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August 6, 2021

Consolidated Business Results for the First Quarter Ended June 30, 2021 (Japan GAAP)

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

Listed on TSE1

Stock Code: 6406

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Expected date of filing of quarterly report: August 11, 2021

Expected starting date of dividend payment: —

Supplementary materials for the quarterly business results: Yes

Presentation of the quarterly business results: No

(Amounts less than one million yen are rounded down)

1. Consolidated business results for the first quarter ended June 30, 2021 (April 1, 2021 to June 30, 2021)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended								
June 30, 2021	39,656	16.3	3,870	169.1	4,253	143.6	3,337	157.9
June 30, 2020	34,103	(12.9)	1,438	(26.4)	1,746	(26.4)	1,293	(24.2)

(Note) Comprehensive income — June 30, 2021: 8,881 million yen (—%), June 30 2020: 226 million yen (-90.4%)

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
June 30, 2021	41.13	41.11
June 30, 2020	15.96	15.95

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
June 30, 2021	209,496	131,123	55.9
March 31, 2021	205,196	125,264	54.8

(Reference) Shareholders' equity — June 30, 2021: 117,133 million yen, March 31, 2021: 112,417 million yen

2. Cash dividends

	Cash dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
For the year ended March 31, 2021	—	20.00	—	40.00	60.00
For the year ending March 31, 2022	—				
March 31, 2022 (forecast)		25.00	—	35.00	60.00

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

3. Forecasts of consolidated business performance for the fiscal year ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
For the year ending March 31, 2022	184,000	8.5	13,900	4.6	14,400	(1.6)	9,300	0.1	114.60

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

4. Other

- (1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries due to changes in the scope of consolidation): No
- (2) Application of specific accounting procedures for quarterly financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements
- 1) Changes in accounting policies due to revision of accounting standards: Yes
- 2) Changes other than 1), above: Yes
- 3) Changes in accounting estimates: No
- 4) Retrospective restatements: No

(4) Number of shares outstanding (common stock)

1) Number of shares outstanding at the end of period (including treasury stock):	Three months ended June 30, 2021: 85,300,000 shares	Year ended March 31, 2021: 85,300,000 shares
2) Treasury stock at the end of period:	Three months ended June 30, 2021: 4,130,750 shares	Year ended March 31, 2021: 4,159,010 shares
3) Weighted average number of shares outstanding during the period:	Three months ended June 30, 2021: 81,151,474 shares	Three months ended June 30, 2020: 81,081,879 shares

(Note) Treasury stock as of the end of fiscal year ended March 31, 2021 and as of the three months ended June 30, 2021 includes shares of Fujitec Co., Ltd. stock held by the Trust-Type Employee Shareholding Incentive Plan (E-Ship).

Three months ended June 30, 2021: 333,700 shares, Year ended March 31, 2021: 362,000 shares

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

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

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

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

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1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Operating Results

(Amounts less than one million yen are rounded down)

	FY2020 Q1 (April 1 - June 30, 2020)	FY2021 Q1 (April 1 - June 30, 2021)	Change (%)
Net sales	34,103	39,656	16.3
Japan	14,713	16,214	10.2
Overseas	19,390	23,441	20.9
Operating income	1,438	3,870	169.1
Ordinary income	1,746	4,253	143.6
Profit attributable to owners of parent	1,293	3,337	157.9
Net income per share	15.96 yen	41.13 yen	—

During the three months ended June 30, 2021, the global economy continued to recover in general, despite the lingering effects of the COVID-19 pandemic. Positive factors included the economic policies of various countries and the advancement of vaccinations. China, which succeeded in controlling the infection at an early stage, continued to experience economic recovery. At the same time, the United States and Europe made progress toward economic normalization through the advancement in vaccinations. The speed of economic recovery slowed in Japan due to the re-issuance of state of emergency declarations spurred by additional outbreaks of infection.

The elevator and escalator industry experienced demand for new installations and modernization projects that increased year on year across all countries due in part to a rebound from the COVID-19 pandemic. Our maintenance business, which provides maintenance for elevators and escalators as part of the social infrastructure, experienced ongoing strong performance.

In response to these circumstances, the Fujitec Group continued to engage in measures to prevent the spread of infectious disease, placing the highest priority on the safety and security of our employees and other individuals. At the same time, we endeavored to implement key measures to achieve the new strategic direction we announced on December 2020. In our focus on the Aftermarket business, we launched a specialized organization to strengthen our structure for pursuing business from development to maintenance in our service business. Also, as part of this focus, we launched a dedicated organization to support our modernization business on a global scale. To expand our businesses in growth markets, we pursued manufacturing cost reductions in production in China and India. We also made advancements in factory expansion and the construction of a research tower toward growing our business in India. Our initiatives to improve profitability included efforts to reduce manufacturing costs through production automation and global procurement, while also pursuing sales, design, and production automation via IT technology, as well as cost reductions and service quality improvement in our maintenance business. Further, we established a private fund of ¥5,000 million to accelerate M&A activity in Japan and overseas.

