FUJITEC

Financial Report 2022

For the Year Ended
March 31, 2022

Fujitec Co., Ltd.

1. Consolidated Financial Statements

(1) [Consolidated Balance Sheets]

a. [Consolidated Balance Sheets]

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Assets		
Current assets		
Cash and deposits	68,348	76,956
Notes and accounts receivable-trade	59,022	—
Notes and accounts receivable-trade, and contract assets	—	*1 66,123
Merchandise and finished goods	5,634	3,812
Work in process	6,278	2,281
Raw materials and supplies	7,333	9,004
Other	5,150	8,213
Allowance for doubtful accounts	(2,375)	(3,119)
Total current assets	149,393	163,273
Fixed assets		
Property, plant and equipment		
Buildings and structures	*2 36,242	*2 37,437
Accumulated depreciation	(16,615)	(18,329)
Buildings and structures, net	19,627	19,108
Machinery and equipment	*2 12,828	*2 13,758
Accumulated depreciation	(9,145)	(9,894)
Machinery and equipment, net	3,682	3,864
Tools, furniture and fixtures	8,244	8,874
Accumulated depreciation	(5,898)	(6,439)
Tools, furniture and fixtures, net	2,346	2,434
Land	*2 6,911	*2 6,849
Leased assets	982	1,252
Accumulated depreciation	(442)	(612)
Leased assets, net	539	640
Construction in progress	679	2,386
Total property, plant and equipment	33,786	35,283
Intangible assets		
Goodwill	1,214	1,227
Other	3,465	3,609
Total intangible assets	4,680	4,837
Investments and other assets		
Investments securities	*3 8,772	*3 8,356
Long-term loans receivable	23	26
Net defined benefit assets	790	598
Deferred tax assets	4,374	4,904
Other	*3 3,489	*3 3,456
Allowance for doubtful accounts	(113)	(127)
Total investments and other assets	17,336	17,215
Total fixed assets	55,803	57,335
Total assets	205,196	220,609

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,026	16,637
Electronically recorded obligations-operating	4,734	3,149
Short-term debt	2,317	*2 3,493
Accrued income taxes	3,425	2,035
Provision for bonuses	3,385	3,288
Provision for director bonuses	90	93
Provision for losses on construction contracts	7,761	10,169
Provision for warranties for completed construction	1,482	1,976
Provision for shareholder benefit program	—	78
Other provision	40	—
Advances from customers	25,620	*1 22,428
Other	10,268	11,342
Total current liabilities	74,152	74,691
Non-current liabilities		
Long-term debt	809	381
Deferred tax liabilities	87	84
Net defined benefit liabilities	4,150	4,272
Asset retirement obligations	23	24
Long-term accounts payable - other	179	179
Other	528	493
Total Non-current liabilities	5,778	5,435
Total liabilities	79,931	80,126
Net assets		
Shareholders' equity		
Paid-in capital	12,533	12,533
Additional paid-in capital	14,474	14,474
Retained earnings	102,516	104,649
Treasury stock	(5,206)	(2,267)
Total Shareholders' equity	124,318	129,391
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,681	2,475
Deferred gains or losses on hedges	(27)	17
Foreign currency translation adjustments	(13,913)	(5,794)
Remeasurements of defined benefit plans	(641)	(607)
Total accumulated other comprehensive income	(11,901)	(3,908)
Stock acquisition rights	35	35
Non-controlling interests	12,812	14,964
Total net assets	125,264	140,482
Total liabilities and net assets	205,196	220,609

b. [Consolidated Statements of Income and Consolidated Statements of Comprehensive Income]

[Consolidated Statements of Income]

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Net sales	169,573	*1 187,018
Cost of sales	*3, *7 129,690	*3, *7 145,446
Gross profit	39,883	41,572
Selling, general and administrative expenses	*2, *3 26,594	*2, *3 27,794
Operating income	13,288	13,777
Other income		
Interest income	1,154	874
Dividend income	193	372
Foreign exchange gains	—	407
Rent income	126	145
Miscellaneous income	272	535
Total other income	1,746	2,336
Other expenses		
Interest expenses	150	94
Foreign exchange loss	138	—
Provision of allowance for doubtful accounts	0	176
Miscellaneous loss	111	130
Total other expenses	401	400
Ordinary income	14,633	15,713
Special gain		
Gain on sales of property, plant and equipment	*4 13	*4 63
Gain on sales of investment securities	242	200
Subsidy income	537	610
Total special gain	793	874
Special loss		
Loss on sales of property, plant and equipment	*5 14	*5 85
Loss on retirement of property, plant and equipment	*6 24	*6 12
Impairment loss	24	30
Loss on sales of investment securities	59	—
Loss on valuation of investments in securities	—	40
Loss on valuation of shares of subsidiaries and associates	265	43
Loss on valuation of investments in capital of subsidiaries and associates	12	22
Loss related to infectious diseases	—	85
Total special loss	401	319
Profit before income taxes	15,025	16,268
Income taxes expense	5,062	4,007
Deferred taxes expense	(690)	298
Total income taxes	4,372	4,306
Profit	10,652	11,961
Profit attributable to non-controlling interests	1,365	1,125
Profit attributable to owners of parent	9,287	10,835

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Profit	10,652	11,961
Other comprehensive income		
Valuation difference on available-for-sale securities	1,486	(205)
Deferred gains or losses on hedges	(13)	53
Foreign currency translation adjustments	(1,868)	10,041
Remeasurements of defined benefit plans	745	34
Total other comprehensive income	*1, *2 350	*1, *2 9,923
Comprehensive income	11,003	21,885
Comprehensive income attributable to:		
Owners of parent	9,530	18,828
Non-controlling interests	1,472	3,056

c. [Consolidated Statements of Changes in Shareholders' Equity]

Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Paid-in capital	Additional paid-in capital	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at the beginning of the previous fiscal year	12,533	14,571	102,355	(10,401)	119,059
Cumulative effects of changes in accounting policies					—
Restated balance	12,533	14,571	102,355	(10,401)	119,059
Changes during the previous fiscal year					
Changes in ownership interest of parent due to transactions with non-controlling interests		(3)			(3)
Dividends from surplus			(4,054)		(4,054)
Changes in scope of consolidation		(93)			(93)
Profit attributable to owners of parent			9,287		9,287
Purchases of treasury stock				(930)	(930)
Disposal of treasury stock		449	(2)	607	1,054
Cancellation of treasury stock		(5,518)		5,518	—
Transfer from retained earnings to capital surplus		5,069	(5,069)		—
Net changes of items other than shareholders' equity					
Total changes during the previous fiscal year	—	(97)	161	5,195	5,259
Balance at the end of the previous fiscal year	12,533	14,474	102,516	(5,206)	124,318

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the previous fiscal year	1,194	(16)	(11,935)	(1,387)	(12,145)	40	11,760	118,714
Cumulative effects of changes in accounting policies								—
Restated balance	1,194	(16)	(11,935)	(1,387)	(12,145)	40	11,760	118,714
Changes during the previous fiscal year								
Changes in ownership interest of parent due to transactions with non-controlling interests								(3)
Dividends from surplus								(4,054)
Changes in scope of consolidation								(93)
Profit attributable to owners of parent								9,287
Purchases of treasury stock								(930)
Disposal of treasury stock								1,054
Cancellation of treasury stock								—
Transfer from retained earnings to capital surplus								—
Net changes of items other than shareholders' equity	1,486	(11)	(1,977)	745	243	(4)	1,052	1,290
Total changes during the previous fiscal year	1,486	(11)	(1,977)	745	243	(4)	1,052	6,550
Balance at the end of the previous fiscal year	2,681	(27)	(13,913)	(641)	(11,901)	35	12,812	125,264

Current consolidated fiscal year (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Paid-in capital	Additional paid-in capital	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at the beginning of the current fiscal year	12,533	14,474	102,516	(5,206)	124,318
Cumulative effects of changes in accounting policies			140		140
Restated balance	12,533	14,474	102,657	(5,206)	124,459
Changes during the current fiscal year					
Changes in ownership interest of parent due to transactions with non-controlling interests		0			0
Dividends from surplus			(5,298)		(5,298)
Changes in scope of consolidation					—
Profit attributable to owners of parent			10,835		10,835
Purchases of treasury stock				(1,004)	(1,004)
Disposal of treasury stock		15		382	398
Cancellation of treasury stock		(3,560)		3,560	—
Transfer from retained earnings to capital surplus		3,545	(3,545)		—
Net changes of items other than shareholders' equity					
Total changes during the current fiscal year	—	0	1,992	2,938	4,931
Balance at the end of the current fiscal year	12,533	14,474	104,649	(2,267)	129,391

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the current fiscal year	2,681	(27)	(13,913)	(641)	(11,901)	35	12,812	125,264
Cumulative effects of changes in accounting policies								140
Restated balance	2,681	(27)	(13,913)	(641)	(11,901)	35	12,812	125,405
Changes during the current fiscal year								
Changes in ownership interest of parent due to transactions with non-controlling interests								0
Dividends from surplus								(5,298)
Changes in scope of consolidation								—
Profit attributable to owners of parent								10,835
Purchases of treasury stock								(1,004)
Disposal of treasury stock								398
Cancellation of treasury stock								—
Transfer from retained earnings to capital surplus								—
Net changes of items other than shareholders' equity	(205)	44	8,119	34	7,993	—	2,152	10,145
Total changes during the current fiscal year	(205)	44	8,119	34	7,993	—	2,152	15,077
Balance at the end of the current fiscal year	2,475	17	(5,794)	(607)	(3,908)	35	14,964	140,482

d. [Consolidated Statements of Cash Flows]

