Dear Shareholders:

Matters Disclosed on the Internet Concerning Notice of the 74th Annual Meeting of Shareholders

(April 1, 2020 to March 31, 2021)

FUJITEC CO., LTD.

The matters noted above are provided to shareholders via disclosure on the Company’s website (https://www.fujitec.com/ir) pursuant to laws and regulations and Article 16 of the Articles of Incorporation.

Structures for Assuring the Appropriateness of Business Operations

The Company's board of directors have made a resolution as follows regarding the Basic Policy for Internal Controls. Based on this policy, the Company has established structures for assuring the appropriateness of business operations

1. Structures to ensure that the execution of duties by the directors and employees of the Company and the directors, etc., and employees of the Company's subsidiaries comply with laws and regulations and the Articles of Incorporation
   a. To enhance the soundness of Group management and operations, the Company shall establish Management Philosophy, Management Personnel Philosophy, and a Corporate Code of Conduct, communicating these statements throughout the Company and its subsidiaries
   b. The directors and executive officers of the Company and the directors, etc., of the Company's subsidiaries shall take the initiative in executing and complying with Management Philosophy, Management Personnel Philosophy, and Corporate Code of Conduct. Directors, etc., shall act in accordance with social norms and ethics as members of society to form and maintain a sound corporate culture.
   c. The board of directors of the Company shall make decisions on the execution of important business matters of the Company in accordance with laws and regulations and the Articles of Incorporation, and shall supervise the execution of duties by the directors of the Company. The board of directors of the Company shall make appropriate and reasonable judgments and decisions by listening to the opinions of outside experts as necessary, and by receiving fair and objective advice and opinions from outside members of the Audit & Supervisory board and outside directors.
   d. The directors of the Company shall report to the board of directors of the Company immediately upon discovery of any problems in the execution of their duties with respect to compliance with laws and regulations and the Articles of Incorporation.
   e. The Company shall establish an Internal Audit Office as a department independent of departments in charge of business execution. To achieve management objectives effectively and in accordance with the Basic Rules for Internal Auditing, the Internal Audit Office shall review and evaluate the effectiveness of risk management, controls, and governance processes of the Company and its subsidiaries. The office shall provide opinions, advice, recommendations, and support for improvement based on such reviews and evaluations, regularly reporting these opinions, etc., to the board of directors.
   f. To promote compliance through the Company group, the Company shall establish the Compliance Committee, which will oversee the formulation and implementation of compliance programs, including guidance and education for employees.
   g. With respect to unjust or improper acts, or potential unjust or improper acts, the Company shall collect and investigate information from employees who are unlikely to report improper or potentially improper acts through the normal lines of business. The Company shall promote the establishment and use of internal reporting and consultation services throughout the group, including the main offices of the Company's subsidiaries, to take appropriate corrective and remedial measures in the event of such acts.
   h. To prevent harm to the Company caused by antisocial forces, the Company shall establish a policy to deal with unreasonable demands, including a policy to ignore unreasonable demands, communicating these policies to all employees.
2. Structures for the storage and management of information related to the execution of duties by directors
   a. Information related to the execution of duties by the directors of the Company shall be made available for inspection at all times in accordance with the internal rules for document management, etc., which stipulate the handling of information, storage method, storage period, etc.
   b. To promote the appropriate handling and storage of information, prevent leakage, and detect the danger of leakage at an early stage, the Company shall establish an Information Security Policy. The Company shall communicate this policy throughout the group and pursue measures that contribute compliance with the policy by establishing an Information Security Committee within the Company.

3. Regulations and other structures for managing the risk of loss to the Company and its subsidiaries
   a. The Company shall formulate Risk Management Rules to define risk management within the Company and its subsidiaries. The Company shall manage risks comprehensively across the group based on these rules.
   b. The Company shall establish a Risk Management Committee, chaired by the president of the Company, to pursue group-wide risk management in the early detection and avoidance of the risk of loss to the Company and its subsidiaries. In addition, the Company shall establish a Risk Management Steering Committee as an advisory body to the Risk Management Committee. These committees shall be responsible for ensuring effectiveness of the group-wide risk management.
   c. If the Company or any subsidiary is expected to suffer damage due to natural disaster or other unexpected event, the Company shall establish a special and temporary task force in accordance with Crisis Management Rules and other internal regulations. The Company shall pursue measures promptly to prevent damages.

4. Structures to ensure the efficient execution of duties by the directors of the Company and the directors, etc., of the Company's subsidiaries
   a. The Company shall formulate a medium-term management plan for the group covering a period of three fiscal years. To achieve this medium-term management plan, the Company shall determine important group-wide performance targets and budget allocations for each fiscal year.
   b. The Company shall delegate the business execution authority of directors to executive officers. The Company shall clarify the duties and responsibilities of executive officers in accordance with resolutions of the board of directors and internal regulations. Further, the Company shall establish an appropriate and efficient executive officer system.
   c. With respect to important issues that must be addressed to achieve the Company's management goals, executive officers, etc., shall share and communicate information to the Global Management Committee and the Executive Officers' Meeting. Reports or proposals shall be submitted to the board of directors as necessary, after considering and deliberating on various measures related to the issues noted above.
   d. The Company shall utilize information and communication facilities, including the Company's intranet and video conferencing facilities, to ensure the smooth and prompt communication of information necessary to the duties of directors, for the mutual exchange of information, and to stimulate deliberations.

