137	**5,080**
Sub-total	**13,046**	16,783	**115,451**
Payment of income taxes	**(4,114)**	(6,030)	**(36,407)**
Net cash provided by operating activities	**8,932**	10,753	**79,044**
Cash flows from investing activities:			
Decrease (increase) in time deposits, net	**(1,284)**	1,651	**(11,363)**
Acquisitions of property, plant and equipment	**(4,210)**	(3,867)	**(37,257)**
Proceeds from sales of property, plant and equipment	**29**	11	**257**
Purchase of intangible assets	**(188)**	(325)	**(1,664)**
Proceeds from sales of investment securities	**—**	179	**—**
Collection of loans receivable	**164**	1,856	**1,451**
Interest and dividend income received	**1,143**	1,079	**10,115**
Other, net	**(973)**	(1,203)	**(8,610)**
Net cash used in inversting activities	**(5,319)**	(619)	**(47,071)**
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	**(452)**	7,079	**(4,000)**
Proceeds from long-term debt	**340**	523	**3,009**
Repayment of long-term debt	**(532)**	(711)	**(4,708)**
Purchase of treasury stock	**(7,666)**	(6,894)	**(67,841)**
Payment of interest	**(91)**	(81)	**(805)**
Cash dividends paid	**(2,265)**	(2,338)	**(20,044)**
Cash dividends paid to non-controlling interests	**(1,017)**	(956)	**(9,000)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(5)**	(3)	**(44)**
Other, net	**156**	156	**1,380**
Net cash used in financing activities	**(11,532)**	(3,225)	**(102,053)**
Effect of exchange rate changes on cash and cash equivalents	**(865)**	2,790	**(7,655)**
Net increase in cash and cash equivalents	**(8,784)**	9,699	**(77,735)**
Cash and cash equivalents at beginning of year	**30,602**	20,903	**270,814**
Increase in cash and cash equivalents resulting from change of scope of consolidation	**15**	—	**133**
Cash and cash equivalents at end of year	**¥ 21,833**	¥ 30,602	**$ 193,212**

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, 2016 and 2015

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 ¥113=$1, the prevailing exchange rate as of March 31, 2016. 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

The consolidated financial statements as of March 31, 2016 and 2015 include the accounts of the Company and the following 19 significant subsidiaries (together the "Companies").

Fujitec America, Inc. (U.S.A.)
Fujitec Canada, Inc. (Canada)
Fujitec UK Ltd. (United Kingdom)
Fujitec Deutschland GmbH (Germany)
Fujitec Singapore Corpn. Ltd. (Singapore)
FSP Pte. Ltd. (Singapore)
P.T. Fujitec Indonesia (Indonesia)
Fujitec (Malaysia) Sdn. Bhd. (Malaysia)
Fujitec Holdings 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)
Fujitec (HK) Co., Ltd. (Hong Kong)
Rich Mark Engineering Limited (Hong Kong)
Fujitec Taiwan Co., Ltd. (Taiwan)
Fujitec Korea Co., Ltd. (Korea)

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.

(F) Inventories

Inventories are generally stated at cost determined by the specific identification method or the 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 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.

The estimated useful life for depreciation:

Buildings and structures : 3 to 50 years
Machinery, vehicles, 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 accounts receivable 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

The Companies use derivative financial instruments including foreign currency exchange forward contracts and interest rate swap contracts, in order to hedge the risk of fluctuations in foreign currency exchange rates and interest rates, not to enter into derivatives for trading or speculative purposes.

All derivatives, except for those which meet deferral hedge accounting requirements, are stated at fair value and recognized as either assets or liabilities, and gains or losses on derivative transactions are recognized in earnings.

When the derivative financial instruments have high correlation and effectiveness between the hedging instrument and the hedged item, deferral hedge accounting applies to them, and the gains or losses are deferred until maturity of the hedged transaction.

Because the counterparties to the derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk.

(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.

(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 2015 financial statements to conform to the presentation in 2016.

(S) Changes in accounting policies, procedures and presentation in preparation of the consolidated financial statements

Adoption of Revised Accounting Standard for Business Combinations, etc.

The Company has adopted the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21 issued on September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on September 13, 2013) and the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issued on September 13, 2013) from the beginning of the consolidated fiscal year ended March 31, 2016.

Under these accounting standards, the Company adopted the methods of recognizing the differences arising from changes in the Company's ownership interest in its subsidiaries that are still under its control as capital surplus and recognizing acquisition-related costs as expenses for the consolidated fiscal year in which such costs are incurred. For any business combinations on or after the beginning of the consolidated fiscal year ended March 31, 2016, the Company adopted the method of reflecting the adjustments to the allocation of acquisition costs caused by finalizing the provisional account treatment in the consolidated financial statements for the fiscal year in which the business combination occurs. Furthermore, the Company changed the presentation of net income and the presentation from "Minority interests" to "Non-controlling interests." To reflect these changes in presentation, the consolidated financial statements for the previous consolidated fiscal year was reclassified.