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Profit before income taxes	15,025	16,268
Depreciation and amortization	3,457	3,343
Increase (decrease) in allowance for doubtful accounts	221	429
Increase (decrease) in provision for bonuses to employees	221	(516)
Increase (decrease) in provision for loss on construction contracts	2,659	1,638
Interest and dividend income	(1,347)	(1,247)
Interest expenses	150	94
Decrease (increase) in notes and accounts receivable-trade	2,691	245
Decrease (increase) in inventories	14	(1,569)
Increase (decrease) in notes and accounts payable-trade	(940)	(2,226)
Loss (gain) on sales of investment securities	(183)	(200)
Increase (decrease) in advances received	1,992	226
Loss (gain) on sales and retirement of property, plant and equipment	26	33
Increase (decrease) in net defined benefit liability	361	287
Loss (gain) on valuation of investment securities	―	40
Other, net	1,013	(1,083)
Subtotal	25,365	15,763
Income taxes paid	(3,822)	(5,917)
Net cash provided by (used in) operating activities	21,542	9,846
Cash flows from investing activities		
Payments into time deposits	(22,535)	(18,925)
Proceeds from withdrawal of time deposits	17,442	16,875
Purchase of property, plant and equipment	(2,909)	(3,262)
Proceeds from sales of property, plant and equipment	24	471
Purchase of investment securities	(167)	(2)
Proceeds from sales of investment securities	600	245
Purchase of intangible assets	(190)	(207)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,471)	―
Collection of loans receivable	94	62
Interest and dividends received	1,508	1,218
Other, net	(351)	(469)
Net cash provided by (used in) investing activities	(7,955)	(3,994)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,669)	926
Proceeds from long-term borrowings	930	―
Repayments of long-term borrowings	(332)	(428)
Purchase of treasury shares	(0)	(1,004)
Interest paid	(95)	(68)
Cash dividends paid	(4,053)	(5,275)
Dividends paid to non-controlling interests	(674)	(779)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(4)	(3)
Other, net	33	112
Net cash provided by (used in) financing activities	(5,866)	(6,520)
Effect of exchange rate change on cash and cash equivalents	(62)	3,870
Net increase (decrease) in cash and cash equivalents	7,658	3,202
Cash and cash equivalents at the beginning of the fiscal year	28,181	35,840
Cash and cash equivalents at end of the fiscal year	*1 35,840	*1 39,042

[Notes to consolidated financial statements]

(Material basis for preparing consolidated financial statements)

1. Scope of consolidation

(a) Number of consolidated subsidiaries: 19

Major consolidated subsidiaries:

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

Fujitec Singapore Corpn. Ltd. (Singapore)

Huasheng Fujitec Elevator Co., Ltd. (China)

Fujitec (HK) Co. Ltd. (Hong Kong)

(b) Major non-consolidated subsidiaries

Major non-consolidated subsidiaries

Fujitec Argentina S.A. (Argentina)

(Reasons for exclusion from the scope of consolidation)

Non-consolidated subsidiaries are excluded from the scope of consolidation because they are small in size and combined total assets, net sales, net income/loss (the Company's interest share), and retained earnings (the Company's interest share) of said subsidiaries do not have a material impact on the consolidated financial statements.

2. Application of the equity method

(a) Non-consolidated subsidiaries accounted for under the equity method: 0 company

(b) Affiliates accounted for under the equity method: 0 company

(c) Non-consolidated subsidiaries not accounted for by the equity method (Fujitec Argentina S.A. and others) are excluded from the scope of equity method accounting because net income or loss (as calculated by the equity method) and retained earnings (as calculated by the equity method) of said subsidiaries have a minimal effect on the consolidated financial statements and are not significant as a whole.

3. Fiscal years of consolidated subsidiaries

The fiscal year end of all consolidated subsidiaries is December 31.

In preparing the consolidated financial statements, we use the financial statements of these subsidiaries as of that date. Any adjustments necessary for consolidation are made for significant transactions that occurred between that date and the consolidated fiscal year-end.

4. Summary of Significant accounting policies

(a) Valuation standards and methods for significant assets

i. Valuation standards and methods for securities

Stock of non-consolidated subsidiaries Cost method based on the moving average method

Other securities

Items other than stocks, etc., with no market price: Fair value method (valuation differences charged or credited directly to net assets, and cost of sales is calculated by the moving-average method)

Stocks, etc., with no market price: Cost method based on the moving average method

ii. Valuation standards and methods for derivatives: Fair value method

iii. Valuation standards and methods for inventories:

Mainly, the company calculates costs via the specific identification method or weighted average method

(Values on the balance sheet are calculated via the book value reduction method based on decreased profitability.)

(b) Depreciation/amortization method for significant depreciable/amortizable assets

i. Property, plant and equipment (excluding leased assets)

Mainly, the company uses the straight-line method.

Note that the most common useful economic life periods are as follows.

Buildings and structures	3-50 years
Machinery and equipment	2-20 years
Tools, furniture and fixtures	2-20 years

ii. Intangible assets (excluding leased assets)

The company uses the straight-line method.

Note that for internal-use software, the Company uses the straight-line method based on the period of internal use (5 years).

iii. Leased assets

Lease assets related to finance lease transactions without transfer of ownership

The Company uses the straight-line method, with the lease period as the useful economic life and zero residual value.

Certain foreign subsidiaries prepare their financial statements in accordance with IFRS and have adopted IFRS 16 (Leases).

In accordance with IFRS 16, lessees of leases recognize all leases as assets and liabilities on the balance sheet in principle.

(c) Standards for the recognition of significant allowances

i. Allowance for doubtful accounts

To prepare for bad debt expenses accounts receivable, loans receivable, etc., the Company provides an allowance for doubtful accounts based on the historical write-off rate for ordinary receivables, and the estimated amount of irrecoverable debt is booked based on the recoverability of individual cases for specified receivables such as debt with a possibility of default.

ii. Provision for bonuses

The company provides an allowance for the payment of bonuses to employees based on the estimated payment amount.

iii. Provision for director bonuses

The company provides an allowance for the payment of bonuses to directors based on the estimated payment amount.

iv. Provision for losses on construction contracts

To provide for future losses on construction contracts, the Company records estimated losses on construction contracts that have not been delivered as of the end of the current consolidated fiscal year, for which losses are expected and the amount of said losses can be reasonably estimated.

v. Provision for warranties for completed construction

To provide for warranty expenses related to completed construction, the Company estimates the amount of warranty expenses expected to be incurred in the future and records an amount representing a percentage of sales of completed construction.

vi. Provision for shareholder benefit program

The Company records an allowance for expenses expected to be incurred under the shareholder benefit program.

(d) Accounting treatment for retirement benefits

To provide for the payment of retirement benefits to employees, the Company records an amount equal to the projected retirement benefit obligation less pension assets, based on the estimated amount of retirement benefits as of the end of the current consolidated fiscal year.

i. Method of attributing projected retirement benefits to fiscal periods

When calculating retirement benefit obligations, the Company uses a method of attributing retirement benefits to the period through the end of the current consolidated fiscal year based on the benefit calculation method.

ii. Method of amortizing actuarial gains and losses and prior service cost

Actuarial gains and losses are calculated under the straight-line method over a specified number of years (10 years) within the average remaining service period of employees as of the consolidated fiscal year in which the difference arose, and prorated and expensed in the consolidated fiscal year following the year in which such differences occurred.

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 is incurred.

Unrecognized actuarial gains and losses and unrecognized prior service cost are adjusted for tax effect, and then included in net assets as remeasurements of defined benefit plans under other accumulated comprehensive income.

Certain consolidated subsidiaries adopt a simplified method for the calculation of net defined benefit liability and retirement benefit expenses, using the amount payable at the end of the fiscal year for retirement benefits as the retirement benefit obligation.

(e) Basis for recognition of significant revenues and expenses

The major performance obligations in the principal operations of the Company and its consolidated subsidiaries related to revenues arising from contracts with customers and the general timing at which such performance obligations are satisfied (usual timing for revenue recognition) are as follows.

i. New installation work

The Company performs new installation work on elevators, escalators, and other equipment. The Company recognizes revenue for such contracts based on the percentage of completion related to the satisfaction of performance obligations over a specified period of time. The Company measures progress based on the percentage of construction costs incurred by the end of each reporting period compared with the total expected construction costs. In addition, certain foreign subsidiaries recognize revenues from sales of equipment and installation of equipment under an integrated contract at a single point in time when the equipment is delivered to the customer, and recognize revenues related to the installation of the equipment based on percentage of completion related to the satisfaction of performance obligations over a specified period of time. The Company measures progress based on the percentage of construction costs incurred by the end of each reporting period compared with the total expected construction costs.

ii. Modernization projects

The Company provides modernization services for elevators and escalators. The Company recognizes revenue for such contracts based on the percentage of completion related to the satisfaction of performance obligations over a specified period of time. The Company measures progress based on the percentage of construction costs incurred by the end of each reporting period compared with the total expected construction costs.

iii. Maintenance

The Company provides maintenance services for elevators and escalators. The Company recognizes revenue for such contracts based on the percentage of completion related to the satisfaction of performance obligations over a specified period of time. We measure progress for these services based on elapsed time.

iv. Repairs

The Company performs repair work on elevators, escalators, and other equipment. The Company recognizes revenue for such contracts at the point in time in which work is completed.

(f) Standards for translating material foreign currency denominated assets or liabilities into Japanese currency

Receivables and payables denominated in foreign currencies are converted into yen at the spot exchange rate on the balance sheet date and translation differences posted as profit or loss for the current period.

The assets and liabilities of overseas subsidiaries are converted to yen at the spot exchange rate on the balance sheet date, while related revenues and expenses are converted to yen at the average rate during the period. These translation differences are posted as foreign currency translation adjustments or non-controlling interests under net assets.

In the event of significant changes in exchange rates between the balance sheet date of foreign subsidiaries and the consolidated balance sheet date, balance sheet items of the foreign subsidiaries and affiliates are translated into yen at the exchange rates prevailing as of the consolidated balance sheet date.

(g) Important hedge accounting methods

i. Hedge accounting method

As a rule, the Company uses deferral hedge accounting.

ii. Hedge accounting methods and hedged items

Hedge accounting methods	Hedged items
Forward exchange contracts	Expected foreign-currency transactions

iii. Hedging policy

The finance division of each company enters into derivative transactions for the purpose of hedging risks, hedging within a certain range the interest rate fluctuation risks and foreign exchange fluctuation risks associated with hedged items.

iv. Evaluation of hedge effectiveness

The Company compares cumulative cash flow variations for hedged items and hedge accounting methods with market fluctuation on a semi-annual basis, and assesses the effectiveness of hedges based on the amounts of variation in both cases.

(h) Goodwill amortization method and period

The Company amortizes goodwill on a straight-line method over 14 or 20 years.