Amid the environment discussed above, the Fujitec Group recorded business performance for the three months ended June 30, 2021 as described below.

The Japanese market during the three months ended June 30, 2021, orders for new installations increased significantly year on year due to orders for large projects. Our modernization business within the Aftermarket Business, upgrades existing elevators and escalators. This business reported strong performance due to orders for large projects, etc. At the same time, the maintenance business, which provides maintenance for elevators and escalators, experienced firm performance continuing from the previous fiscal year.

In overseas markets, orders in East Asia reflected a significant increase in new installations in China, as well as increases in maintenance in Hong Kong and modernization work in Korea. In South Asia, orders for new installations increased

significantly in India, but decreased in Indonesia and Malaysia in reaction to large orders received in the year-ago quarter. The Aftermarket Business experienced an increase in orders due to service business growth and orders for large modernization projects in Singapore. Orders in North America and Europe increased in connection with orders for large modernization projects and an increase in new installations in the U.S.

As a result, total orders received amounted to ¥47,544 million (up 16.6% year on year), consisting of ¥21,420 million in domestic orders received (up 22.1%) and ¥26,124 million in overseas orders received (up 12.5%). In real terms, overseas orders received was 13.4% higher year on year when excluding the impact of foreign exchange fluctuations.

Total net sales amounted to ¥39,656 million (up 16.3% year on year), consisting of ¥16,214 million in domestic net sales (up 10.2%) and ¥23,441 million in overseas net sales (up 20.9%). In real terms, overseas net sales were 21.6% lower year on year when excluding the impact of foreign exchange fluctuations.

Total order backlog amounted to ¥217,045 million (up 2.9% year on year), consisting of domestic order backlog in the amount of ¥73,669 million (up 8.4%) and overseas order backlog in the amount of ¥143,376 million (up 0.2%). In real terms, overseas orders received was 1.9% lower year on year when excluding the impact of foreign exchange fluctuations.

Operating income amounted to ¥3,870 million (up 169.1% year on year) stemming from significant increases across all segments including Japan. Ordinary income amounted to ¥4,253 million (up 143.6%), mainly due to the recording of foreign exchange gains. Profit before income taxes and other adjustments amounted to ¥4,415 million (up 152.8%), mainly due to an increase in subsidiary income. Net profit attributable to owners of parent amounted to ¥3,337 million (up 157.9%).

Due to the adoption of Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 31, 2020) (“Revenue Recognition Standard”, below) net sales for the first quarter of the current consolidated fiscal year decreased ¥304 million. Cost of sales decreased ¥316 million, while selling, general and administrative expenses increased ¥6 million. Operating income, ordinary income, and profit before income taxes each rose ¥5 million, respectively. Further, changes to our method for depreciating property, plant and equipment resulted in an increase of 76 million each for operating income, ordinary income, and profit before income taxes for the first quarter of the current consolidated fiscal year.

The following information highlights performance by segment:

(Amounts less than one million yen are rounded down)

	Net sales			Operating income (loss)		
	FY2020 Q1	FY2021 Q1	Change (%)	FY2020 Q1	FY2021 Q1	Change
Japan	15,455	16,964	9.8	130	1,024	893
East Asia	10,754	14,677	36.5	723	1,453	729
South Asia	4,070	4,354	7.0	801	1,126	324
North America and Europe	5,918	6,091	2.9	(236)	306	542
Subtotal	36,199	42,088	16.3	1,419	3,909	2,490
Adjustments	(2,095)	(2,432)	—	19	(39)	(58)
Total	34,103	39,656	16.3	1,438	3,870	2,432

Japan

Net sales amounted to ¥16,964 million (up 9.8% year on year) due to an increase in new installations and modernization work rebounding from the COVID-19 pandemic, as well as ongoing firm performance of maintenance work. Operating income amounted to ¥1,024 million (up ¥893 million year on year) as profitability improved in both New Installations and Aftermarket businesses due to the increase in sales.

Due to the adoption of Revenue Recognition Standard, net sales increased ¥55 million, while operating income rose ¥76 million. Due to the change in depreciation for property, plant and equipment, operating income rose ¥76 million.