5. Structures for reporting to the Company on matters related to the execution of duties by directors, etc., of the Company's subsidiaries and other structures for ensuring the appropriateness of operations of the corporate group, which consists of the Company and its subsidiaries
    a. In accordance with rules established by the Company, the Company shall receive reports from its subsidiaries on a regular basis, or upon the expectation of damages arising from a natural disaster or other unexpected event at subsidiaries. Such reports shall address operating results, financial conditions, personnel affairs, and other important management matters of the subsidiaries. If, based on such reports, the Company recognizes the need to address important issues to achieve the group's management objectives, the relevant executive officers of the Company, etc., shall examine and deliberate on various measures related to such issues at the Global Management Committee. The executive officers, etc., shall monitor, instruct, and supervise the execution of business by the subsidiary as necessary.
    b. When deemed particularly necessary for the business, etc., of a subsidiary, the Company's directors and executive officers, etc., shall be seconded or dispatched to the subsidiary to supervise and/or execute the business.

6. Matters concerning employees assigned to assist in the duties of the members of the Audit & Supervisory Board, the independence of such employees from directors, and ensuring the effectiveness of instructions to such employees

    Employees assigned to assist members of the Audit & Supervisory Board in their duties shall be assigned exclusively to a department that is independent of departments involved in business execution. Such employees shall follow the instructions of the members of the Audit & Supervisory board in accordance with work rules regarding such employees. Personnel evaluations, transfers and disciplinary actions of employees assigned to assist members of the Audit & Supervisory Board shall be conducted so as to give appropriate respect to the opinions of the members of the Audit & Supervisory Board.

7. Structures for reporting to members of the Audit & Supervisory Board by directors and employees, structures for reporting to members of the Audit & Supervisory Board by Company subsidiary directors, members of Audit & Supervisory Boards, individuals engaged in work as employees and other equivalent persons and employees, or individuals receiving reports from such individuals, and other structures for reporting to members of the Audit & Supervisory Board and structures to ensure audits conducted by members of the Audit & Supervisory Board are performed effectively
    a. The directors of the Company shall report to the members of the Audit & Supervisory Board immediately upon discovery of any problems in the execution of their duties with respect to compliance with laws and regulations and the Articles of Incorporation.
    b. In addition to attending meetings of the board of directors, members of the Audit & Supervisory Board may attend other meetings, including the Global Management Committee, to gain an understanding of the status of business execution related to important matters and issues as listed in Paragraph 5,(a). Members of the Audit & Supervisory Board may inspect important documents related to business execution, including approval documents, and may request explanations from directors, executive officers, etc.
    c. Members of the Audit & Supervisory Board shall receive regular explanations from the independent accounting auditor and the Internal Audit Office regarding their respective audit policies and implementation status. Members of the Audit & Supervisory Board shall cooperate with these entities through the exchange of information, etc.
    d. The Internal Audit Office shall report to members of the Audit & Supervisory Board on the status of internal audits, etc., regarding compliance, risk management, internal reporting, and consultation, etc., of the Company and its subsidiaries on a regular and/or timely basis.

8. Structures to ensure that individuals reporting to the Audit & Supervisory Board are not treated unfairly in retaliation

    In accordance with internal rules, the Company shall prohibit any officer or employee of the group who has submitted a report to members of the Audit & Supervisory Board from being treated unfairly in retaliation. Further, the Company shall properly manage the information of the individual in question and the content of said report.

9. Procedures for prepayment or reimbursement of expenses incurred in the execution of duties by members of the Audit & Supervisory Board and other policies related to the treatment of expenses or liabilities incurred in the execution of such duties
    a. To contribute to the smooth execution of the audit plan by members of the Audit & Supervisory Board, the Company shall estimate in advance the expenses required for the duties under said plan and account for such expenses in the annual budget.
    b. With respect to the expenses or debts stipulated under each item of Article 388 of the Companies Act that are incurred by members of the Audit & Supervisory Board during the execution of their duties, any request made to the Company for advance payment of such expenses, reimbursement of expenses paid, or repayment to creditors, the Company shall, after examination by the department in charge, pay the expenses, etc., of such request without delay, unless it is clear that such expenses, etc., were/are not necessary for the execution of the duties of the members of the Audit & Supervisory Board in question.

Overview of the Operation Status of Structures for Assuring the Appropriateness of Business Operations

The Company has implemented and operates in accordance with the aforementioned policies. The following is a summary of major initiatives conducted during the fiscal year under review. In the face of the ongoing COVID-19 pandemic, we have endeavored to avoid close contact and in-office work, taking measures that include remote meetings and training, smaller numbers, reduced length of time or postponements, etc. These measures have had not hindered or resulted in a significant negative impact on the operations of the following structures.

1. Compliance structure

The Compliance Committee formulates annual plans and evaluates the implementation status of activities in pursuing the implementation of and compliance with Management Philosophy, Management Personnel Philosophy, and Corporate Code of Conduct of the group, including the Company and its subsidiaries. At the same time, the committee receives reports and consultation from employees and officers in Japan and overseas through an internal reporting desk established by the committee. In addition, in accordance with the Basic Policy on Anti-Social Forces posted on the Company's website, the Company strives to ensure all employees are aware of the policy.