(i) Scope of funds reported on the consolidates statement of cash flows

The company reports cash on hand, deposits drawable at will, deposits readily convertible to cash, and price change-insensitive short-term investments whose redemption period is within three months.

(j) Other significant matters for preparing consolidated financial statements

Not applicable.

(Significant accounting estimates)

The following are estimated items expected to have a particularly large impact on the Company’s consolidated financial statements in the following fiscal year.

Provision for losses on construction contracts

(1) Amount recorded in the consolidated financial statements for the current fiscal year

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Provision for losses on construction contracts	7,761	10,169

(2) Information related to details of important accounting estimates for specific items

The Group recognizes estimated losses on undelivered construction contracts at the end of the consolidated fiscal year when it is probable that the estimated total cost, etc., of such construction will exceed the amount of the order and when the expected loss can be reasonably estimated. Calculations of the total estimated cost of construction work are based on information available, including contract details and past cost performance of identical models. The assumptions used in the calculations are subject to continuous verification and revisions of estimates, since assumptions vary due to various factors, including contract changes, construction conditions, and trends in material and subcontracting costs.

Revisions to these estimates and actual production costs that differ from estimates may have a significant impact on the provision for losses on construction contracts and gross profit in the following consolidated fiscal year.

(Changes in Accounting Policies)

(Adoption of Accounting Standard for Revenue Recognition)

At the beginning of the current consolidated fiscal year, 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. Certain overseas subsidiaries which previously recognized revenue from contracts involving equipment sales and installation as a lump sum upon completion of the installation work have changed their revenue recognition method for such contracts to the point at which control of the equipment is transferred to the customer. Revenue recognition for installation portion of the contracts in question for these subsidiaries has changed from recognition upon completion of installation to recognition of revenue over the period of construction for the 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 current consolidated fiscal year has been added to or deducted from retained earnings at the beginning 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 current consolidated fiscal year increased by 2,219 million yen compared with the previous accounting method. Cost of sales increased by 1,243 million yen, while selling, general and administrative expenses increased by 30 million yen. Operating income, ordinary income, and profit before income taxes each increased by 945 million yen. The balance of retained earnings at the beginning of the period increased by 140 million yen.

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 current consolidated fiscal year.

The impact on per share information is stated in the relevant section.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Revenue Recognition Standard, no reclassification has been made for the previous consolidated fiscal year using the new presentation method. In accordance with the transitional treatment prescribed in Paragraph 89-3 of the Revenue Recognition Standard, we have not provided notes on revenue recognition related to the previous consolidated fiscal year.

(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 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 consolidated financial statements of the company.

In addition, we have decided to provide notes related to items including notes on fair value of financial instruments by level under *Financial Instruments*. However, as allowed by the transitional treatment prescribed in Paragraph 7-4 of *Implementation Guidance on Disclosures about Fair Value of Financial Instruments* (ASBJ Guidance No. 19; July 4, 2019), we have not provided related notes for the previous consolidated fiscal year.

(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 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 property class 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 current consolidated fiscal year increased by 271 million yen, respectively, compared with the amounts based on the previous method.

(Changes in Presentation Methods)

(Consolidated statements of income)

Provision of allowance for doubtful accounts included in miscellaneous loss under other expenses for the previous consolidated fiscal year exceeded 10% of total other expenses. Therefore, we have decided to present provision of allowance for doubtful accounts as a separate line item beginning with the current consolidated fiscal year. We have classified the financial statements of the previous consolidated fiscal year to reflect this change in presentation method.

As a result of this change in presentation method, 112 million yen of miscellaneous loss under other expenses in the consolidated financial statements of the previous consolidated fiscal year has been reclassified as 0 million yen of provision of allowance for doubtful accounts and 111 million yen of miscellaneous loss.

(Supplemental Information)

(Transaction to deliver Fujitec Co., Ltd. shares to employees, etc. via trust)

At a meeting held November 6, 2020, the Fujitec Co., Ltd. board of directors resolved to adopt a Trust-Type Employee Shareholding Incentive Plan (E-Ship; "Plan"). The purpose of this plan is to incentivize employees to raise corporate value over the medium and long term, to expand employee welfare benefits, and to encourage steady company growth by motivating employees through equity participation.

(1) Outline of the transaction

The Plan is a Trust-Type Employee Shareholding Incentive Plan (E-Ship) available to all employees who participate in the Fujitec Employee Shareholding Association ("Shareholding Association"). Under the Plan, the company will establish the Fujitec Employee Shareholding Association Trust ("Trust") within a trust bank with whom the company has a business relationship. The Trust will acquire company stock that the Shareholding Association is expected to acquire over the next five years via third party allotment, leveraging borrowings from the company's transaction financial institutions as the source of funds. Thereafter, the Trust will sell the company shares in question to the Shareholding Association on an ongoing basis. If, upon the conclusion of the Trust, the Trust has accumulated an amount equivalent to a gain on sale of stock, such amount equivalent to said gain shall be distributed as residual assets to those persons meeting requirements as beneficiaries. Fujitec Co., Ltd. will guarantee the loans used to acquire company shares by the Trust. Therefore, if the Trust accumulates an amount equivalent to a loss on sale of stock and the Trust has accumulated a debt balance equivalent to such loss on the sale of company stock at the conclusion of the Trust, the company will repay the remaining debt in question.

(2) Shares of the company remaining in the Trust

Company shares remaining in the Trust are recorded as treasury stock under net assets at the carrying value of the Trust (excluding incidental expenses). The carrying value and number of shares of the treasury stock in question amounted to 810 million yen and 362 thousand shares for the previous consolidated fiscal year, and 442 million yen and 197 thousand shares for the current consolidated fiscal year.

(3) Carrying value of borrowings recorded via application of the gross method

Previous consolidated fiscal year: 809 million yen; current consolidated fiscal year: 381 million yen

(Accounting estimates related to the impact of COVID-19)

The spread of COVID-19 has impacted Group business activities. It is difficult to predict the timing of the end of the pandemic due to repeated waves of infections. Based on the assumption that the spread of vaccinations and other anti-infection measures in countries around the world will lead to a subsidence in the pandemic beginning in the latter half of the next fiscal year, we have made the appropriate accounting estimates for the impairment of fixed assets and the recoverability of deferred tax assets.

(Consolidated balance sheets)

*1 The amount of receivables and contract assets from contracts with customers among notes and account receivable-trade and contract assets, and the amount of contract liabilities among advances from customers are as described under *3.(1) Balance of contract assets, contract liabilities, etc.* in the Notes to Consolidated Financial Statements.

*2 Collateral assets and secured debt

The following describes assets pledged as collateral and secured debts.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Buildings and structures	2,106	2,154
Machinery and equipment	99	84
Land	252	258
Total	2,457	2,497

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Short-term debt	—	83

*3 The following describes items related to non-consolidated subsidiaries and affiliated companies.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Investments securities (stock)	610	579
Investments and other assets, other (investments in capital)	678	656

(Consolidated statements of income)

*1 Revenues arising from contracts with customers

We do not separately provide revenues as revenues arising from contracts with customers and other revenues. The amounts of revenues arising from contracts with customers are presented in *Notes to consolidated financial statements (revenue recognition) 1. Disaggregation of revenues arising from contracts with customer*.

*2 The following describes the major components of selling, general and administrative expenses.

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Provision for salaries	9,466	10,245
Provision for bonuses	1,288	2,416
Provision for director bonuses	90	93
Retirement benefit expenses	583	531
Provision of allowance for doubtful accounts	323	436
Provision of allowance for shareholder benefits	—	78

*3 Total research and development expenses included in general and administrative expenses and manufacturing expenses for the period under review are as follows.

(Millions of yen)

Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
2,121	2,662

*4 The details of gain on sales of property, plant and equipment are as follows.

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Buildings and structures	—	48
Machinery and equipment	8	4
Tools, furniture and fixtures	0	3
Leased assets	4	7
Total	13	63

*5 The details of loss on sales of property, plant and equipment are as follows.

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Machinery and equipment	12	1
Tools, furniture and fixtures	1	1
Land	—	78
Leased assets	0	3
Total	14	85

*6 The details of loss on retirement of property, plant and equipment are as follows.

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Buildings and structures	3	3
Machinery and equipment	11	1
Tools, furniture and fixtures	7	6
Leased assets	0	0
Construction in progress	—	0
Intangible assets, other	1	—
Total	24	12

*7 The provision for loss on construction contracts included in cost of sales is as follows.

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
	8,168	9,718

(Consolidated statements of comprehensive income)

*1 Reclassifications and adjustments related to other comprehensive income (Millions of yen)

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Valuation difference on available-for-sale securities		
Gains (losses) arising during the year	2,302	(141)
Reclassifications and adjustments	(183)	(159)
Total	2,119	(300)
Deferred gains or losses on hedges		
Gains (losses) arising during the year	(13)	54
Reclassifications and adjustments	0	(0)
Total	(13)	53
Foreign currency translation adjustments		
Gains (losses) arising during the year	(1,868)	10,041
Reclassifications and adjustments	—	—
Total	(1,868)	10,041
Remeasurements of defined benefit plans		
Gains (losses) arising during the year	751	(196)
Reclassifications and adjustments	322	209
Total	1,074	13
Total tax effect adjustments	1,311	9,807
Tax effect	(961)	116
Total other comprehensive income	350	9,923

*2 Tax effect related to other comprehensive income (Millions of yen)

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Valuation difference on available-for-sale securities		
Before tax effect adjustments	2,119	(300)
Tax effect	(632)	95
After tax effect adjustments	1,486	(205)
Deferred gains or losses on hedges		
Before tax effect adjustments	(13)	53
Tax effect	―	―
After tax effect adjustments	(13)	53
Foreign currency translation adjustments		
Before tax effect adjustments	(1,868)	10,041
Tax effect	―	―
After tax effect adjustments	(1,868)	10,041
Remeasurements of defined benefit plans		
Before tax effect adjustments	1,074	13
Tax effect	(328)	21
After tax effect adjustments	745	34
Total other comprehensive income		
Before tax effect adjustments	1,311	9,807
Tax effect	(961)	116
After tax effect adjustments	350	9,923

(Consolidated statements of shareholders' equity)

Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)

1.Issued shares

Class of stock	Number of shares at the beginning of the year (consolidated)	Increase	Decrease	Number of shares at the end of the year (consolidated)
Common stock (thousand shares)	90,067	―	4,767	85,300

(Summary of reasons for change)

The following provides details of increases and decreases.