Regarding the adoption of the accounting standard for business combinations, etc., in accordance with the transitional treatment stipulated in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures, the Company adopted the accounting standards from the beginning of the consolidated fiscal year ended March 31, 2016 and thereafter.

As a result, the impact on net income for the consolidated fiscal year ended March 31, 2016 and capital surplus at the end of the consolidated fiscal year ended March 31, 2016 is immaterial.

In the consolidated statements of cash flows for the consolidated fiscal year ended March 31, 2016, cash flows related to the acquisition on sales in ownership interests in subsidiaries that do not result in change in scope of consolidation are recorded under "Cash flows from financing activities," and cash flows related to costs arising from purchase of shares of subsidiaries resulting in change in scope of consolidation or costs associated with the acquisition on sales in ownership interests in subsidiaries that do not result in change in scope of consolidation are recorded under "Cash flows from operating activities."

(T) Accounting standards issued but not yet effective

Guidance on the Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 issued on March 28, 2016)

(1) Summary
Regarding the accounting treatment of recoverability of deferred tax assets, this accounting standard has been revised as indicated below after basically following the framework of the Audit Committee Statement No. 66 "Auditing Treatment Regarding Judgment of the Recoverability of Deferred Tax Assets," which require entity to estimate the amount of deferred tax assets according to 5 categories.
(i) Accounting treatments of entities not satisfying any of the category criteria from (i) to (v).
(ii) Category criteria of (ii) and (iii).
(iii) According treatments of unschedulable deductible temporary differences for entities in (ii).
(iv) According treatments for reasonably estimated period for taxable income before temporary difference adjustments for entities in (iii).
(v) Accounting treatments of entities satisfying the category criteria of (iv) and also falling in (ii) or (iii).
(2) Effective date
The Company intends to adopt this accounting standard and guidance from the beginning of the consolidated fiscal year ending March 31, 2017.
(3) Impact of adoption of the standard and guidance
The impact of adopting this accounting standard and guidance is currently under evaluation.

(U) 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.

(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, 2016 and 2015 were ¥649 million (US$5,743 thousand) and 601 thousand shares, and ¥784 million and 727 thousand shares, respectively.

(3) The book value of loans recorded using the gross price method as of March 31, 2016 and 2015 was ¥574 million (US$5,080 thousand) and ¥748 million, respectively.

3. Other Comprehensive Income

Reclassification adjustments and tax effect of each component of other comprehensive income for the years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Net unrealized gains on securities:			
Arising during the fiscal year	¥ (738)	¥1,190	$ (6,531)
Reclassification adjustment	—	—	—
Sub-total, before tax	(738)	1,190	(6,531)
Tax effect	275	(292)	2,434
Net unrealized gains on securities	(463)	898	(4,097)
Deferred gains or losses on hedges:			
Arising during the fiscal year	—	—	—
Reclassification adjustment	—	2	—
Sub-total, before tax	—	2	—
Tax effect	—	—	—
Deferred gains or losses on hedges	—	2	—
Foreign currency translation adjustments:			
Arising during the fiscal year	(2,429)	7,513	(21,496)
Reclassification adjustment	—	—	—
Sub-total, before tax	(2,429)	7,513	(21,496)
Tax effect	—	—	—
Foreign currency translation adjustments	(2,429)	7,513	(21,496)
Remeasurements of defined benefit plans			
Arising during the fiscal year	(2,046)	523	(18,106)
Reclassification adjustment	78	172	690
Sub-total, before tax	(1,968)	695	(17,416)
Tax effect	601	(252)	5,319
Remeasurements of defined benefit plans	(1,367)	443	(12,097)
Total other comprehensive income	¥(4,259)	¥8,856	$(37,690)

4. Investment Securities

Available-for-sales securities at March 31, 2016 and 2015 are summarized as follows:

	Millions of Yen							
	2016				2015			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Estimated fair value)	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Estimated fair value)
Equity securities	¥ 3,509	¥ 2,938	¥ 136	¥ 6,311	¥ 3,358	¥ 3,553	¥ 12	¥ 6,899
Total	¥ 3,509	¥ 2,938	¥ 136	¥ 6,311	¥ 3,358	¥ 3,553	¥ 12	¥ 6,899

	Thousands of U.S. Dollars (Note1)			
	2016			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Estimated fair value)
Equity securities	$31,053	$26,000	$1,203	$55,850
Total	$31,053	$26,000	$1,203	$55,850

The carrying amounts of equity securities whose fair value is not readily determinable are ¥123 million (US$1,088 thousand) and ¥123 million for the years ended March 31, 2016 and 2015, respectively.