2. Risk and information management structure

The Risk Management Committee has met during the current fiscal year. Due to the impact of the spread of COVID-19 during fiscal 2020, the committee conducted activities mainly through electronic mail, rather than through in-person meetings. At the beginning of the fiscal year, the committee met to review and formulate the group's annual plan for priority risk countermeasures, to monitor the status of these activities, and to evaluate activities at the end of the fiscal year. In addition, based on crisis management rules related to the group's business, the group has conducted preparatory drills, etc., for our business continuity plan (BCP) in the event of a disaster. In addition, the Information Security Committee provides support, guidance, and engages in other activities related to the handling and management of information within the group based on the Information Security Policy.

3. Audit system

To strengthen the monitoring function of members of the Audit & Supervisory Board related to the status of important business operations and the progress of financial statement audits and internal audits in the past, full-time members of the Audit & Supervisory Board attended the Global Management Committee. Given the impact of the spread of COVID-19, during fiscal 2020, members attended meetings held online by business segment. In these meetings, executive officers in charge of the group's major business areas report on the status of business operations, etc. In addition, members of the Audit & Supervisory Board, independent accounting auditors, and auditors assigned to the Internal Audit Office attend the Three-Party Audit Liaison Meeting on a regular basis to explain the status of audits.

Consolidated Statements of Changes in Shareholders' Equity

(April 1, 2020 to March 31, 2021)

(Million 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	14,571	102,355	(10,401)	119,059
Change during the current fiscal year					
Change 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 current fiscal year	—	(97)	161	5,195	5,259
Balance at the end of the current 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
	Net unrealized gains on 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	1,194	(16)	(11,935)	(1,387)	(12,145)	40	11,760	118,714
Change during the current fiscal year								
Change 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 current fiscal year	1,486	(11)	(1,977)	745	243	(4)	1,052	6,550
Balance at the end of the current fiscal year	2,681	(27)	(13,913)	(641)	(11,901)	35	12,812	125,264

Notes to Consolidated Financial Statements

Significant matters that serve as the basis for preparing consolidated financial statements

1. Matters on the scope of consolidation

(1) Number of consolidated subsidiaries and names of major consolidated subsidiaries

Number of consolidated subsidiaries: 19

Names of major consolidated subsidiaries	Fujitec America, Inc.. (USA)
	Fujitec Singapore Corpn. Ltd. (Singapore)
	Huasheng Fujitec Elevator Co., Ltd. (China)
	Fujitec (HK) Co., Ltd. (Hong Kong)

As of the current consolidated fiscal year, the Company acquired all outstanding shares of Amalgamated Lifts Limited through wholly owned subsidiary FUJITEC UK LIMITED, making the aforementioned Company a new subsidiary and adding it as a consolidated entity.

(2) Names of major non-consolidated subsidiaries

Major non-consolidated subsidiary: FUJITEC ARGENTINA S.A. (Argentina)

Reason for exclusion from scope of consolidation

All non-consolidated subsidiaries are small in scale, with none of total assets, net sales, net income (commensurate with equity holdings), or retained earnings (commensurate with equity holdings) exerting any important influence on consolidated financial statements, and have therefore been excluded from the scope of consolidation.

2. Matters on application of the equity method

(1) Number of non-consolidated subsidiaries for which the equity method is applied, and names of major companies

Not applicable.

(2) Names of non-consolidated subsidiaries for which the equity method is not applied

Non-consolidated subsidiaries for which the equity method is not applied (FUJITEC ARGENTINA S.A., etc.), when considering indicators such as net income (commensurate with equity holdings) and retained earnings (commensurate with equity holdings), would have minor impact on consolidated financial statements if excluded from application of the equity method and, further, are not important overall. Therefore, they have been excluded from the scope of application of the equity method.

3. Matters on accounting policies

(1) Valuation standards and methods for significant assets

a. Valuation standards and methods for securities

Non-consolidated subsidiaries and affiliated companies…Moving average cost method

Other securities

- Items with market value …… Market value method based on market price on the closing date of the fiscal year (all valuation differences are reported as a component of shareholders' equity, and selling cost is calculated by the moving average method)
- Items without market value …… Moving average cost method

b. Valuation standards and methods for derivative…… Market value method

c. Valuation standards and methods for inventories

Costs calculated mainly via the specific identification method or gross average method (values on the balance sheet are calculated by writing down the book value based on the decline in profitability).

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

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

While the declining-balance method is primarily used, some overseas consolidated subsidiaries use the straight-line method.

However, for buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings), and for structures and facilities attached to buildings acquired on or after April 1, 2016, the straight-line method is used by the Company.

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

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

b. Intangible assets (excluding leased assets)

The straight-line method is applied.

Note that for software used in-house, the straight-line method based on the period of internal use (5 years) is used.

c. Leased assets

- Lease assets related to finance lease transactions without transfer of ownership

The straight-line method is used, the useful life is defined as the lease period, and zero residual value is assumed.

Note that some overseas subsidiaries prepare financial statements based on IFRS and apply IFRS 16 (Leases). Under IFRS 16 for lessees, in principle, all leases are recorded as assets and liabilities on the balance sheet.