Decrease due to cancellation of treasury stock 4,767 thousand shares

2.Treasury stock

Class of stock	Number of shares at the beginning of the year (consolidated)	Increase	Decrease	Number of shares at the end of the year (consolidated)
Common stock (thousand shares)	8,985	415	5,241	4,159

(Note) The number of shares of common stock in treasury stock at the end of the current consolidated fiscal year was 216 thousand shares due to the purchase of odd-lot shares, 362 thousand shares of Company stock held as a Trust-Type Employee Stock Ownership Incentive Plan (E-Ship), and 3,580 thousand shares due to the acquisition of treasury stock.

(Summary of reasons for change)

The following provides details of increases and decreases.

Increase due to purchase of fractional shares: 1 thousand shares

Increase due to introduction of Trust-Type Employee Stock Ownership Incentive Plan (E-Ship): 415 thousand shares

Cancellation of treasury stock by resolution of the Board of Directors on December 4, 2020: 4,767 thousand shares

Disposal of treasury stock by resolution of the Board of Directors on November 6, 2020: 415thousand shares

Decrease due to the sale of shares to the Trust-Type Employee Shareholding Incentive Plan (E-Ship): 53 thousand shares

Decrease due to the exercise of subscription rights to shares: 6 thousand shares

3. Stock acquisition rights

Company Name	Details	Class of shares eligible for stock acquisition rights	Number of shares eligible (shares)				Balance at the end of the year (consolidated) (Millions of yen)
			Beginning of the fiscal year (consolidated)	Increase	Decrease	End of the fiscal year (consolidated)	
FUJITEC CO., LTD.	Stock acquisition rights as stock options resolved by the Board of Directors on November 8, 2013	—	—	—	—	—	21
FUJITEC CO., LTD.	Stock acquisition rights as stock options resolved by the Board of Directors on August 7, 2014	—	—	—	—	—	11
FUJITEC CO., LTD.	Stock acquisition rights as stock options resolved by the Board of Directors on August 7, 2015	—	—	—	—	—	2
Total			—	—	—	—	35

4. Dividends

(1) Cash dividends paid

Resolution	Class of Stock	Total Dividend Value (Millions of yen)	Dividend per Share (Yen)	Record date	Effective Date
Ordinary General Meeting of Shareholders on June 23, 2020	Common stock	2,432	30.00	March, 31, 2020	June 24, 2020
Board of Directors Meeting on November 6, 2020	Common stock	1,621	20.00	September 30, 2020	December 1, 2020

(2) Dividends with a cut-off date during the fiscal year, but an effective date subsequent to the current consolidated fiscal year

Resolution	Class of Stock	Source of Dividend	Total Dividend Value (Millions of yen)	Dividend per Share (Yen)	Record date	Effective Date
Ordinary General Meeting of Shareholders on June 22, 2021	Common stock	Retained earnings	3,260	40.00	March, 31, 2021	June 23, 2021

(Note) The total amount of dividends resolved at the Ordinary General Meeting of Shareholders on June 22, 2021 included 14 million yen in dividends for Company shares held for the Trust-Type Employee Shareholding Incentive Plan (E-Ship).

Current consolidated fiscal year (April 1, 2021 to March 31, 2022)

1. Issued shares

Class of stock	Beginning of the fiscal year (consolidated)	Increase	Decrease	End of the fiscal year (consolidated)
Common stock (thousand shares)	85,300	—	2,900	82,400

(Reasons for change)

The following provides details of increases and decreases.

Cancellation of treasury stock by resolution of the Board of Directors on March 1, 2022 2,900 thousand shares

2. Treasury stock

Class of stock	Beginning of the fiscal year (consolidated)	Increase	Decrease	End of the fiscal year (consolidated)
Common stock (thousand shares)	4,159	352	3,076	1,434

(Note) The number of shares of common stock in treasury stock at the end of the current consolidated fiscal year was 216 thousand shares due to the purchase of odd-lot shares, 197 thousand shares of Company stock held as a trust-type employee stock ownership incentive plan (E-Ship), and 1,020 thousand shares due to the acquisition of treasury stock.

(Summary of reasons for change)

The following provides details of increases and decreases.

Increase due to purchase of fractional shares: 1 thousand shares
Cancellation of treasury stock by resolution of the Board of Directors on March 1, 2022: 352 thousand shares
Disposal of treasury stock by resolution of the Board of Directors on June 22, 2021: 12 thousand shares
Cancellation of treasury stock by resolution of the Board of Directors on March 1, 2022: 2,900 thousand shares
Decrease due to the sale of shares to the Trust-Type Employee Shareholding Incentive Plan (E-Ship): 164 thousand shares

3. Stock acquisition rights

Company Name	Details	Class of shares eligible for stock acquisition rights	Number of shares eligible (shares)				Balance at the end of the year (consolidated) (Millions of yen)
			Beginning of the fiscal year (consolidated)	Increase	Decrease	End of the fiscal year (consolidated)	
FUJITEC CO., LTD.	Stock acquisition rights as stock options resolved by the Board of Directors on November 8, 2013	—	—	—	—	—	21
FUJITEC CO., LTD.	Stock acquisition rights as stock options resolved by the Board of Directors on August 7, 2014	—	—	—	—	—	11
FUJITEC CO., LTD.	Stock acquisition rights as stock options resolved by the Board of Directors on August 7, 2015	—	—	—	—	—	2
Total			—	—	—	—	35

4. Dividends

(1) Cash dividends paid

Resolution	Class of stock	Total Dividend Value (Millions of yen)	Dividend per Share (Yen)	Record date	Effective Date
Ordinary General Meeting of Shareholders on June 22, 2021	Common stock	3,260	40.00	March, 31, 2021	June 23, 2021
Board of Directors Meeting on November 10, 2021	Common stock	2,037	25.00	September 30, 2021	December 1, 2021

(Notes) 1. The total amount of dividends resolved at the Ordinary General Meeting of Shareholders on June 22, 2021 included 14 million yen in dividends for Company shares held for the Trust-Type Employee Shareholding Incentive Plan (E-Ship).

2. The total amount of dividends resolved at the Board of Directors Meeting on November 10, 2021 included 6 million yen in dividends for Company shares held for the Trust-Type Employee Shareholding Incentive Plan (E-Ship).

(2) Dividends with a cut-off date during the current consolidated fiscal year, but an effective date subsequent to the current fiscal year

Resolution	Class of stock	Source of Dividend	Total Dividend Value (Millions of yen)	Dividend per Share (Yen)	Record date	Effective Date
Ordinary General Meeting of Shareholders on June 23, 2022	Common stock	Retained earnings	3,652	45.00	March, 31, 2022	June 24, 2022

(Note) The total amount of dividends resolved at the Ordinary General Meeting of Shareholders on June 23, 2022 included 8 million yen in dividends for Company shares held for the Trust-Type Employee Shareholding Incentive Plan (E-Ship).

(Consolidated statements of cash flows)

*1 The relationship between the period-end balance in cash and deposits and items listed on the consolidated balance sheet is as follows.

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Cash and deposits	68,348	76,956
Time deposits with maturities of more than three months	(32,508)	(37,914)
Cash and cash equivalents	35,840	39,042

(Lease transactions)

1. Finance lease transactions

Finance lease transactions without transfer of ownership

(1) Lease asset details

Property, plant and equipment

Property, plant and equipment are mainly office buildings (buildings and structures), business vehicles (machinery, equipment and vehicles), production facilities (machinery, equipment and vehicles) and office fixtures (tools, furniture and fixtures).

(2) Depreciation method for lease assets

Depreciation for lease assets is as described under *Material basis for preparing consolidated financial statements 4. Summary of Significant accounting policies (b) Depreciation/amortization method for significant depreciable/amortizable assets.*

2. Operating lease transactions

Future minimum lease payments for noncancelable operating leases

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Due within one year	1,147	1,176
Over one year	1,712	1,524
Total	2,859	2,700

(Financial instruments)

1. Matters on the status of financial instruments

(1) Policy on financial instruments

The Fujitec Group raises funds for capital investment needs for the production, sales, installation, and maintenance of elevators, escalators, and electric transport equipment through internal funds or debt financing. Cash surpluses are invested in highly secure financial assets, and short-term operating funds are financed by internal funds or short-term debt financing. Derivatives financial instruments are used to mitigate the risk of foreign exchange or interest rate fluctuations, and the Company's policy is to not engage in speculative transactions.

(2) Details and risks of financial instruments and risk management structure

Notes and accounts receivable-trade are exposed to customer credit risk. We manage this risk according to the credit management rules, conducting collection date management and balance management for each customer. We also monitor the credit status of major customers on a regular basis. Consolidated subsidiaries engage in similar management. Foreign currency-denominated trade receivables arising from the Group's global operations are exposed to foreign exchange fluctuation risk. We use foreign currency forward contracts to hedge fluctuation risk, if necessary.

As investment securities, stocks are exposed to market price fluctuation risk. However, the Group owns stocks mainly in companies with which the Group has business relationships. The Group periodically assesses the fair value of these stocks and reviews holdings on an ongoing basis in consideration of relationships with business partners.

As trade payables, trade notes and accounts payable are mainly due within one year. A portion trade notes and accounts payable arising from the import of raw materials, etc., is denominated in foreign currency and is exposed to market risk fluctuation for foreign currency exchange rates. However, the balance of payables denominated in foreign currencies is always less than the balance of receivables denominated in foreign currencies.

Of debt payables, short-term debt is mainly related to operating activities and long-term debt is incurred mainly for financing necessary capital investments.

Derivatives consists of foreign currency forward contracts used to manage the market risk of fluctuations in foreign currency exchange rates. The finance departments of each Group company enters into derivative transactions for the purpose of hedging risks. The results of derivative transactions are reported to the Company’s Finance HQ and the director in charge of finance. Derivative transactions are limited to financial institutions with high credit ratings to reduce credit risk.

hedge accounting methods, hedged items, hedging policies, and evaluations of hedging effectiveness are as described in *Material basis for preparing consolidated financial statements 4.(g) Important hedge accounting methods*.