5. Inventories

Inventories at March 31, 2016 and 2015 are comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Finished goods and semi-finished goods	¥ 6,251	¥ 6,333	$ 55,318
Work in process	6,416	6,403	56,779
Raw materials and supplies	8,409	7,818	74,416
Total	¥21,076	¥20,554	$186,513

6. 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 33.06% and 35.64% for the years ended March 31, 2016 and 2015, respectively. Income tax rates of the consolidated foreign subsidiaries range from 16.5% to 34.0% for the years ended March 31, 2016 and 2015.

(1) The major components of deferred tax assets and liabilities at March 31, 2016 and 2015 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Deferred tax assets:			
Net defined benefit liability	¥ 792	¥ 248	$ 7,009
Provision for bonuses to employees	554	586	4,903
Provision for losses on construction contracts	1,724	1,738	15,256
Allowance for doubtful accounts	699	614	6,186
Tax loss carryforwards	3,994	4,200	35,345
Other	1,306	1,247	11,557
Total deferred tax assets	9,069	8,633	80,256
Less: valuation allowance	(5,076)	(5,164)	(44,920)
Total deferred tax assets	3,993	3,469	35,336
Deferred tax liabilities:			
Unrealized gains on securities	(829)	(1,105)	(7,336)
Dividends income received from subsidiaries	(25)	(38)	(221)
Other	(326)	(295)	(2,885)
Total deferred tax liabilities	(1,180)	(1,438)	(10,442)
Net deferred tax assets	¥ 2,813	¥ 2,031	$ 24,894

Net deferred tax assets and liabilities presented in the consolidated balance sheets at March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Current assets—Deferred tax assets	¥ 3,111	¥ 3,135	$ 27,531
Other assets—Deferred tax assets	38	29	336
Current liabilities—Deferred tax liabilities	—	—	—
Non-current liabilities—Deferred tax liabilities	(336)	(1,133)	(2,973)
Net deferred tax assets	¥ 2,813	¥ 2,031	$ 24,894

(2) A reconciliation between the Company's statutory tax rate and the effective income tax rate at March 31, 2016 and 2015 is as follows:

	2016	2015
Statutory tax rate	33.06%	35.64%
Non-deductible expenses	0.15	0.13
Valuation allowance for deferred tax assets	1.28	1.72
Per capita inhabitant tax	0.82	0.81
Net loss of consolidated subsidiaries	(0.68)	(1.60)
Effect of foreign tax rate differences	(7.25)	(8.64)
Difference of change in tax rate	1.14	1.17
Other	(0.29)	(0.06)
Effective tax rate	28.23%	29.17%

(3) Change in the statutory effective tax rate

The "Act for Partial Amendment of the Income Tax Act, etc." and the "Act for Partial Amendment of the Local Tax Act, etc." were enacted in the Diet on March 29, 2016 and the corporate income tax rate was reduced from the fiscal year beginning April 1, 2016. As a result, the statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 32.34% to 30.86% for the temporary differences expected to be realized in the fiscal year beginning April 1, 2016, and to 30.62% for those expected to be realized from the fiscal year beginning April 1, 2018.

The effect of the reduction of the effective statutory tax rate decreased deferred tax assets after offsetting deferred tax liabilities by ¥173 million (US$1,531 thousand) and increased deferred income taxes, net unrealized gains on securities and accumulated remeasurements of defined benefit plans by ¥183 million (US$1,619 thousand), ¥46 million (US$407 thousand) and minus ¥36 million (minus US$319 thousand) as of and for the fiscal year ended March 31, 2016.

7. Short-term Debt and Long-term Debt

Short-term debt represents notes payable mainly to banks with the weighted-average interest rate of 0.54% per annum at March 31, 2016 and 0.58% per annum at March 31, 2015.

(1) Long-term debt at March 31, 2016 and 2015 consists of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Loans, mainly from banks and insurance companies due through 2020 at weighted-average interest rates of 1.10% in 2016 and 0.88% in 2015	¥1,483	¥ 1,731	$13,124
	1,483	1,731	13,124
Less: portion due within one year	557	352	4,929
	¥ 926	¥ 1,379	$ 8,195

(2) The aggregate annual maturities of long-term debt outstanding as of March 31, 2016 are as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 1)
2017	¥ 557	$ 4,929
2018	331	2,929
2019	18	159
2020	3	27
Total	¥ 909	$ 8,044

Notes: (1) Long-term debt for the ESOP in the amount of ¥574 million (US$5,080 thousand) is excluded from the total amounts.
(2) As of March 31, 2016, the following assets and liabilities are pledged as collateral for transactions with a bank:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Property, plant and equipment (at net book value)	¥ 2,161	$19,124
Short-term debt	—	—

8. Leases

(1) The amounts related to finance lease assets at March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
Machinery and equipment:			
Acquisition costs	**¥ 15**	¥ —	**$ 133**
Accumulated depreciation	**(2)**	—	**(18)**
Book value	**¥ 13**	¥ —	**$ 115**
Future minimum lease payments:			
Due within one year	**¥ 2**	¥ —	**$ 18**
Due after one year	**12**	—	**106**
Total	**¥ 14**	¥ —	**$ 124**

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, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
Future minimum lease payments:			
Due within one year	**¥226**	¥140	**$2,000**
Due after one year	**312**	149	**2,761**
Total	**¥538**	¥289	**$4,761**

9. 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.