(3) Standards for the recognition of significant allowances

a. Allowance for doubtful accounts	……	To prepare for bad debt expenses on receivables such as accounts receivable and loans receivable, the Company records an allowance for doubtful accounts based on the historical write-off rate for ordinary receivables. The estimated amount of unrecoverable debt is recorded based on the recoverability of individual cases for specified receivables such as debt with a possibility of default.
b. Provision for bonuses	……	The Company provides an allowance for the payment of bonuses to employees based on the estimated payment amount.
c. Provision for director bonuses	……	The Company provides an allowance for the payment of bonuses to directors at an amount based on the estimated payment amount.
d. Provision for losses on construction contracts	……	To prepare for future losses related to ordered work, loss is expected among the undelivered work at the end of the current consolidated fiscal year, and an estimated loss amount is recorded for work where this amount can be reasonably estimated.
e. Provision for warranties for completed construction	……	To cover uncharged compensation costs related to completed work, an estimated amount of uncharged compensation costs expected to occur in the future is recorded against net sales of completed work.

(4) Other significant matters for preparing consolidated financial statements

a. Matters on the fiscal years of consolidated subsidiaries

The fiscal year for all consolidated subsidiaries closes on December 31. In preparing consolidated financial statements, financial statements as of this day are used, making necessary adjustments for important transactions occurring between this day and the consolidated closing date.

b. Standards for recognition of significant revenue and expenses

Standards for recognition of amount and cost of completed work

・ Work for which certainty of results is recognized for the progress through the end of the current consolidated fiscal year: Percentage of completion method (percentage of completion estimate calculated using cost-to-cost method)

・ Other work: Completed contract method

c. Accounting treatment for defined benefits

To prepare for defined benefits for employees, an amount is recorded based on the expected amount for the current consolidated fiscal year, subtracting pension assets from defined benefit obligations.

・ Method for period attribution of expected defined benefit amount

When calculating defined benefit obligations, the method of attributing expected defined benefit amounts to the period up to the end of the current consolidated fiscal year shall be based on the benefit formula.

・ Method for amortization of actuarial variances and expenses for past service

Actuarial variances are amortized by the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees at the time of occurrence of each consolidated fiscal year, starting from the consolidated fiscal year following each occurrence.

Expenses for past service are amortized by the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees at the time of occurrence.

For the calculation of net defined benefit liability and defined benefit expenses, some consolidated subsidiaries have adopted the simplified method, using the amount of payments required at the end of the period for defined benefits as defined benefit obligations.

d. 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 financial closing 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 financial closing 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 and non-controlling interests under net assets. Note that in the event of significant fluctuation in exchange rates between the financial closing date of an overseas subsidiary and the consolidated financial closing date, items on the balance sheets of the overseas subsidiary will be converted into yen at the exchange rate on the consolidated financial closing date.

e. Accounting treatment of consumption taxes

The Company accounts for consumption tax and local consumption tax using the tax exclusion method.

f. Amortization method and amortization period of goodwill

Amortization of goodwill is done under the straight-line method over a period of 14 or 20 years.

g. Hedge accounting method

・ Hedge accounting method

In principle, treatment is done on a deferred hedge accounting basis. Hedge accounting is not applied to forward exchange contract transactions of some consolidated subsidiaries.

・ Hedging methods and hedging targets

Hedging method	Hedging target
Foreign currency contract	Foreign currency denominated transactions, deposits

・ Hedge policy

For derivative transactions, each Company's finance department conducts transactions for the purpose of risk hedging, and hedges interest rate fluctuation risk and exchange rate fluctuation risk related to the hedging targets within a certain range.

・ Hedge effectiveness assessment method

Hedging effectiveness is assessed by comparing the cumulative changes in cash flows of the hedged items or market fluctuations with the cumulative changes in cash flows of the hedging instruments or market fluctuations on a semi-annual basis, based on the amount of change in both.

Notes on accounting estimates

The following are estimated items expected to have a particularly large impact on the Group's consolidated financial statements for the following fiscal year.

Provision for losses on construction contracts

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

Provision for losses on construction contracts 7,761 million yen

(2) Details regarding significant accounting estimates for the identified item

The Group records an estimated amount of loss in the event that, of the undelivered work at the end of the consolidated fiscal year, there is a high probability that estimated total cost of the work in question will exceed the amount of orders, and that the expected loss amount can be reasonably estimated. The estimated total cost of work is calculated from available information, such as contract details and actual costs from past work with the same model. Assumptions used in this calculation will fluctuate due a variety of factors, including contract changes, construction conditions, and trends in materials/outsourcing prices. Therefore, estimates will be continuously re-verified and revised.

If these estimates are revised, or if actual manufacturing costs incurred differ from estimates, such may have a significant impact on provision for loss on construction contracts and gross profit for the next consolidated fiscal year.

Change in Presentation Method

Changes due to the adoption of Accounting Standard for Disclosure of Accounting Estimates

We adopted Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No.31, March 31, 2020) beginning with the current consolidated fiscal year. This disclosure is included as *Notes on Accounting Estimates* in the *Notes to Consolidated Financial Statements*.

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 treasury stock for the consolidated of the current fiscal year amounted to ¥810 million and 362 thousand shares, respectively.

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

Consolidated of the current fiscal year: ¥809 million

Impact of COVID-19 on Accounting Estimates

The spread of COVID-19 has had a negative impact on Fujitec Group business activities. However, it is difficult to predict when COVID-19 infections will slow, due to the reemergence of infections and other developments. The group has made accounting estimates for the impairment of fixed assets and recoverability of deferred tax assets assuming that wider vaccinations and other measures in countries around the world will lead to a slowing in infections beginning in the second half of the next consolidated fiscal year.