(3) Supplementary information on fair values of financial instruments

As fair value calculations for financial instruments incorporate variable factors, values may fluctuate if different assumptions are used. Nominal contract amounts related to derivative transactions under *Derivatives* in the notes to these financial statements do not indicate the market risk of derivative transactions.

2. Fair value, etc., of financial instruments

The following table describes the carrying amount, fair value, and gains or losses related to financial instruments on consolidated financial statements.

Previous consolidated fiscal year (March 31, 2021) (Millions of yen)

	Carrying value on consolidated balance sheets	Fair value	Difference
(1) Notes and accounts receivable-trade (Before deducting allowance for doubtful accounts)	59,022	57,195	(1,827)
(2) Investments securities			
Other securities	8,048	8,048	—
(3) Long-term loans receivable	23	23	(0)
Total assets	67,094	65,267	(1,827)
(1) Notes and accounts payable-trade	15,026	15,026	—
(2) Electronically recorded obligations-operating	4,734	4,734	—
(3) Short-term debt	2,317	2,317	—
(4) Long-term debt	809	809	—
(5) Lease obligations (*3)	593	566	(27)
Total liabilities	23,480	23,453	(27)
Derivatives(*4)			
Derivatives without hedge accounting	(0)	(0)	—
Derivatives with hedge accounting	(32)	(32)	—
Total derivatives	(32)	(32)	—

(*1) Cash and deposits omitted, as the fair value of cash and deposits approximates carrying value due to the short maturity of deposits.

(*2) Financial instrument value as shown on the consolidated balance sheet, as estimating a fair value is extremely difficult.

Classification	Previous consolidated fiscal year (Millions of yen)
Unlisted stocks	112
Stocks of subsidiaries and affiliates	610

These are not included in *(2) Investments securities*, as they do not have market prices and it is extremely difficult to determine fair values.

(*3) Lease obligations included in *current liabilities, other* and *non-current liabilities, other* have been combined.

(*4) Net claims and liabilities arising from derivative transactions are presented at net value, and the total of net liabilities are shown in parentheses.

Current consolidated fiscal year (March 31, 2022) (Millions of yen)

	Carrying value on consolidated balance sheets	Fair value	Difference
(1) Notes and accounts receivable-trade and contract assets (Before deducting allowance for doubtful accounts) (*2)	52,494	50,622	(1,871)
(2) Investments securities			
Investments securities, other	7,664	7,664	—
(3) Long-term loans receivable	26	24	(1)
Total assets	60,184	58,311	(1,873)
(1) Notes and accounts payable-trade	16,637	16,637	—
(2) Electronically recorded obligations-operating	3,149	3,149	—
(3) Short-term debt	3,493	3,493	—
(4) Long-term debt	381	381	—
(5) Lease obligations (*4)	630	599	(31)
Total liabilities	24,292	24,261	(31)
Derivatives (*5)			
Derivatives with hedge accounting	21	21	—
Total derivative transactions	21	21	—

(*1) Cash and deposits omitted, as the fair value of cash and deposits approximates carrying value due to the short maturity of deposits.
(*2) Contract assets are not included.
(*3) Stocks, etc., without market prices are not included in *(2) Investments securities*.
The amounts of relevant financial instruments on the consolidated balance sheet are as follows.

Classification	Previous consolidated fiscal year (Millions of yen)
Unlisted stocks	112
Stocks of subsidiaries and affiliates	579

(*4) Lease obligations included in *current liabilities, other* and *non-current liabilities, other* have been combined.
(*5) Net claims and liabilities arising from derivative transactions are presented at net value, and the total of net liabilities are shown in parentheses.

(Note1) Scheduled redemption value of monetary claims and securities with maturity dates after the consolidated balance sheet date

Previous consolidated fiscal year (March 31, 2021)

	Within one year (Millions of yen)	Between one and five years (Millions of yen)	Between five and ten years (Millions of yen)	Over ten years (Milliosn of yen)
Cash and deposits	68,348	—	—	—
Notes and accounts receivable-trade	55,387	2,971	664	—
Long-term loans receivable	0	22	—	—
Total	123,736	2,994	664	—

Current consolidated fiscal year (March 31, 2022)

	Within one year (Millions of yen)	Between one and five years (Millions of yen)	Between five and ten years (Millions of yen)	Over ten years (Millions of yen)
Cash and deposits	76,956	—	—	—
Notes and accounts receivable-trade and contract assets (*)	48,724	3,023	745	—
Long-term loans receivable	0	25	—	—
Total	125,682	3,049	745	—

(*) Contract assets are not included.

(Note2) Long-term debt, lease obligations, and other interest-bearing debt scheduled after the consolidated balance sheet date

Previous consolidated fiscal year (March 31, 2021)

	Within one year (Millions of yen)	Between one and five years (Millions of yen)	Between five and ten years (Millions of yen)	Over ten years (Millions of yen)
Short-term debt	2,317	—	—	—
Long-term debt	—	—	—	—
Lease obligations	241	346	5	—
Total	2,558	346	5	—

(Note) Long-term debt of 809 million yen is not included, as this amount represents borrowings under the Trust-Type Employee Shareholding Incentive Plan (E-Ship) and the redemption amount cannot be estimated.

Current consolidated fiscal year (March 31, 2022)

	Within one year (Millions of yen)	Between one and five years (Millions of yen)	Between five and ten years (Millions of yen)	Over ten years (Millions of yen)
Short-term debt	3,493	—	—	—
Long-term debt	—	—	—	—
Lease obligations	275	350	4	—
Total	3,769	350	4	—

(Note) Long-term debt of 381 million yen is not included, as this amount represents borrowings under the Trust-Type Employee Shareholding Incentive Plan (E-Ship) and the redemption amount cannot be estimated.

3. Details, etc., of the fair value of financial instruments by level

The Company classifies the fair value of financial instruments into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 Fair Value: Fair value measured using observable inputs that are quoted prices for identified assets or liabilities in active markets

Level 2 Fair Value: Fair value measured using observable inputs other than those included within Level 1.

Level 3 Fair Value: Fair value measured using unobservable inputs.

When multiple inputs that have a significant effect on the calculation of fair value are used, fair value is classified into the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

(1) Financial instruments carried at fair value on the consolidated balance sheets

Current consolidated fiscal year (March 31, 2022)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investments securities				
Investments securities, other				
Stock	7,664	—	—	7,664
Derivative transactions				
Currency-related derivatives	—	29	—	29
Total assets	7,664	29	—	7,693
Derivative transactions				
Currency-related derivatives	—	8	—	8
Total liabilities	—	8	—	8

(2) Financial instruments other than those carried at fair value on the consolidated balance sheets

Current consolidated fiscal year (March 31, 2022)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable-trade and contract assets (Before deducting allowance for doubtful accounts) (*)	—	50,622	—	50,622
Long-term loans receivable	—	24	—	24
Total assets	—	50,647	—	50,647
Notes and accounts payable-trade	—	16,637	—	16,637
Electronically recorded obligations-operating	—	3,149	—	3,149
Short-term debt	—	3,493	—	3,493
Long-term debt	—	381	—	381
Lease obligations	—	599	—	599
Total liabilities	—	24,261	—	24,261

(*) Contract assets are not included.

(Note) Explanation of valuation techniques used and inputs related to the calculation of fair value

Investments securities

Listed stocks are valued based on quoted market prices. Since listed stocks are traded in active markets, fair value is classified as Level 1 fair value.

Derivative transactions

The fair value of forward exchange contracts is classified as Level 2 fair value, as the fair value of forward exchange contracts is based on prices, etc., provided by financial institutions with which the Company enters transactions.

Notes and accounts receivable-trade

Fair values are classified as Level 2 fair value, as these items are based on the present value of receivables discounted by interest rates, etc., taking into account the period until maturity and credit risk for each receivable classified by certain periods of time.

Long-term loans receivable

Fair values are classified as Level 2 fair value, calculated based on the present value of the estimated amount of principal and interest to be received, reflecting the likelihood of collection and discounted at a safe interest rate for the remaining period.

Notes and accounts payable-trade, electronically recorded obligations, and short-term debt

Fair values classified as Level 2 fair value, as these items are settled over a short period of time and fair values approximate carrying value.

Long-term debt

Fair value classified as Level 2 fair value, as these are loans from financial institutions to a trust account in connection with the adoption of a Trust-Type Employee Shareholding Incentive Plan (E-Ship), and fair value approximates carrying value as reflected in market interest rates over a short period of time.

Lease obligations

Fair value classified as Level 2 fair value, as fair value is calculated by discounting total principal and interest rate applicable to new similar transactions.

(Investments securities)

1. Trading securities

Previous and current consolidated fiscal years

Not applicable.

2. Held-to-maturity securities

Previous and current consolidated fiscal years

Not applicable.

3. Other securities

Previous consolidated fiscal year (March 31, 2021) (Millions of yen)

	Class	Carrying value on consolidated balance sheets	Purchase price	Difference
Items whose carrying value on the consolidated balance sheets exceeds purchase price	Stock	7,819	3,927	3,892
	Subtotal	7,819	3,927	3,892
Items whose carrying value on the consolidated balance sheets do not exceed purchase price	Stock	229	302	(73)
	Subtotal	229	302	(73)
Total		8,048	4,229	3,818

(Note) These stocks are not included in investments securities, other, as unlisted stocks and stocks of subsidiaries and affiliates have no quoted market prices, and the fair value of these stocks is extremely difficult to determine. The carrying amounts of these stocks on the consolidated balance sheets are as described under Notes to the consolidated financial statements *(Financial instruments) 2. Fair value, etc., of financial instruments.*

Current consolidated fiscal year (March 31, 2022) (Millions of yen)

	Class	Carrying value on consolidated balance sheets	Purchase price	Difference
Items whose carrying value on the consolidated balance sheets exceeds purchase price	Stock	6,415	2,682	3,732
	Subtotal	6,415	2,682	3,732
Items whose carrying value on the consolidated balance sheets do not exceed purchase price	Stock	1,249	1,463	(214)
	Subtotal	1,249	1,463	(214)
Total		7,664	4,146	3,518

(Note) These stocks are not included in investments securities, other as unlisted stocks and stocks of subsidiaries and affiliates are carried on the balance sheet at purchase price. The carrying amounts of these stocks on the consolidated balance sheets are as described under Notes to the consolidated financial statements *(Financial instruments) 2. Fair value, etc., of financial instruments*.