10. Treasury Stock

Increase and decrease in treasury stock for the year ended March 31, 2016 and 2015 are summarized as follows:

	Number of shares (Thousands)			
	2016			
	April 1, 2015	Increase	Decrease	March 31, 2016
Treasury stock*1	**6,942**	**6,491**	**125**	**13,308**

	Number of shares (Thousands)			
	2015			
	April 1, 2014	Increase	Decrease	March 31, 2015
Treasury stock*2	1,077	6,000	135	6,942

*1 The increase in the number of shares of treasury stock consists mainly of 6,491 thousand shares due to the purchase of shares based on the resolution of the Board of Directors meeting held on April 8, 2015. The decrease in the number of shares of treasury stock of 125 thousand shares is due to sales of shares by the ESOP Trust supporting the employee shareholding association to the Company's employees shareholding association.

*2 The increase in the number of shares of treasury stock consists mainly of 6,000 thousand shares due to the purchase of shares based on the resolution of the Board of Directors meeting held on February 12, 2015. The decrease in the number of shares of treasury stock of 135 thousand shares is due to sales of shares by the ESOP Trust supporting the employee shareholding association to the Company's employees shareholding association.

11. 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, 2016 and 2015 (except adoption of the simplified accounting method)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
Beginning balance of retirement benefit obligations	**¥11,058**	¥13,415	**$ 97,858**
Cumulative effects of changes in accounting policies	**—**	(2,821)	**—**
Restated balance	**11,058**	10,594	**97,858**
Service cost	**767**	760	**6,788**
Interest cost	**166**	159	**1,469**
Actuarial gains and losses	**1,785**	208	**15,796**
Retirement benefits paid	**(531)**	(667)	**(4,699)**
Prior service costs	**—**	0	**—**
Other	**(3)**	4	**(27)**
End balance of retirement benefit obligations	**¥13,242**	¥11,058	**$117,185**

(2) Changes to the balance of pension assets at the beginning and end of the period as of March 31, 2016 and 2015 (except adoption of the simplified accounting method)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Beginning balance of pension assets	¥10,820	¥ 9,373	$95,752
Expected return on plan assets	216	187	1,912
Actuarial gains and losses	(262)	731	(2,319)
Employer contribution	695	946	6,150
Retirement benefits paid	(340)	(417)	(3,009)
End balance of pension assets	¥11,129	¥10,820	$98,486

(3) Changes to the balance of net defined benefit liability at the beginning and end of the period as of March 31, 2016 and 2015 (only adoption of the simplified accounting method)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Beginning balance of net defined benefit liability	¥ 864	¥ 748	$ 7,646
Retirement benefit expenses	119	124	1,053
Retirement benefits paid	(40)	(85)	(354)
Other	(59)	77	(522)
End balance of net defined benefit liability	¥ 884	¥ 864	$ 7,823

(4) Changes to the balance of retirement benefit obligations and pension assets at the end of the period as of March 31, 2016 and 2015, 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)
	2016	2015	2016
Funded retirement benefit obligations	¥10,665	¥ 8,891	$94,380
Pension assets	(11,129)	(10,820)	(98,486)
	(464)	(1,929)	(4,106)
Non-funded retirement benefit obligations	3,461	3,032	30,628
Net liabilities and assets recorded in the consolidated balance sheets	2,997	1,103	26,522
Net defined benefit liability	2,997	1,103	26,522
Net defined benefit asset	—	—	—
Net liabilities and assets recorded in the consolidated balance sheets	¥ 2,997	¥ 1,103	$26,522

(5) Retirement benefit expenses and the breakdown of amounts

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Service cost	¥ 767	¥ 760	$ 6,788
Interest cost	166	159	1,469
Expected return on plan assets	(216)	(187)	(1,912)
Amortization of actuarial gains and losses	77	170	681
Amortization of prior service costs	2	2	18
Retirement benefit expenses calculated by the simplified accounting method	119	124	1,053
Retirement benefit expenses under defined benefit plans	¥ 915	¥ 1,028	$ 8,097

(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, 2016 and 2015 is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Prior service costs	¥ 2	¥ 2	$ 18
Actuarial gains and losses	(1,970)	693	(17,434)
Total	¥(1,968)	¥695	$(17,416)

(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, 2016 and 2015 is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Unrecognized prior service costs	¥ 11	¥ 13	$ 97
Unrecognized actuarial gains and losses	2,084	114	18,442
Total	¥ 2,095	¥127	$ 18,539

(8) Items related to pension assets

(A) Breakdown of main items

Ratio for each main classification for total pension assets

	2016	2015
Bonds	55%	53%
Equity securities	26	28
General accounts	10	10
Other	9	9
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, 2016 and 2015 is as follows:

	2016	2015
Discount rate	0.2%	1.5%
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, 2016 and 2015 are ¥95 million (US$841 thousand) and ¥80 million, respectively.