Notes to the consolidated balance sheets

1. Collateral assets

The following describes assets pledged as collateral and secured debts.

Buildings and structures	2,106 million yen
Machinery and equipment	99 million yen
Land	252 million yen
Total	2,457 million yen

There are no debt obligations corresponding to the above.

2. Accumulated depreciation for property, plant and equipment 32,102 million yen

Notes to consolidated statements of changes in shareholders' equity

1. Class and number of shares issued

Class of stock	Balance at the beginning of the current consolidated fiscal year (thousand shares)	Increase in shares in the current consolidated fiscal year (thousand shares)	Decrease in shares in the current consolidated fiscal year (thousand shares)	Balance at the end of the current consolidated fiscal year (thousand shares)
Common stock	90,067	—	4,767	85,300

(Reasons for change)

The breakdown of increases and decreases is as follows.

Decrease due to cancellation of treasury stock by resolution of the board of directors on December 4, 2020: 4,767 thousand shares

2. Matters on dividends

(1) Cash dividends paid

Resolution	Class of stock	Total dividend value (million yen)	Dividends per share (yen)	Date of record	Effective date
June 23, 2020 Ordinary General Meeting of Shareholders	Common stock	2,432	30.00	March 31, 2020	June 24, 2020
November 6, 2020 Board of Directors	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 fiscal year

We have proposed the following matters related to dividends for shareholders of common stock as an agenda item for the ordinary general meeting of shareholders to be held on June 22, 2021.

Resolution	Class of stock	Total dividend value (million yen)	Source of dividend	Dividends per share (yen)	Date of record	Effective date
June 22, 2021 Ordinary General Meeting of Shareholders	Common stock	3,260	Retained earnings	40.00	March 31, 2021	June 23, 2021

(Note) The total amount of dividends as resolved at the ordinary general meeting of shareholders on June 22, 2021 includes dividends of 14 million yen for Company shares held as the E-Ship Trust-Type Employee Shareholding Incentive Plan.

3. Class and number of shares eligible for stock acquisition rights (excluding those for which the first day the grantee may exercise these rights has not occurred) as of the end of the current consolidated fiscal year

Common stock: 39 thousand shares

Notes on financial instruments

1. Matters on the status of financial instruments

(1) Policy on financial instruments

The Group raises capital investment funds primarily for the production, sale, installation, and maintenance of elevators, escalators, and electric transport devices through internal funds or debts. Temporary surplus is managed with highly secure financial assets, and short-term working capital is procured through internal funds or short-term debts. Derivatives are used to mitigate the risk of exchange rate and interest rate fluctuations and are not traded on speculation as a matter of policy.

(2) Details, risks, and risk management systems for financial instruments

Notes and accounts receivable-trade, which represent operating receivables, are exposed to the credit risk of business partners. For these risks, the Company has a system whereby we manage due dates and balances for each business partner in accordance with credit management rules, as well as regularly determines the credit status of its major partners. Similar management is carried out at consolidated subsidiaries. Foreign currency-denominated trade receivables arising from the Group's global business operations are exposed to exchange rate fluctuation risk. This risk is hedged using futures exchange contracts as necessary.

Stocks as part of held investment securities are exposed to market price fluctuation risk; however, these are mainly stocks for companies with which we have a business relationship. Furthermore, we are regularly checking fair market value and continuously reviewing our status of holdings in consideration of our relationships with partners.

Most trade notes and accounts payable are operating receivables that become due within one year. In addition, some of these are denominated in foreign currencies due to the import of raw materials, etc., and are exposed to exchange rate fluctuation risk. However, these constantly remain within the same scope of the balance of foreign currency-denominated accounts receivable.

Short-term debt is mainly used for financing related to business transactions, while long-term debt is mainly used for procuring funds necessary for capital investment.

Derivatives are futures contracts for the purpose of hedging against the risk of exchange fluctuations related to foreign currency deposits. For derivative transactions, the Group conducts transactions for the purpose of risk hedging within the finance department of each Group Company. The results are reported to the Company's Finance Headquarters and the director in charge of finance. Derivative transactions are only conducted with financial institutions with high credit ratings to reduce credit risk.

(3) Supplementary information on fair values of financial instruments

Fair values of financial instruments include prices based on market prices and prices calculated rationally in the absence of market prices. As price calculations incorporate variable factors, these values may also fluctuate if different assumptions are used. For contract amounts related to derivative transactions in *2. Matters on the fair value of financial instruments*, amounts do not indicate market risk related to derivative transactions.

2. Matters on the fair value of financial instruments

The following table describes the carrying amount, fair value, and gains or losses related to financial instruments on the consolidated balance sheet as of March 31, 2021. Note that the following table does not include items for which fair values are extremely difficult to determine (see Note 2).

(Million yen)

	Carrying value	Market value	Net balance
(1) Cash and deposits	68,348	68,348	—
(2) Notes and accounts receivable-trade (Before exclusion of allowance of doubtful accounts)	59,022	57,195	(1,827)
(3) Investment securities			
Other securities	8,048	8,048	—
(4) Long-term loans receivable	23	23	(0)
Total assets	135,443	133,615	(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 (*1)	593	566	(27)
Total liabilities	23,480	23,453	(27)
Derivative transactions (*2)			
Items not treated under hedge accounting	(0)	(0)	—
Items treated under hedge accounting	(32)	(32)	—
Total derivative transactions	(32)	(32)	—

(*1) Lease obligations are shown as the total included in other current liabilities and other non-current liabilities.