East Asia

Net sales amounted to ¥14,677 million (up 36.5% year on year, or up 34.8% excluding the impact of exchange rates) Aftermarket Business work in Hong Kong, new installations in Taiwan, and a major increase in new installations in China, mainly due to a rebound from the COVID-19 pandemic. Operating income amounted to ¥1,453 million (up ¥729 million year on year), mainly due to a significant increase in service business profitability in Hong Kong, as well as an increase in construction sales and improved profits for new installations in China.

Due to the adoption of Revenue Recognition Standard, net sales decreased ¥360 million, while operating income decreased ¥71 million.

South Asia

Net sales amounted to ¥4,354 million (up 7.0% year on year, or up 9.1% excluding the impact of exchange rates). This result was mainly due to an increase in new installations in Malaysia, a decrease in new installations in Indonesia, and an increase in services in Singapore and India. Operating income amounted to ¥1,126 million (up ¥324 million year on year) due to the contribution of an increase in the services business in Singapore.

North America and Europe

Net sales amounted to ¥6,091 million (up 2.9% year on year, or up 6.2% excluding the impact of exchange rates). This result was mainly due to new installations in the U.S. and the consolidation of a new subsidiary in the U.K. These gains were offset in part by a decrease in modernization projects in the U.S. and a decrease in new installations in Canada. Operating income amounted to ¥306 million (compared to an operating loss of ¥236 million in the year-ago quarter). This result was mainly due to improved profitability in the Aftermarket business in the U.S. and new installations in Canada.

(2) Explanation of Financial Position

Total assets as of the end of the current consolidated first quarter amounted to ¥209,496 million, an increase of ¥4,300 million compared with the end of the prior consolidated fiscal year. This result was mainly due to increases in cash and deposits and notes and accounts receivable-trade.

Total liabilities amounted to ¥78,372 million, a decrease of ¥1,558 million compared with the end of the prior consolidated fiscal year. This result was mainly due to decreases notes and accounts payable-trade, electronically recorded obligations-operating, and advances from customers, offset in part by increases is provision for bonuses to employees and provision for loss on construction contracts.

Net assets amounted to ¥131,123 million, an increase of ¥5,858 million compared with the end of the prior consolidated fiscal year. This result was mainly due to an increase of ¥3,337 million in profit attributable to owners of parent stemming from the recording of retained earnings, a decrease of ¥3,260 million due to payments of year-end dividends, an increase of ¥140 million in real terms due to the application of revenue recognition standards, an increase of ¥4,505 million due to foreign currency translation adjustments, and an increase of ¥1,142 million in non-controlling interests. Our shareholders' equity ratio as of June 30, 2021, was 55.9%, up 1.1 points compared to the end of the prior consolidated fiscal year. Net assets per share amounted to ¥1,443.07, up ¥57.62 compared with the end of the prior consolidated fiscal year.

(3) Explanation of Consolidated Earnings Forecasts and Other Forecasts

We have not made any changes to the consolidated earnings forecasts for fiscal 2021 (April 1, 2021 - March 31, 2022) as announced on May 12, 2021.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	68,348	71,992
Notes and accounts receivable-trade	59,022	—
Notes and accounts receivable-trade and contract assets	—	60,034
Merchandise and finished goods	5,634	4,048
Work in process	6,278	2,366
Raw materials and supplies	7,333	8,921
Other	5,150	8,045
Allowance for doubtful accounts	(2,375)	(2,849)
Total current assets	149,393	152,560
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	19,627	19,432
Machinery and equipment, net	3,682	3,729
Tools, furniture and fixtures, net	2,346	2,336
Land	6,911	6,843
Leased assets, net	539	690
Construction in progress	679	841
Total property, plant and equipment	33,786	33,873
Intangible assets		
Goodwill	1,214	1,277
Other	3,465	3,599
Total intangible assets	4,680	4,877
Investments and other assets		
Investments securities	8,772	8,525
Long-term loans receivable	23	23
Other	8,653	9,753
Allowance for doubtful accounts	(113)	(116)
Total investments and other assets	17,336	18,185
Total fixed assets	55,803	56,936
Total assets	205,196	209,496