12. Research and Development Costs

Research and development costs for the years ended March 31, 2016 and 2015 are ¥2,179 million (US$19,283 thousand) and ¥2,023 million, respectively.

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

(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, 2016 and 2015 is summarized as follows:

	Millions of Yen							
	2016							
	Reporting Segment							
	Japan	North America	Europe	South Asia	East Asia	Total	Reconciliations	Consolidated
Sales to customers	¥60,452	¥22,323	¥499	¥17,074	¥76,780	¥177,128	¥ —	¥177,128
Intersegment sales	4,549	37	9	1	7,826	12,422	(12,422)	—
Total sales	65,001	22,360	508	17,075	84,606	189,550	(12,422)	177,128
Segment expenses	59,802	22,223	551	15,449	77,106	175,131	(12,452)	162,679
Segment profit (loss)	5,199	137	(43)	1,626	7,500	14,419	30	14,449
Segment assets	76,731	8,861	405	14,119	94,525	194,641	(22,769)	171,872
Other items:								
Depreciation and amortization	1,611	100	4	133	900	2,748	—	2,748
Amortization of goodwill	—	117	—	—	—	117	—	117
Increase in property, plant and equipment and intangible assets	1,500	18	16	97	2,685	4,316	—	4,316

	Millions of Yen							
	2015							
	Reporting Segment							
	Japan	North America	Europe	South Asia	East Asia	Total	Reconciliations	Consolidated
Sales to customers	¥61,867	¥17,716	¥595	¥15,499	¥69,620	¥165,297	¥ —	¥165,297
Intersegment sales	3,647	20	6	0	6,621	10,294	(10,294)	—
Total sales	65,514	17,736	601	15,499	76,241	175,591	(10,294)	165,297
Segment expenses	60,365	18,318	602	13,940	68,913	162,138	(10,329)	151,809
Segment profit (loss)	5,149	(582)	(1)	1,559	7,328	13,453	35	13,488
Segment assets	82,753	8,796	519	14,909	96,352	203,329	(23,473)	179,856
Other items:								
Depreciation and amortization	1,473	86	3	134	677	2,373	—	2,373
Amortization of goodwill	—	106	—	—	8	114	—	114
Increase in property, plant and equipment and intangible assets	1,562	50	6	79	2,714	4,411	—	4,411

	Thousands of U.S. Dollars (Note 1)							
	2016							
	Reporting Segment							
	Japan	North America	Europe	South Asia	East Asia	Total	Reconciliations	Consolidated
Sales to customers	$534,973	$197,549	$ 4,416	$151,097	$679,469	$1,567,504	$ —	$1,567,504
Intersegment sales	40,257	327	80	9	69,257	109,930	(109,930)	—
Total sales	575,230	197,876	4,496	151,106	748,726	1,677,434	(109,930)	1,567,504
Segment expenses	529,221	196,664	4,876	136,717	682,354	1,549,832	(110,195)	1,439,637
Segment profit (loss)	46,009	1,212	(380)	14,389	66,372	127,602	265	127,867
Segment assets	679,035	78,416	3,584	124,947	836,504	1,722,486	(201,495)	1,520,991
Other items:								
Depreciation and amortization	14,257	885	35	1,177	7,965	24,319	—	24,319
Amortization of goodwill	—	1,035	—	—	—	1,035	—	1,035
Increase in property, plant and equipment and intangible assets	13,274	159	142	858	23,761	38,194	—	38,194

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

a) Reconciliations of segment profit (loss) for the years ended March 31, 2016 and 2015 were ¥30 million (US$265 thousand) and ¥35 million, respectively, consisting of intersegment transaction eliminations of ¥4 million (US$35 thousand) and ¥62 million, and adjustment of inventories of ¥26 million (minus US$230 thousand) and minus ¥27 million, respectively.

b) Reconciliations of segment assets for the years ended March 31, 2016 and 2015 were minus ¥22,769 million (minus US$201,495 thousand) and minus ¥23,473 million, respectively, consisting of intersegment transaction eliminations of minus ¥22,558 million (minus US$199,628 thousand) and minus ¥23,286 million, and adjustment of inventories of minus ¥211 million (minus US$1,867 thousand) and minus ¥187 million, respectively.