(*2) Net receivables and payables arising from derivative transactions are shown on a net basis. Items representing net payables in total are shown in parentheses.

(Note 1) Matters on the securities and derivative transactions and the measurement method of fair values of financial instruments

Assets

(1) Cash and deposits

The carrying amounts of these assets are nearly equal to fair value due to their respective short maturities.

(2) Notes and accounts receivable-trade

Fair market value is based on the present value of the amount of receivables split into given periods, discounted by the time to maturity and an interest rate adjusted for credit risk.

(3) Investment securities

Fair market value is determined by transaction prices for stocks.

(4) Long-term debt

Fair market value of long-term debt is calculated based on their present value, determined by taking the estimated amount of recovered principle, reflecting recoverability, discounted by a highly stable interest rate corresponding to the remaining period to maturity.

Liabilities

(1) Trade notes and accounts payable, (2) Electronically recorded obligations-operating, (3) Short-term debt

The carrying amounts of these liabilities are nearly equal to fair value due to their respective short maturities.

(4) Long-term loans payable

Long-term debt consists of borrowings from financial institutions in a trust account associated with the adoption of the E-Ship Trust-Type Employee Shareholding Incentive Plan. As the associated interest reflects the market interest rate over a short period of time, the fair value is essentially equal to carrying value. Therefore, we have recorded the amount at carrying value.

(5) Lease obligations

The fair market value for lease obligations is measured by discounting the total principal discounted by the interest rate assumed for a similar new transaction.

Derivative transactions

Measured based on prices provided by financial institutions.

(Note 2) Financial instruments for which fair market values are extremely difficult to determine

(Million yen)

Classification	Carrying value
Investment and other securities	
Unlisted shares	112
Shares of subsidiaries and associates	610

These items have no market price and no reasonably estimable future cash flows, making it extremely difficult to determine fair market value. Therefore, these items are not included in *(3) Investment and other investment securities.*

Notes on per-share information

Net assets per share	1,385.45 yen
Net income per share	114.52 yen
Diluted net income per share	114.46 yen

(Note) In calculating fiscal year end 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 held as E-Ship Trust-Type Employee Shareholding Incentive Plan.

(Note) Amounts stated in consolidated financial documents are rounded down to the nearest million yen.

Statements of Changes in Shareholders' Equity

(April 1, 2020 to March 31, 2021)

(Million yen)

	Shareholders' equity										
		Additional paid-in capital			Retained earnings						
						Other retained earnings					
	Paid-in capital	Legal capital surplus	Other additional paid-in capital	Total additional paid-in capital	Legal retained earnings	Reserve for advanced depreciation of fixed assets	Reserve for dividends	Reserve for research and development	General reserve	Retained earnings brought forward	Total Retained earnings
Balance at the beginning of the current fiscal year	12,533	14,565	—	14,565	1,337	47	900	800	3,500	37,137	43,722
Change during the current fiscal year											
Provision of reserve for advanced depreciation of fixed assets						23				(23)	—
Reversal of reserve for advanced depreciation of fixed assets						(3)				3	—
Dividends from surplus										(4,054)	(4,054)
Net income										6,423	6,423
Purchases of treasury stock											—
Disposal of treasury stock			449	449						(2)	(2)
Cancellation of treasury stock			(5,518)	(5,518)							—
Transfer to capital surplus from retained earnings			5,069	5,069						(5,069)	(5,069)
Net changes of items other than shareholders' equity											
Total changes during the current fiscal year	—	—	—	—	—	20	—	—	—	(2,722)	(2,702)
Balance at the end of the current fiscal year	12,533	14,565	—	14,565	1,337	67	900	800	3,500	34,415	41,020

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury stock	Total Shareholders' equity	Net unrealized gains on securities	Total valuation and translation adjustments		
Balance at the beginning of the current fiscal year	(10,401)	60,420	1,194	1,194	40	61,655
Change during the current fiscal year						
Provision of reserve for advanced depreciation of fixed assets		—				—
Reversal of reserve for advanced depreciation of fixed assets		—				—
Dividends from surplus		(4,054)				(4,054)
Net income		6,423				6,423
Purchases of treasury stock	(930)	(930)				(930)
Disposal of treasury stock	607	1,054				1,054
Cancellation of treasury stock	5,518	—				—
Transfer to capital surplus from retained earnings		—				—
Net changes of items other than shareholders' equity			1,486	1,486	(4)	1,481
Total changes during the current fiscal year	5,195	2,492	1,486	1,486	(4)	3,974
Balance at the end of the current fiscal year	(5,206)	62,913	2,681	2,681	35	65,630

Notes to Non-Consolidated Financial Statements

Matters on material accounting policies

1. Valuation standards and methods for assets

(1) Valuation standards and methods for securities

Subsidiaries and affiliated companies …… Moving average cost method

Other securities

・Items with market value …… Market value method based on market price on the closing date of the fiscal year (all valuation differences are reported as a component of shareholders' equity, and selling cost is calculated by the moving average method)

・Items without market value …… Moving average cost method

(2) Valuation standards and methods for inventories

Costs calculated via the specific identification method or gross average method (values on the balance sheet are calculated by writing down the book value based on the decline in profitability)

2. Method of depreciation for non-current assets

(1) Property, plant and equipment (excluding leased assets): Declining-balance method

However, for buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings), and for structures and facilities attached to buildings acquired on or after April 1, 2016, the straight-line method is used. Note that the most common useful life periods are as follows.