4. Investments securities, other sold during the consolidated fiscal year

Previous consolidated fiscal year (April 1, 2020 to March 31, 2021) (Millions of yen)

Class	Sales proceeds	Total gains on sales	Total losses on sales
Stock	600	242	59
Total	600	242	59

Current consolidated fiscal year (April 1, 2021 to March 31, 2022) (Millions of yen)

Class	Sales proceeds	Total gains on sales	Total losses on sales
Stock	245	200	―
Total	245	200	―

5. Securities subject to impairment losses

Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)

The Company recognized impairment losses of 265 million yen related to stock of subsidiaries and affiliates.

Current consolidated fiscal year (April 1, 2021 to March 31, 2022)

The Company recognized impairment losses of 40 million yen related to other securities and 43 million yen related to stock of subsidiaries and affiliates.

(Derivative transactions)

1. Derivative transactions not treated under hedge accounting

Currency-related derivatives

Previous consolidated fiscal year (March 31, 2021) (Millions of yen)

Classification	Transaction type	Contract value	Due after one year	Fair value	Loss (gain) on valuation
Non-market transactions	Foreign currency forward contracts Buying USD	258	—	(0)	(0)
Total		258	—	(0)	(0)

(Note) The above foreign currency forward contracts were executed for the purpose of hedging the market risk of fluctuations in foreign currency exchange rates for deposits.

Current consolidated fiscal year (March 31, 2022)

Not applicable.

2. Derivative transactions treated under hedge accounting

Currency-related derivatives

Previous consolidated fiscal year (March 31, 2021) (Millions of yen)

Hedge accounting method	Transaction type	Main hedge items	Contract value	Due after one year	Fair value
Principle method	Foreign currency forward contracts Buying	Expected foreign currency transaction			
	USD		703	141	(40)
	RMB		916	305	8
Total			1,619	446	(32)

Current consolidated fiscal year (March 31, 2022) (Millions of yen)

Hedge accounting method	Transaction type	Main hedge items	Contract value	Due after one year	Fair value
Principle method	Foreign currency forward contracts Buying	Expected foreign currency transaction			
	USD		527	201	(3)
	RMB		714	—	25
	Euro		4	—	(0)
Total			1,246	201	21

(Retirement benefits)

1. Overview of retirement benefits plans

The Company and consolidated subsidiaries have adopted both funded and non-funded benefit plans, as well as a defined contribution plan to provide for employee retirement benefits.

Of these plans, the Company has adopted a defined benefit pension plan and a lump-sum severance payment plan, while consolidated subsidiaries mainly adopt a lump-sum severance payment plan and a defined contribution pension plan.

Certain consolidated subsidiaries calculate net defined benefit liability and retirement benefit expenses using the simplified accounting method.

2. Defined benefit plans

(1) Changes to the balance of retirement benefit obligations at the beginning and end of the period as of March 31, 2022 and 2021 (excluding plans adopting the simplified accounting method)

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Retirement benefit obligations at the beginning of the period	15,961	16,410
Service cost	1,060	1,024
Interest cost	67	36
Actuarial gains and losses	151	146
Retirement benefits paid	(829)	(698)
Other	(2)	35
Retirement benefit obligations at the end of the period	16,410	16,954

(2) Changes to the balance of pension assets at the beginning and end of the period as of March 31, 2022 and 2021 (excluding plans adopting the simplified accounting method)

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Pension assets at the beginning of the period	11,943	13,105
Expected return on plan assets	238	262
Actuarial gains and losses	909	(134)
Employer contributions	500	506
Retirement benefits paid	(487)	(392)
Pension assets at the end of the period	13,105	13,345

(3) Changes to the balance of net defined benefit liability for plans adopting the simplified accounting method at the beginning and end of the period as of March 31, 2022 and 2021

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Net defined benefit liability at the beginning of the period	58	55
Retirement benefit expenses	9	7
Retirement benefits paid	(9)	(4)
Other	(2)	5
Net defined benefit liability at the end of the period	55	64

(4) Changes to the balance of retirement benefit obligations and pension assets at the end of the period as of March 31, 2022 and 2021, and net defined liabilities and assets recorded in the consolidated balance sheets

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Funded retirement benefit obligations	12,315	12,747
Pension assets	(13,105)	(13,345)
	(790)	(598)
Non-funded retirement benefit obligations	4,150	4,272
Net liabilities and assets recorded in the consolidated balance sheets	3,360	3,673
Net defined benefit liability	4,150	4,272
Net defined benefit asset	(790)	(598)
Net liabilities and assets recorded in the consolidated balance sheets	3,360	3,673

(Note) Includes plans adopting the simplified accounting method.

(5) Retirement benefit expenses and details

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Service cost	1,060	1,024
Interest cost	67	36
Expected return on plan assets	(238)	(262)
Amortization of actuarial gains and losses	313	212
Amortization of prior service costs	2	0
Retirement benefit expenses calculated by the simplified accounting method	9	7
Retirement benefit expenses under defined benefit plans	1,214	1,019

(6) Remeasurements of defined benefit plans

The details of remeasurements of defined benefit plans (before deductions of tax effects) are as follows:

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2022)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Prior service costs	2	0
Actuarial gains and losses	1,072	12
Total	1,074	13

(7) Cumulative remeasurements of defined benefit plans

The details of cumulative remeasurements of defined benefit plans (before deductions of tax effects) are as follows:

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Unrecognized prior service costs	0	–
Unrecognized actuarial gains and losses	892	879
Total	892	879

(8) Items related to pension assets

a. Details of main pension assets items

Ratios for each main classification of pension assets are as described below.

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Bonds	45 %	59 %
Stocks	34 %	22 %
General accounts	10 %	5 %
Other	13 %	14 %
Total	100 %	100 %

b. Method for determining expected long-term rate of return on plan assets

In determining the expected long-term rate of return on plan assets, the Company considers current and expected distributions of pension assets and the current and expected long-term rate of return from the various assets that comprise pension assets.

(9) Items related to the basis for actuarial calculations

The main basis for actuarial calculations is as described below.

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Discount rate	0.2%	0.2%
Expected long-term rate of return	2.0%	2.0%

3. Defined contribution plans

Required contributions to defined contribution plans amounted to 96 million yen for the previous consolidated fiscal year and 97 million yen for the current consolidated fiscal year under review.

(Stock options)

1 Stock option details, scope, and variability

(1) Stock option details

Date of Resolution	Classification and Number of Eligible Individuals	Number of stock options by type of stock	Grant date	Vesting terms	Eligible service period	Exercise period
November 8, 2013	4 directors of the Company excluding outside directors	Common stock: 36,000 shares	November 25, 2013	Not granted	Not determined	November 26, 2013 to November 25, 2043
August 7, 2014	4 directors of the Company excluding outside directors	Common stock: 24,000 shares	August 25, 2014	Not granted	Not determined	August 26, 2014 to August 25, 2044
August 7, 2015	4 directors of the Company excluding outside directors	Common stock: 7,000 shares	August 25, 2015	Not granted	Not determined	August 26, 2015 to August 25, 2045

(2) Stock option details, scope, and variability

The Company converted the number of stock options to a number of shares for eligible stock options existing as of the current consolidated fiscal year.

a. Number of stock options

Date of resolution	Unvested Shares (Shares)					Vested Shares				
	End of the previous consolidated fiscal year	Granted	Expired	Vested	Balance of unvested shares	End of the previous consolidated fiscal year	Vested	Exercised	Expired	Unexercised
November 8, 2013	—	—	—	—	—	21,000	—	—	—	21,000
August 7, 2014	—	—	—	—	—	14,000	—	—	—	14,000
August 7, 2015	—	—	—	—	—	4,000	—	—	—	4,000

b. Unit price information

Date of Resolution	Exercise Price (yen)	Average Stock Price at Time of Exercise (yen)	Fair Unit Value Price on Grant Date (yen)
November 8, 2013	1	—	1,016
August 7, 2014	1	—	815
August 7, 2015	1	—	696

2. Method of estimating fair value per unit of stock options granted for the fiscal year ended March 31, 2022

Not applicable.

3. Estimation method for number of vested stock options

As there are no vesting terms, all stock acquisition rights are vested when granted.

(Tax effect accounting)

1. Details of deferred tax assets and general deferred tax liabilities by major source

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Deferred tax assets		
Tax loss carryforwards (Note) 1	2,069	1,982
Net defined benefit liability	852	933
Provision for bonuses	590	739
Provision for losses on construction contracts	1,475	1,744
Allowance for doubtful accounts	607	790
Other	2,368	2,598
Subtotal of deferred tax assets	7,964	8,788
Valuation allowance related to net tax loss carryforwards (Note) 1.	(1,276)	(1,266)
Valuation allowance related to total future deductible amounts, etc.	(810)	(777)
Subtotal of valuation allowances	(2,086)	(2,044)
Total deferred tax assets	5,877	6,744
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(1,137)	(1,042)
Dividend income received from subsidiaries	(227)	(610)
Other	(224)	(271)
Total deferred tax liabilities	(1,590)	(1,924)
Deferred tax assets net	4,286	4,820

(Notes) 1. Net tax loss carryforwards and deferred tax assets by carryforward period

Previous consolidated fiscal year (March 31, 2021)

(Millions of yen)

	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five year	Total
Net tax loss carryforwards (a)	45	70	84	65	58	1,744	2,069
Valuation allowance	(45)	(70)	(84)	(65)	(58)	(951)	(1,276)
Deferred tax assets	—	—	—	—	—	792	792

(a) Net tax loss carryforward is the amount multiplied by the statutory tax rate.

Current consolidated fiscal year (March 31, 2022)

(Millions of yen)

	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five year	Total
Net tax loss carryforwards (a)	43	100	111	80	88	1,557	1,982
Valuation allowance	(43)	(77)	(88)	(57)	(63)	(934)	(1,266)
Deferred tax assets	—	22	22	22	25	622	715

(a) Net tax loss carryforward is the amount multiplied by the statutory tax rate.