(2) Segment income (loss) 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					
	2016					
	Japan	The Americas	South Asia	East Asia	Others	Total
Sales to customers	¥ 60,381	¥ 22,767	¥ 18,265	¥ 72,425	¥ 3,290	¥ 177,128

	Millions of Yen					
	2015					
	Japan	The Americas	South Asia	East Asia	Others	Total
Sales to customers	¥ 61,508	¥ 18,272	¥ 16,315	¥ 67,252	¥ 1,950	¥ 165,297

	Thousands of U.S. Dollars (Note 1)					
	2016					
	Japan	The Americas	South Asia	East Asia	Others	Total
Sales to customers	$534,345	$201,478	$161,637	$640,929	$ 29,115	$1,567,504

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

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

	Millions of Yen					
	2016					
	Japan	North America	South Asia	East Asia	Europe	Total
Property, plant and equipment	¥ 21,860	¥ 386	¥ 959	¥ 10,603	¥ 20	¥ 33,828

	Millions of Yen					
	2015					
	Japan	North America	South Asia	East Asia	Europe	Total
Property, plant and equipment	¥ 22,034	¥ 473	¥1,083	¥ 9,287	¥ 8	¥ 32,885

	Thousands of U.S. Dollars (Note 1)					
	2016					
	Japan	North America	South Asia	East Asia	Europe	Total
Property, plant and equipment	$193,451	$3,416	$8,487	$93,832	$177	$299,363

(5) Impairment loss on fixed assets by reporting segment is as follows:

	Millions of Yen							
	2016							
	Reporting segment							
	Japan	North America	Europe	South Asia	East Asia	Total	Reconciliations	Consolidated
Impairment loss on fixed assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

	Millions of Yen							
	2015							
	Reporting segment							
	Japan	North America	Europe	South Asia	East Asia	Total	Reconciliations	Consolidated
Impairment loss on fixed assets	¥ 70	¥ —	¥ —	¥ —	¥ —	¥ 70	¥ —	¥ 70

	Thousands of U.S. Dollars (Note 1)							
	2016							
	Reporting segment							
	Japan	North America	Europe	South Asia	East Asia	Total	Reconciliations	Consolidated
Impairment loss on fixed assets	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

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

	Millions of Yen							
	2016							
	Reporting segment							
	Japan	North America	Europe	South Asia	East Asia	Total	Reconciliations	Consolidated
Goodwill	¥ —	¥ 549	¥ —	¥ —	¥ —	¥ 549	¥ —	¥ 549

	Millions of Yen							
	2015							
	Reporting segment							
	Japan	North America	Europe	South Asia	East Asia	Total	Reconciliations	Consolidated
Goodwill	¥ —	¥ 686	¥ —	¥ —	¥ —	¥ 686	¥ —	¥ 686

	Thousands of U.S. Dollars (Note 1)							
	2016							
	Reporting segment							
	Japan	North America	Europe	South Asia	East Asia	Total	Reconciliations	Consolidated
Goodwill	$ —	$4,858	$ —	$ —	$ —	$4,858	$ —	$4,858

Notes: 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."

14. 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 a business relationship and exposure to the 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.

Derivatives consist of foreign currency forward contracts and interest rate swap contracts used to manage the market risk of fluctuations in foreign currency exchange rates and interests rates. 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 15 for details of fair value for derivatives.

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

	Millions of Yen					
	2016			2015		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Assets:						
Cash and deposits	¥ 43,698	¥ 43,698	¥ —	¥ 51,674	¥ 51,674	¥ —
Trade notes and accounts receivable	52,502	50,821	(1,681)	53,184	51,693	(1,491)
Investment securities	6,311	6,311	—	6,899	6,899	—
Long-term loans	283	283	(0)	14	14	(0)
Total	¥102,794	¥101,113	¥(1,681)	¥111,771	¥110,280	¥(1,491)
Liabilities:						
Trade notes and accounts payable	¥ 14,415	¥ 14,415	¥ —	¥ 15,247	¥ 15,247	¥ —
Electronically recorded obligations	3,970	3,970	—	5,281	5,281	—
Short-term debt	7,405	7,405	—	7,911	7,911	—
Long-term debt[*1]	1,483	1,476	(7)	1,731	1,722	(9)
Total	¥ 27,273	¥ 27,266	¥ (7)	¥ 30,170	¥ 30,161	¥ (9)
Derivatives[*2]:						
Derivatives without hedge accounting	¥ (95)	¥ (95)	¥ —	¥ (51)	¥ (51)	¥ —
Derivatives with hedge accounting	—	—	—	—	—	—

	Thousands of U.S. Dollars (Note 1)		
	2016		
	Carrying amount	Fair value	Difference
Assets:			
Cash and deposits	$386,708	$386,708	$ —
Trade notes and accounts receivable	464,619	449,743	(14,876)
Investment securities	55,850	55,850	—
Long-term loans	2,504	2,504	—
Total	$909,681	$894,805	$(14,876)
Liabilities:			
Trade notes and accounts payable	$127,566	$127,566	$ —
Electronically recorded obligations	35,133	35,133	—
Short-term debt	65,531	65,531	—
Long-term debt*1	13,124	13,062	(62)
Total	$241,354	$241,292	$ (62)
Derivatives*2:			
Derivatives without hedge accounting	$ (841)	$ (841)	$ —
Derivatives with hedge accounting	—	—	—

*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.