(Million yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,026	14,217
Electronically recorded obligations-operating	4,734	3,655
Short-term debt	2,317	2,361
Accrued income taxes	3,425	2,750
Provision for bonuses	3,385	4,166
Provision for losses on construction contracts	7,761	8,154
Other provision	1,613	1,997
Advances from customers	25,620	24,516
Other	10,268	10,711
Total current liabilities	74,152	72,532
Fixed liabilities		
Long-term debt	809	809
Net defined benefit liability	4,150	4,161
Other	818	869
Total fixed liabilities	5,778	5,839
Total liabilities	79,931	78,372
Net assets		
Shareholders' equity		
Paid-in capital	12,533	12,533
Additional paid-in capital	14,474	14,474
Retained earnings	102,516	102,734
Treasury stock	(5,206)	(5,142)
Total Shareholders' equity	124,318	124,599
Accumulated other comprehensive income		
Net unrealized gains on securities	2,681	2,499
Deferred gains or losses on hedges	(27)	3
Foreign currency translation adjustments	(13,913)	(9,407)
Remeasurements of defined benefit plans	(641)	(561)
Total accumulated other comprehensive income	(11,901)	(7,466)
Stock acquisition rights	35	35
Non-controlling interests	12,812	13,954
Total net assets	125,264	131,123
Total liabilities and net assets	205,196	209,496

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

For the three months ended June 30, 2020 and June 30, 2021

(Million yen)

	FY2020 Q1 April 1 - June 30, 2020	FY2021 Q1 April 1 - June 30, 2021
Net sales	34,103	39,656
Cost of sales	26,981	29,218
Gross profit	7,122	10,437
Selling, general and administrative expenses	5,683	6,566
Operating income	1,438	3,870
Other income		
Interest income	311	199
Dividend income	100	97
Foreign exchange gains	—	69
Other	101	132
Total other income	512	498
Other expenses		
Interest expenses	62	24
Foreign exchange loss	119	—
Provision of allowance for doubtful accounts	—	82
Other	22	9
Total other expenses	205	116
Ordinary income	1,746	4,253
Special gain		
Gain on sales of property, plant and equipment	1	8
Subsidy income	—	217
Total special gain	1	225
Special loss		
Loss on sales and retirement of property, plant and equipment	1	18
Impairment loss	—	5
Loss on valuation of investments in capital of subsidiaries and associates	—	21
Loss related to infectious diseases	—	18
Total special loss	1	63
Profit before income taxes	1,746	4,415
Income taxes expense	1,075	1,376
Deferred taxes expense	(805)	(617)
Total income taxes	269	759
Profit	1,476	3,655
Profit attributable to non-controlling interests	182	318
Profit attributable to owners of parent	1,293	3,337

Quarterly Consolidated Statements of Comprehensive Income
For the three months ended June 30, 2020 and June 30, 2021

(Million yen)

	FY2020 Q1 April 1 - June 30, 2020	FY2021 Q1 April 1 - June 30, 2021
Profit	1,476	3,655
Other comprehensive income		
Net unrealized gains on securities	535	(181)
Deferred gains or losses on hedges	43	36
Foreign currency translation adjustments	(1,884)	5,290
Remeasurements of defined benefit plans	56	80
Total other comprehensive income	(1,249)	5,225
Comprehensive income	226	8,881
Comprehensive income attributable to:		
Owners of parent	368	7,772
Non-controlling interests	(142)	1,108

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes Regarding Assumptions of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Changes in Accounting Policies)

(Adoption of Accounting Standard for Revenue Recognition)

At the beginning of the current consolidated first quarter, we adopted Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 31, 2020) ("Revenue Recognition Standard," below) and other standards. With the adoption of this standard, the company now recognizes revenue when the control of promised goods or services is transferred to the customer in the amount expected to be received in exchange for said goods or services.

As a result, we have changed our method for recognizing revenue for free maintenance services included in new installation and modernization contracts, which we perform over a certain period of time subsequent to the completion of the work in question, as we did not recognize revenue in the past as no consideration was received. We will now recognize such services as a performance obligation separate from new installations or modernization, recognizing revenue over the maintenance service period after allocating the transaction price based on an arm's length transaction. Some overseas subsidiaries have changed their revenue recognition method for certain equipment sales and installation construction contracts from recognition upon completion of installation to recognition of revenue over the period of construction for installation work.

The company and our overseas subsidiaries estimate the progress of completion of construction projects for which performance obligations are to be satisfied over a certain period of time. These entities recognize revenue over a certain period of time based on the progress in question. For construction projects involving a very short period of time, we recognize revenue upon completion of construction. We estimate percentage of completion based on the ratio of the costs incurred to the total cost of construction (input method).

In adopting the change in question, the company follows the transitional treatment as prescribed in the proviso of Paragraph 84 of the Revenue Recognition Standard. The cumulative effect of applying the new accounting policy retrospectively for periods prior to the beginning of the first quarter of the current consolidated fiscal year has been added to or deducted from retained earnings at the beginning of the first quarter of the current consolidated fiscal year, and the new accounting policy has been applied beginning with the relevant beginning balance.