Buildings and structures:	3-50 years
Machinery and equipment:	2-12 years
Tools, furniture and fixtures:	2-16 years

(Petty sum depreciable assets) For petty sum depreciable assets with acquisition price between 100,000 and 200,000 yen, these are amortized with the straight-line method over a period of three years based on provisions of the Corporation Tax Law.

(2) Intangible assets (excluding leased assets): The straight-line method is used.

Note that for software used in-house, the straight-line method based on the period of internal use (5 years) is used.

(3) Leased assets

・ Leased assets related to finance lease transactions without transfer of ownership

…………The straight-line method is used, the useful life is defined as the lease period, and zero residual value is assumed.

3. Accounting standards for provisions

(1) Allowance for doubtful accounts … To prepare for bad debt expenses on receivables such as accounts receivable and loans receivable, the Company records an allowance for doubtful accounts based on the historical write-off rate for ordinary receivables. The estimated amount of unrecoverable debt is recorded based on the recoverability of individual cases for specified receivables such as debt with a possibility of default.

(2) Provision for bonuses … The Company provides an allowance for the payment of bonuses to employees based on the estimated payment amount.

(3) Provision for director bonuses … The Company provides an allowance for the payment of bonuses to directors at an amount based on the estimated payment amount.

(4) Provision for losses on construction contracts … To prepare for future losses related to ordered work, loss is expected among the undelivered work at the end of the current fiscal year, and an estimated loss amount is recorded for work where this amount can be reasonably estimated.

(5) Provision for warranties for completed construction … To cover uncharged compensation costs related to completed work, an estimated amount of uncharged compensation costs expected to occur in the future is recorded against net sales of completed work.

(6) Provision for retirement benefits … To prepare for defined benefits for employees, an amount is recorded based on the expected amount of defined benefit obligations and pension assets as of the end of the current fiscal year.

・Method for period attribution of expected defined benefit amount

When calculating defined benefit obligations, the method of attributing expected defined benefit amounts to the period up to the end of the current fiscal year shall be based on the benefit formula.

・Method for amortization of actuarial variances and expenses for past service

Actuarial variances are amortized by the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees at the time of occurrence of each fiscal year, starting from the fiscal year following each occurrence.

Expenses for past service are amortized by the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees at the time of occurrence.

Unrecognized actuarial gains and losses and unrecognized past service expenses are handled differently on the balance sheet than on consolidated financial statements.

4. Standards for recognition of revenues and expenses

Standards for recognition of amount and cost of completed work

・Work for which certainty of results is recognized for the progress through the end of the current fiscal year:

Percentage of completion method (percentage of completion estimate calculated using cost-to-cost method)

・Other work: Completed contract method

5. Standards for translating 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 final day of the period, with translation differences recorded as profit or loss for the period in question.

6. Accounting treatment of consumption taxes: Consumption tax and local consumption tax are accounted for by the tax exclusion method.

Notes on accounting estimates

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

Provision for losses on construction contracts

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

Provision for losses on construction contracts 4,089 million yen

(2) Details regarding significant accounting estimates for the identified item

The Company records an estimated amount of loss in the event that, of the undelivered work at the end of the fiscal year, there is a high probability that estimated total cost of the work in question will exceed the amount of orders, and that the expected loss amount can be reasonably estimated. The estimated total cost of work is calculated from available information, such as contract details and actual costs from past work with the same model. Assumptions used in this calculation will fluctuate due a variety of factors, including contract changes, construction conditions, and trends in materials/outsourcing prices. Therefore, estimates will be continuously re-verified and revised.

If these estimates are revised, or if actual manufacturing costs incurred differ from estimates, such may have a significant impact on provision for loss on construction contracts and gross profit for the next fiscal year.

Change in Presentation Method

Changes due to the adoption of Accounting Standard for Disclosure of Accounting Estimates

We adopted Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No.31, March 31, 2020) beginning with the current fiscal year. This disclosure is included as Notes on Accounting Estimates in the Notes to Non-Consolidated Financial Statements.

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 the E-Ship Trust-Type Employee Shareholding Incentive 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) Overview 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 treasury stock for the current fiscal year amounted to 810 million yen and 362 thousand shares, respectively.

(3) Carrying value of borrowings recorded via application of the gross method: 809 million yen for the current fiscal year

Impact of COVID-19 on Accounting Estimates

The spread of COVID-19 has had a negative impact on Fujitec business activities. However, it is difficult to predict when COVID-19 infections will slow, due to the reemergence of infections and other developments. The group has made accounting estimates for the impairment of fixed assets and recoverability of deferred tax assets assuming that wider vaccinations and other measures in countries around the world will lead to a slowing in infections beginning in the second half of the next consolidated fiscal year.

Notes to the balance sheets

1. Accumulated depreciation for property, plant and equipment 20,374 million yen

2. Guarantee obligations

We provide debt guarantees for loans of other companies arranged with financial institutions.