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) Trade notes and accounts receivable:
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) Trade notes and accounts payable, electronically recorded obligations 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.

3) Derivatives:
The information on the fair value for derivatives is included in Note 15.

(2) Financial instruments whose fair value cannot be reliably determined at March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Investment securities:			
Unlisted stocks	¥ 123	¥ 123	$ 1,088
Investments in unconsolidated subsidiaries and affiliates	¥ 1,163	¥ 956	$10,292

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, 2016 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	¥ 43,698	¥ —	¥ —
Trade notes and accounts receivable	48,216	3,788	498
Long-term loans	1	282	—
Total	¥ 91,915	¥ 4,070	¥ 498

	Thousands of U.S. Dollars (Note1)		
	Due within one year	Due after one year through five years	Due after five years through ten years
Cash and deposits	$386,708	$ —	$ —
Trade notes and accounts receivable	426,690	33,522	4,407
Long-term loans	9	2,496	—
Total	$813,407	$36,018	$ 4,407

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

15. Derivative Financial Instruments

(1) Derivative transactions, to which hedge accounting is not applied, at March 31, 2016 and 2015 are as follows:

	Millions of Yen					
	2016			2015		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts:						
Buying	¥ 3,601	¥ (95)	¥ (95)	¥3,598	¥ (51)	¥(51)

	Thousands of U.S. Dollars (Note1)		
	2016		
	Contract amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts:			
Buying	$31,867	$ (841)	$(841)

Note: The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

(2) Derivative transactions, to which hedge accounting is applied, at March 31, 2016 and 2015 are as follows:

	Millions of Yen					
	2016			2015		
	Contract amount	Due after one year	Fair value	Contract amount	Due after one year	Fair value
Interest rate swap contracts:						
Variable interest received, fixed interest paid	¥ 513	¥ 200	¥ —	¥ 668	¥334	¥ —

	Thousands of U.S. Dollars (Note1)		
	2016		
	Contract amount	Due after one year	Fair value
Interest rate swap contracts:			
Variable interest received, fixed interest paid	$ 4,540	$1,770	$ —

Note: Interest rate swap contracts applying the exceptional method are dealt with as a group within long-term debt for the hedged item, and the fair values are included in the fair values of long-term debt.

16. Stock Options, etc.

(1) Expenses and accounts related to stock options

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Selling, general and administrative expenses	¥5	¥20	$44

(2) 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, 2016 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.

	Before vesting (shares)					Vested (shares)				
Resolution date	At the end of March 31, 2015	Granted	Lapsed	Vested	Unvested	At the end of March 31, 2015	Vested	Exercised	Lapsed	Unexercised
November 8, 2013	—	—	—	—	—	36,000	—	—	—	36,000

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

	Before vesting (shares)					Vested (shares)				
Resolution date	At the end of March 31, 2015	Granted	Lapsed	Vested	Unvested	At the end of March 31, 2015	Vested	Exercised	Lapsed	Unexercised
August 7, 2014	—	—	—	—	—	24,000	—	—	—	24,000

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

	Before vesting (shares)					Vested (shares)				
Resolution date	At the end of March 31, 2015	Granted	Lapsed	Vested	Unvested	At the end of March 31, 2015	Vested	Exercised	Lapsed	Unexercised
August 7, 2015	—	7,000	—	7,000	—	—	7,000	—	—	7,000

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

(3) Evaluation method of fair value per unit of stock options for the year ended March 31, 2016

a) Appraisal method used

The Black-Scholes model

b) Main underlying figures and estimates

3rd Stock Acquisition Rights of Fujitec Co., Ltd. (Stock-compensation-type Stock Options)
(Resolved at a meeting of its Board of Directors held on August 7, 2015)

Volatility	(Note 1)	38.451%
Expected residual period	(Note 2)	15 years
Expected dividends	(Note 3)	¥24 per share
Risk-free interest rate	(Note 4)	0.770%

Notes: 1. Estimated based on the stock price performance in 15 years (from August 25, 2000 to August 25, 2015)
2. Calculated on the assumption that the stock acquisition rights would be exercised at the middle point of the exercise period
3. Actual cash dividends for the year ended March 31, 2015
4. Yield of Japanese government bonds with the same years to maturity as the above expected residual period

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

All of the stock acquisition rights are vested when granted.