2. Reconciliation between the statutory tax rate and the effective income tax rate after applying tax effect accounting, and main causes of said differences

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Effective statutory tax rate	30.62 %	30.62 %
(Adjustments)		
Non-deductible entertainment expenses	0.17 %	0.23 %
Valuation allowances	2.85 %	(0.24) %
Per capita inhabitant tax	0.86 %	0.81 %
Net loss of consolidated subsidiaries	(0.01) %	0.09 %
Effect of foreign tax rate differences	(6.15) %	(6.07) %
Other	0.76 %	1.03 %
Income tax rate after application of tax effect accounting	29.10 %	26.47 %

(Revenue recognition)

1. Disaggregation of revenues arising from contracts with customers

Current consolidated fiscal year (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable Segments				Total
	Japan	East Asia	South Asia	North America and Europe	
New Installations	23,969	48,447	4,869	7,462	84,748
Aftermarket	48,978	19,704	11,616	19,680	99,979
Other	121	2,127	35	4	2,289
Revenues arising from contracts with customers	73,069	70,280	16,521	27,147	187,018
Sales to external customers	73,069	70,280	16,521	27,147	187,018

2. Basic Information for Understanding Revenues

(1) New Installations

The Company performs new construction of elevators, escalators, and other equipment, recognizing revenue over a specified period of time based primarily on the percentage of completion measured as a ratio of actual costs incurred compared to estimated total cost. The Company takes this approach as the construction work in question creates assets that cannot be converted to another use and the contract has an enforceable right to receive consideration for the completed portion of the work. Further, costs are incurred in accordance with the actual progress of the work, and the Company has determined that the degree of progress in satisfying performance obligations can be estimated reasonably based on inputs tied to costs incurred. The Company's new installation contracts include free maintenance services to be performed for a certain period of time after completion and delivery. The Company allocates the transaction price for such maintenance services as a separate performance obligation and recognizes revenue over time. Arm's length sales prices are estimated based on various factors, including market conditions and cost performance. Consideration for transactions is generally received within approximately one year from of the satisfaction of performance obligations.

(2) Aftermarket

The Company provides maintenance, repair and modernization services for elevators and escalators. For maintenance work, the Company recognizes revenue over time, as we charge a fixed amount based on the duration of services rendered. For repair work, the Company recognizes revenue at the point in time in which work is completed. For modernization projects, the Company recognizes revenue over a specified period of time based primarily on the percentage of completion measured as a ratio of actual costs incurred compared to estimated total cost. The Company takes this approach as the construction work in question creates assets that cannot be converted to another use and the contract has an enforceable right to receive consideration for the completed portion of the work. Further, costs are incurred in accordance with the actual progress of the work, and the Company has determined that the degree of progress in meeting performance obligations can be estimated reasonably based on inputs tied to costs incurred. The Company's modernization contracts include free maintenance services to be performed for a certain period of time after completion and delivery. The Company allocates the transaction price for such maintenance services as a separate performance obligation and recognizes revenue over time. Arm's length sales prices are estimated based on various factors, including market conditions and cost performance. Consideration for transactions is generally received within approximately one year from of the satisfaction of performance obligations.

(3) Other

The Company sells products primarily to foreign customers and recognizes revenue at a point in time in which delivery is completed.

3. Information for Understanding Revenue for the Current and Next Fiscal Years

(1) Balance of contract assets, contract liabilities, etc.

(Millions of yen)

	Current consolidated fiscal year	
	Beginning of period	End of period
Liabilities arising from contracts with customers	49,456	52,494
Contract assets	11,125	13,629
Contract liabilities	19,960	22,428

Contract assets relate to the rights of the Company or subsidiaries to consideration for goods or services for which the Company or subsidiaries have satisfied or partially satisfied performance obligations under new installation and modernization contracts as of the balance sheet date, but for which invoices have yet to be issued. The Company or subsidiaries reclassifies contract assets to accounts receivable when the rights to consideration become unconditional. Consideration for new installation and modernization contracts is billed on a milestone basis. Some amounts may be received prior to the satisfaction of performance obligations.

Contract liabilities represent unearned consideration received from customers in advance of the performance of contracts for goods or services provided by the Company and consolidated subsidiaries. The liability is reversed as revenue is recognized for the contracts related to said unearned consideration.

Of the beginning balance of *contract liabilities*, 13,221 million yen was recognized as revenue during the period.

(2) Transaction prices allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations as of March 31, 2022 was 162,674 million yen. The Company expects the remaining performance obligations to be fulfilled generally within three years. The Company applied the practical expedient method in the notes related to transaction prices allocated to remaining performance obligations. The notes do not include contracts for fixed amounts based on service time rendered for services for which revenue is recognized in accordance with Paragraph 19 of *Implementation Guidance on Accounting Standard for Revenue Recognition*.

(Segment and Other Information)

[Segment Information]

1. Overview of reportable segments

The Fujitec Group’s reportable segments are units of the group whose financial information is available separately and are reviewed regularly by the Fujitec Co., Ltd. board of directors for determining the distribution of management resources and the evaluation of business performance.

The Fujitec Group is engaged mainly in the production, sales, installation, and maintenance of elevators, escalators, and other products. Fujitec Co., Ltd. is in charge of businesses in Japan, while independent local subsidiaries are in charge of overseas businesses in East Asia (China, Hong Kong, Taiwan, and South Korea), South Asia (mainly Singapore and India), and North America and Europe (the United States, Canada, and the United Kingdom).

Accordingly, the Fujitec Group consists of regional segments based on an integrated system of production, sales, installation, and maintenance, representing four reportable segments: (1) Japan, (2) East Asia, (3) South Asia, and (4) North America and Europe.

2. Method of calculating net sales, profit (loss), assets, liabilities, and other items of each reportable segment

The accounting treatment for each reportable segment is essentially the same as that described under *Material basis for preparing consolidated financial statements* . Profit for each reportable segment reflects figures based on operating income. Intersegment internal revenues and transfers are based on prevailing market prices.

(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 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 current consolidated fiscal year increased by 273 million yen and 438 million yen, respectively, when compared to the previous method. Net sales and segment income for East Asia increased by 1,945 million yen and 507 million yen, 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 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 current consolidated fiscal year increased by 271 million yen compared to the previous method.

3. Information on net sales, profit (loss), assets, liabilities, and other items of each reportable segment

Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable Segments					Adjustments (Note 1)	Amount Recorded on Consolidated Financial Statements (Note 2)
	Japan	East Asia	South Asia	North America and Europe	Total		
Net sales							
Sales to external customers	69,452	62,908	13,781	23,431	169,573	—	169,573
Intersegment sales/transfers	2,407	6,892	3	18	9,321	(9,321)	—
Total	71,859	69,800	13,785	23,450	178,895	(9,321)	169,573
Segment income	5,330	5,328	2,160	502	13,321	(32)	13,288
Segment assets	92,106	100,840	21,905	16,000	230,853	(25,657)	205,196
Other items							
Depreciation and amortization	2,110	876	246	223	3,457	—	3,457
Amortization of goodwill	—	—	—	159	159	—	159
Impairment loss	24	—	—	—	24	—	24
Increase in property, plant and equipment and intangible assets	1,942	333	485	262	3,024	—	3,024

Note 1. Adjustments are as follows:

(1) Segment income (loss) adjustment of (32) million yen million is due to inventory adjustments.

(2) Segment asset adjustments of (25,657) million yen include eliminations of intersegment transactions of (25,503) million yen and inventory adjustments of (153) million yen.

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

Current consolidated fiscal year (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable Segments					Adjustments (Note 1)	Amount Recorded on Consolidated Financial Statements (Note 2)
	Japan	East Asia	South Asia	North America and Europe	Total		
Net sales							
Sales to external customers	73,069	70,280	16,521	27,147	187,018	—	187,018
Intersegment sales/transfers	2,487	8,183	1	38	10,711	(10,711)	—
Total	75,556	78,463	16,522	27,186	197,729	(10,711)	187,018
Segment income	5,440	5,165	2,053	1,128	13,788	(10)	13,777
Segment assets	93,381	109,620	25,630	19,337	247,969	(27,360)	220,609
Other items							
Depreciation and amortization	1,932	895	265	250	3,343	—	3,343
Amortization of goodwill	—	—	—	117	117	—	117
Impairment loss	30	—	—	—	30	—	30
Increase in property, plant and equipment and intangible assets	2,302	545	1,045	194	4,088	—	4,088

(Notes) 1. Adjustments are as follows:

(1) Segment income adjustment of (10) million yen is due to inventory adjustments.

(2) Segment asset adjustments of (27,360) million yen include eliminations of intersegment transactions of (27,197) million yen and inventory adjustments of (162) million yen.

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

Related Information

Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)

1. Information by product and service

The main business of the Fujitec Group is the production, sales, installation, and maintenance of elevators, escalators, and electric transport equipment. In the elevator and escalator market, the Group provides equipment from new installation to maintenance as an integrated service. Information by product and service is omitted, as sales to external customers exceed 90% of net sales in the consolidated statements of income.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	East Asia	South Asia	North and South America, Other	Total
69,420	61,251	14,584	24,317	169,573

(Notes) 1. Net sales are classified into the country or region where the customer in question is located.

2. China accounts for 44,476 million yen of East Asia results.

3. The United States accounts for 17,608 million yen of North and South America, Other results.

(2) Property, plant and equipment

(Millions of yen)

Japan	East Asia	South Asia	North America and Europe	Total
23,552	8,076	1,516	641	33,786

(Note) China accounts for 4,859 million yen of East Asia results.

3. Information by major customer

This information is omitted as there are no external customers who accounted for over 10% of sales in the consolidated statements of income.

Current consolidated fiscal year (April 1, 2021 to March 31, 2022)

1. Information by product and service

The main business of the Fujitec Group is the production, sales, installation, and maintenance of elevators, escalators, and electric transport equipment. In the elevator and escalator market, the Group provides equipment from new installation to maintenance as an integrated service. Information by product and service is omitted, as sales to external customers exceed 90% of net sales in the consolidated statements of income.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	East Asia	South Asia	North and South America, Other	Total
72,983	68,253	17,142	28,639	187,018

(Notes) 1. Net sales are classified into the country or region where the customer in question is located.

2. China accounts for 49,236 million yen of East Asia results.

3. The United States accounts for 19,628 million yen of North and South America, Other results.

(2) Property, plant and equipment

(Millions of yen)

Japan	East Asia	South Asia	North America and Europe	Total
23,426	8,720	2,455	681	35,283

(Note) China accounts for 5,150 million yen of East Asia results.