As a result, net sales for the first quarter of the current fiscal year decreased by ¥304 million compared with the previous accounting method. Cost of sales decreased by ¥316 million, while selling, general and administrative expenses increased by ¥6 million. Operating income, ordinary income, and profit before income taxes each increased by ¥5 million. The balance of retained earnings at the beginning of the period increased by ¥140 million.

As a result of the application of the Revenue Recognition Accounting Standard, *notes and accounts receivable - trade* presented under *current assets* in the consolidated balance sheet of the previous fiscal year is now included under *notes and accounts receivable - trade and contract assets* beginning with the first quarter of the current consolidated fiscal year. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Revenue Recognition Standard, no reclassification has been made for the previous fiscal year using the new presentation method.

(Adoption of fair value measurement accounting standard)

We adopted Accounting Standard for Fair Value Measurement (ASBJ Statement No.30, July 4, 2019) (“Fair Value Measurement Standard,” below) as of the beginning of first quarter of the current consolidated fiscal year. In accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), we will apply the new accounting policy provided in Fair Value Measurement Standard prospectively. The adoption of this accounting standard will have no impact on the quarterly consolidated financial statements of the company.

(Change in Depreciation Method for Tangible Fixed Assets)

In past periods, we mainly used the declining-balance method to depreciate property, plant and equipment (excluding leased assets). Beginning with the first quarter of the current consolidated fiscal year, we have changed to the straight-line depreciation method.

Over the past several years, the Japanese market for elevators and escalators has matured, and demand trends have been stable. Our investments in Japan have been mainly for the maintenance and upgrade of equipment, rather than for an increase in production volume.

We announced our new strategic direction in December 2020. We took the opportunity in connection with this new direction to define policies for investment plans related to automation and labor-savings aimed at improving profitability. At the same time, we conducted a review of our depreciation methods in light of how we used the equipment in question. Since we expect our property, plant and equipment to be in stable operation over an extended period of time, we determined that the adopting the straight-line method of depreciation reflects the actual business conditions of the company more appropriately. The straight-line method allocates the average cost of the fixed asset over its useful life.

As a result of this change, operating income, ordinary income, and profit before income taxes for the first quarter of the current consolidated fiscal year increased by ¥76 million, respectively, compared with the amounts based on the previous method.

(Segment and Other Information)

I Three months ended June 30, 2020

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

(Million yen)

	Reportable Segments					Adjustments (Note 1)	Amount to quarterly consolidated statements of income (Note 2)
	Japan	East Asia	South Asia	North America and Europe	Total		
Net sales							
Sales to external customers	14,726	9,393	4,069	5,913	34,103	—	34,103
Intersegment sales/transfers	728	1,360	0	5	2,095	(2,095)	—
Total	15,455	10,754	4,070	5,918	36,199	(2,095)	34,103
Segment income (loss)	130	723	801	(236)	1,419	19	1,438

Note 1 Segment income (loss) adjustment of ¥19 million is due to inventory adjustments.

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

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

(Significant changes in goodwill)

During the first quarter of the current consolidated fiscal year, the Company acquired all outstanding shares of Amalgamated Lifts Limited through a consolidated subsidiary, adding the aforementioned company as a consolidated entity. As a result of this transaction, goodwill in the North America and Europe segment increased ¥1,348 million.

The balance of goodwill is based on a provisional calculation since we have not completed allocations of acquisition cost as of the end of the first quarter of the current consolidated fiscal year.

II Three months ended June 30, 2021

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

(Million yen)

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

Note 1 Segment income adjustment of -¥39 million is due to inventory adjustments.

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

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

There were no significant events or changes.

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

(Adoption of Accounting Standard for Revenue Recognition)

As stated in the *Changes in Accounting Policies*, we applied the Revenue Recognition Standard at the beginning of the first quarter of the current consolidated fiscal year. As we have changed our accounting method for revenue recognition, we have changed our method for calculating the profit or loss of reportable segments in a similar fashion.

As a result of this change, net sales and segment income in Japan for the first quarter of the current consolidated fiscal year increased by ¥55 million and ¥76 million, respectively, when compared to the previous method. Net sales and segment income for East Asia decreased by ¥360 million and ¥71 million, respectively.

(Change in Depreciation Method for Tangible Fixed Assets)

As stated in *Changes in Accounting Policies*, in past periods, we mainly used the declining-balance method to depreciate property, plant and equipment (excluding leased assets). Beginning with the first quarter of the current consolidated fiscal year, we have changed to the straight-line depreciation method.

As a result of this change, segment income in Japan for the first quarter of the current consolidated fiscal year increased by ¥76 million compared to the previous method.