17. Subsequent Event

The following appropriation of retained earnings at March 31, 2016 was approved at the annual meeting of shareholders held on June 23, 2016:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Cash dividends	¥1,215	$10,752

Independent Auditor's Report

GrantThornton

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Fujitec Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fujitec Co., Ltd. and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The United States dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for the convenience. Our audit also included the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1to the consolidated financial statements.

Osaka, Japan

Grant Thornton Taiyo LLC

June 23, 2016

Member of Grant Thornton International Ltd

Global Network

● R&D centers ● Production sites ● Sales sites

Global (22 Countries and 3 Regions)

Consolidated subsidiaries: 19
Production sites: 10

Japan

Head Office and bases: 4
Divisions and branches: 5
Branch offices: 12

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

Headquarters/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)

Big Wing (Japan)

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)
- ● 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)

North & South America

- ●●● 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)

Europe & Others

- ● Fujitec UK Ltd. (U.K.)
- ● Fujitec Deutschland GmbH (Germany)
- ● Fujitec Saudi Arabia Co., Ltd. (Saudi Arabia)
- ● Fujitec Egypt Co., Ltd. (Egypt)
- ● Fujitec Co., Ltd. UAE (Dubai) Office (UAE)

Shareholder Information

Company Data (As of March 31, 2016)

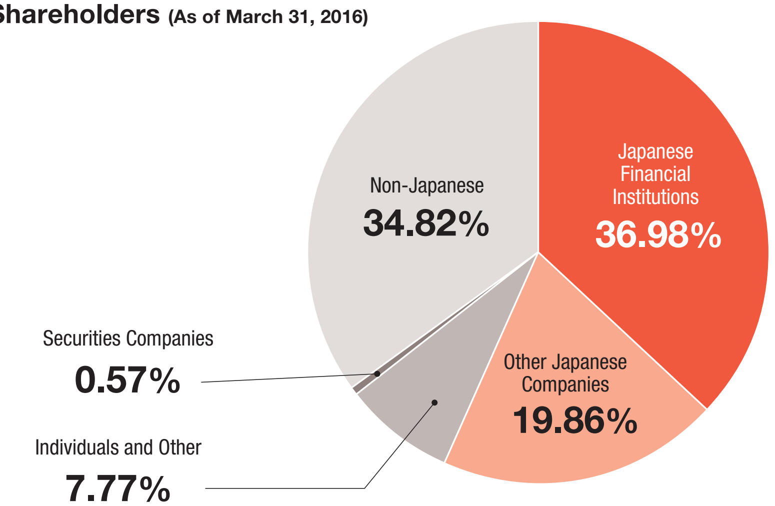
Company Name	Fujitec Co., Ltd.
Date of Establishment	February 9, 1948
Paid-in Capital	¥12,533,933,095
Line of Business	Research and development, manufacture, marketing, installation and maintenance of elevators, escalators, moving walks, new transportation systems, etc.
Location Head Office	Head Office (Big Wing): 591-1, Miyata-cho, Hikone, Shiga, Japan Tokyo Head Office: 3-9-6 Mita, Minato-ku Tokyo
Consolidated Subsidiaries	19
Number of Employees	Consolidated: 9,486 (Japan: 2,824, Overseas: 6,662)
Total Number of Authorized Shares (Common Stock)	300,000,000 shares
Total Number of Issued Shares (Common Stock)	93,767,317 shares
Number of Shareholders	4,296
Stock Exchange Listing	First Section, Tokyo Stock Exchange (Ticker Code: 6406)
Annual Meeting of Shareholders	The annual meeting of shareholders of the Company is held in June each year at 591-1, Miyata-cho, Hikone, Shiga, Japan
Auditor	Grant Thornton Taiyo LLC
Transfer Agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
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 (Thousands)	Shareholding Ratio (%)
Uchiyama International, Limited	8,399	10.36
Resona Bank, Ltd.	4,051	5.00
The Master Trust Bank of Japan, Ltd. (trust account)	3,906	4.82
CGMI – CUSTOMER ACCOUNT (418)	3,755	4.63
Goldman Sachs and Company Regular Account	3,279	4.05
JP Morgan Chase Bank 385632	3,106	3.83
Japan Trustee Services Bank, Ltd. (trust account 4)	3,090	3.81
Japan Trustee Services Bank, Ltd. (trust account 9)	3,054	3.77
Fuji Electric Co., Ltd.	2,889	3.56
Mizuho Bank, Ltd.	1,989	2.45

*1 The shareholding ratios are calculated based on 81,060,635 shares, being the total number of issued shares as of March 31, 2016 (93,767,317 shares) minus the number of treasury shares (12,706,682 shares) on the same date.
*2 Fujitec Co., Ltd. holds 12,706,682 shares of treasury stock but is excluded from the above list.

Distribution of Shareholders (As of March 31, 2016)



FUJITEC CO.,LTD.