3. Information by major customer

This information is omitted as there are no external customers who accounted for over 10% of sales in the consolidated statements of income.

[Information related to impairment of fixed assets by reportable segment]

Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Japan	East Asia	South Asia	North America and Europe	Corporate and Eliminations	Total
Impairment loss	24	—	—	—	—	24

Current consolidated fiscal year (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Japan	East Asia	South Asia	North America and Europe	Corporate and Eliminations	Total
Impairment loss	30	—	—	—	—	30

[Information on Amortization and Unamortized Balance of Goodwill per Reporting Segment]

Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Japan	East Asia	South Asia	North America and Europe	Corporate and Eliminations	Total
Balance at the end of the previous fiscal year	—	—	—	1,214	—	1,214

(Note) Information on amortization of goodwill is omitted as similar information is provided under segment information.

Current consolidated fiscal year (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Japan	East Asia	South Asia	North America and Europe	Corporate and Eliminations	Total
Balance at the end of the current fiscal year	—	—	—	1,227	—	1,227

(Note) Information on amortization of goodwill is omitted as similar information is provided under segment information.

Information on gain on negative goodwill by reporting segment

Previous consolidated fiscal year and current consolidated fiscal year

Not applicable.

[Related-Party Information]

1. Related-party transactions

(1) Transactions between the company submitting consolidated financial statements and related parties

Officers and major shareholders(restricted to individuals only) of the company submitting consolidated financial statements

Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)

Class	Name of Company/ Organization/ Individual	Location	Paid-in capital or Investments in capital (Millions of yen)	Business Line /Business	Ratio of voting rights held (ownership) (%)	Relationship	Details of transaction	Transaction value (Millions of yen)	Account	Period-end balance (Millions of yen)
Companies in which directors and/or their relatives hold more than one-half of voting rights	Santo Co., Ltd. (Note 1)	Kita-ku Osaka	10	Real estate leasing, buying, and selling Investments and management for securities	Ownership of Company stock 1.30, direct	Real estate leasing	Building leasing (Note 2)	48	Security deposits	45

(Notes) 1. Close relatives of Company President and CEO Takakazu Uchiyama hold 90% of voting rights directly.
2. Conditions and policies for determining transactions
Rents are determined in reference to nearby transaction prices.

Current consolidated fiscal year (April 1, 2021 to March 31, 2022)

Class	Name of Company/ Organization/ Individual	Location	Paid-in capital or Investments in capital (Millions of yen)	Business Line /Business	Ratio of voting rights held (ownership) (%)	Relationship	Details of transaction	Transaction value (Millions of yen)	Account	Period-end balance (Millions of yen)
Companies in which directors and/or their relatives hold more than one-half of voting rights	Santo Co., Ltd. (Note 1)	Kita-ku Osaka	10	Real estate leasing, buying, and selling Investments and management for securities	Ownership of Company stock 1.31, direct	Real estate leasing	Building leasing (Note 2)	38	Security deposits	8
							Purchase and sale of land, buildings, etc. (Note 2)	342	—	—

(Notes) 1. Close relatives of Company President and CEO Takakazu Uchiyama hold 90% of voting rights directly.
2. Conditions and policies for determining transactions
Rents and sales are determined in reference to nearby transaction prices.
3. Company president and chief executive officer Takakazu Uchiyama retired from his position as Company president and chief executive officer as of the 75th Ordinary General Meeting of Shareholders held June 23, 2022.

(2) Transactions between the company and consolidated subsidiaries or related parties

Previous consolidated fiscal year and current consolidated fiscal year

No matters to note.

2. Notes on parent company or significant affiliates

Not applicable.

(Per-Share Information)

(Yen)

Item	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Net assets per share	1,385.45	1,549.83
Net income per share	114.52	133.42
Diluted net income per share	114.46	133.36

Note 1. In calculating the number of shares of common stock and average number of shares of common stock during the period used as a basis for the calculation per-share information, treasury shares deducted for said calculation include Fujitec Co., Ltd. stock (362,000 shares as of the end of the previous consolidated fiscal year; 197,500 shares as of the end of the current consolidated fiscal year under review) held as a trust-type employee shareholding incentive plan (E-Ship). The average number of Fujitec Co., Ltd. shares held in the trust was 127,670 shares in the previous consolidated fiscal year and 280,515 shares in the current consolidated fiscal year under review.

2. As described in *Changes in Accounting Policies*, the Company has adopted the Accounting Standard for Revenue Recognition and other related accounting standards. As a result, net assets per share increased 13.42 yen, net income per share increased 11.65 yen, and diluted net income per share increased 11.64 yen for the current consolidated fiscal year.

3. The basis for calculating net income per share and diluted net income per share is shown in the table below.

Item		Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Net income per share			
Profit attributable to owners of parent	(Millions of yen)	9,287	10,835
Amounts not attributable to shareholders of common stock	(Millions of yen)	—	—
Profit attributable to common stock owners of parent	(Millions of yen)	9,287	10,835
Average number of outstanding shares of common stock	(Thousand shares)	81,940	81,213
Diluted net income per share			
Adjustment of net income attributable to owners of parent	(Millions of yen)	—	—
Increase in number of common stock	(Thousand shares)	41	38
(Stock acquisition rights included)	(Thousand shares)	(41)	(38)
Outline of dilutive stock not included in calculation of diluted net income per share due to anti-dilutive effect		—	—

4. The basis for calculating net assets per share is shown in the table below.

Item		Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Total net assets	(Millions of yen)	125,264	140,482
Amount deducted from total net assets	(Millions of yen)	12,847	15,000
(Stock acquisition rights included)	(Millions of yen)	(35)	(35)
(Non-controlling interests included)	(Millions of yen)	(12,812)	(14,964)
Net assets attributable to common stock at the end of the fiscal year	(Millions of yen)	112,417	125,482
Number of common shares at the end of the fiscal year used to calculate net assets per share	(Thousand shares)	81,140	80,965

(Significant subsequent events)

(Purchases of treasury stock)

On March 1, 2022, the Company resolved on matters pertaining to the purchase of treasury stock based on the provisions of Article 156 of the Companies Act, as applied mutatis mutandis pursuant to the provisions of Article 165, paragraph 3 of the same act and in accordance with Article 370 of the Companies Act (written resolution in lieu of a resolution of the Board of Directors). The Company conducted purchases of treasury stock as described below.

1. Written resolution of the board of directors related to the purchase of treasury stock

(1) Reasons for the purchase of treasury stock

To improve shareholder returns through the agile execution of capital policy and the enhancement of capital efficiency.

(2) Purchase details

a. Class of stock to be purchased	Common stock of the Company
b. Total number of shares to be purchased	3,500,000 shares (maximum) (4.29% of shares issued and outstanding (excluding treasury stock)
c. Total purchase cost	10,000,000,000 yen (maximum)
d. Purchase period	March 2, 2022 to February 28, 2023
e. Purchase method	Market purchase

2. Status of treasury stock purchases

As a result of the market purchases described above, the Company acquired 2,689,400 shares of Company common stock between March 2, 2022 and November 4, 2022

(purchase cost of 7,462,915,476 yen).

e. [Consolidated Supplementary Schedules]

[Corporate Bond Schedule]

Not applicable.

[Schedule of Borrowings]

Classification	Beginning of period (Millions of yen)	End of period (Millions of yen)	Average interest rate (%)	Due date
Short-term debt	2,317	3,493	1.43	—
Current portion of long-term debt	—	—	—	—
Current portion of lease obligations	241	275	—	—
Long-term debt (excludes current portion)	809	381	—	—
Lease obligations (excludes current portion)	351	355	—	October 2029
Other interest-bearing debt	—	—	—	—
Total	3,720	4,505	—	—

(Notes) 1. Average interest rate is the weighted average interest rate for the borrowings fiscal end of the period.

2. Average interest rate for lease obligations omitted, as lease obligations are recorded on the consolidated balance sheets at the amount before deducting amounts equivalent to interest included in total lease payments.

3. Scheduled repayments for long-term debt and lease obligations (excluding current portion) for the five years following the consolidated balance sheet date are as described below.

	Between one and two years (Millions of yen)	Between two and three years (Millions of yen)	Between three and four years (Millions of yen)	Between four and five years (Millions of yen)
Long-term debt (*)	—	—	—	—
Lease obligations	188	97	37	26

(*) Long-term debt of 381 million yen is not included, as this amount represents borrowings under the Trust-Type Employee Shareholding Incentive Plan (E-Ship) and the redemption amount cannot be estimated.

[Schedule of Asset Retirement Obligations]

Information is omitted pursuant to Article 92-2 of the *Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements*, as the amount of asset retirement obligations at the beginning and end of the current consolidated fiscal year is less than 1/100 of the total liabilities and net assets at the beginning and end of the current consolidated fiscal year.

(2) [Other]

Quarterly information for the current consolidated fiscal year:

(Year-to-date)		1st quarter	2nd quarter	3rd quarter	Year end
Net sales	(Millions of yen)	39,656	86,622	137,041	187,018
Profit before income taxes	(Millions of yen)	4,415	9,790	14,042	16,268
Profit attributable to owners of parent	(Millions of yen)	3,337	6,993	9,843	10,835
Net income per share	(yen)	41.13	86.14	121.22	133.42

(Fiscal year)		1st quarter	2nd quarter	3rd quarter	Year end
Net income per share	(Yen)	41.13	45.01	35.08	12.21

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Fujitec Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the Consolidated Balance Sheets as at March 31, 2022, and the Consolidated Statements of Income, Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for the year then ended, and Notes to the Consolidated Financial Statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note to the consolidated financial statements, which describes the significant subsequent events, at the Meeting of Board of Directors held on March 1, 2022 , the Company purchased treasury stock which was approved by the Meeting of Board of Directors. Our opinion is not modified in respect of this matter.

Other Information

The other information comprises the information included in the Fujitec Report and Financial Report, but does not include the consolidated financial statements and our auditor's report thereon. The Fujitec Report and Financial Report is expected to be made available to us after the date of this auditor's report. Management is responsible for the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's other information reporting process.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Grant Thornton Taiyo LLC

Grant Thornton Taiyo LLC
Osaka, Japan
4, November , 2022