(Loan guarantee)

Fujitec Korea Co., Ltd..	840 million yen

(Other payment guarantees)

Fujitec America, Inc.	245 million yen
Fujitec Canada, Inc.	82 million yen
	327 million yen

3. Monetary receivables and payables from and to affiliated companies

Short-term monetary claims	2,421 million yen
Long-term monetary claims	907 million yen
Short-term monetary debt	311 million yen
Long-term monetary debt	885 million yen

Notes to statements of income

Transaction volume with affiliated companies

Operating revenue	2,433 million yen
Operating expenses	5,490 million yen
Volume of non-business transactions	2,915 million yen

Notes to statements of changes in shareholders' equity

Matters concerning the class and number of treasury shares

Class of stock	Balance at the beginning of the current fiscal year (thousand shares)	Increase in shares (thousand shares)	Decrease in shares (thousand shares)	Balance at the end of the current fiscal year (thousand shares)
Common stock	8,985	415	5,241	4,159

(Note) The number of treasury shares of common stock at the end of the current fiscal year was 216 thousand shares due to purchase of fractional shares, 362 thousand shares held as a trust-type employee shareholding incentive plan (E-Ship), and 3,580 thousand shares due to acquisition of treasury stock.

(Reasons for change)

The details of increases and decreases are as follows.

Increase due to purchase of fractional shares	0 thousand shares
Increase due to introduction of the E-Ship Trust-Type Employee Shareholding Incentive Plan	415 thousand shares
Decrease due to 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	415 thousand shares
Decrease due to sale to the Company's employee stock ownership association due to the E-Ship Trust-Type Employee Shareholding Incentive Plan	53 thousand shares
Disposal of treasury stock due to exercise of stock acquisition rights	6 thousand shares

Notes on tax effect accounting

Deferred tax assets and deferred tax liabilities by major classification

Deferred tax assets	
Loss on valuation of shares of subsidiaries and associates	1,034 million yen
Provision for retirement benefits	340 million yen
Provision for bonuses	590 million yen
Allowance for doubtful accounts	35 million yen
Accrued enterprise tax	125 million yen
Provision for warranties for completed construction	11 million yen
Provision for losses on construction contracts	1,252 million yen
Other	632 million yen
Subtotal of deferred tax assets	4,023 million yen
Valuation allowance	(1,518) million yen
Total deferred tax assets	2,504 million yen
Deferred tax liabilities	
Net unrealized gains on securities	(1,137) million yen
Deferred tax assets (reserve for advanced depreciation)	(30) million yen
Total deferred tax liabilities	(1,167) million yen
Deferred tax assets, net	1,336 million yen

Notes on related-party transactions

1. Officers and major individual shareholders

(Million yen)

Class	Name of company/organization	Ratio of voting rights held (ownership) (%)	Relationship	Details of transaction	Transaction value	Account	Period-end balance
Companies and organizations in which officers and/or their close relatives own a majority of voting rights	Santo Co., Ltd. (Note 2)	Ownership of Company stock 1.30, direct	Real estate leasing	Building leasing (Note 3)	48	Security deposits	45

(Notes) 1. Transaction amounts do not include consumption tax.
2. Close relatives of Company President and CEO Takakazu Uchiyama hold 90% of voting rights directly.
3. Conditions and policies for determining transactions
Rents are determined in reference to nearby transaction prices.

2. Subsidiaries and affiliated companies

(Million yen)

Class	Name of company/organization	Ratio of voting rights held (ownership) (%)	Relationship	Details of transaction	Transaction value	Account	Period-end balance
Subsidiaries	Fujitec America, Inc.	Ownership 100.00, direct	Sale of Company products and semi-finished products Fund lending, debt guarantee Shared officers	Lending of funds (Note 1)	—	Long-term loans receivable	885
				Interest received (Note 1)	1	Other current assets	0
				Debt guarantee (Note 2)	245	—	—
	Fujitec (HK) Co., Ltd.	Ownership 100.00, direct	Sale of Company products and semi-finished products Fund borrowings Shared officers	Fund borrowings (Note 3)	—	Long-term debt	885
				Interest expenses paid (Note 3)	1	Accrued expenses	0
	Huasheng Fujitec Elevator Co., Ltd.	Ownership 60.00, direct	Sale of Company products and semi-finished products Shared officers	Underwriting capital increase (Note 4)	1,003	—	—
	Fujitec India Private Ltd.	Ownership 81.45, directly 18.55, indirect	Sale of Company products and semi-finished products Shared officers	Underwriting capital increase (Note5)	1,028	—	—
	Fujitec Saudi Arabia Co., Ltd.	Ownership 75.00, direct	Sale of Company products and semi-finished products Lending of funds	Lending of funds (Note 1)	—	Short-term loans receivable	918
				Interest received (Note 1)	13	Other current assets	3

Conditions and policies for determining transactions

(Notes) 1. Interest rates for the lending of funds are reasonably determined in consideration of market interest rates.
2. We have provided debt guarantees for bank loans, etc., and have not received guarantee fees.
3. Interest rates for loans are reasonably determined in consideration of market interest rates.
4. The underwriting of the capital increase was conducted by the Company in proportion to its ownership ratio.
5. Underwriting capital increases are full underwritings of capital increases conducted by the Company in question.

Notes on per-share information

Net assets per share	808.40 yen
Net income per share	79.21 yen
Diluted net income per share	79.17 yen

(Note) In calculating fiscal year end 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 held as E-Ship Trust-Type Employee Shareholding Incentive Plan.

(Note) Amounts stated in financial documents are rounded down to the nearest million yen.