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Dear Shareholders:

Matters Disclosed on the Internet Concerning Notice of the 75th Annual Meeting of Shareholders

(April 1, 2021 to March 31, 2022)

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 held two meetings during the fiscal year. 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 held two meetings during the fiscal year. 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 the current fiscal year, the Risk Management Rules were revised and enforced in order to rebuild the risk management system. We conducted a risk assessment of the entire group and determined the issues to be addressed in the following fiscal year based on the identified risks. We established the Fujitec Group Risk Management Policy as our basic approach to risk management and made it known to our global subsidiaries. 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, conventionally full-time members of the Audit & Supervisory Board attended the Global Management Committee. Given the impact of the spread of COVID-19, during fiscal 2021, the meeting was not held. However, members of the Audit & Supervisory Board monitored the status of deliberations on important management issues by attending the Risk Management Committee meetings. 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.

Basic Policy on Management Control

(1) Basic policy overview

Since our inception in 1948, Fujitec Co., Ltd. has specialized in the manufacture of elevators, escalators and moving walkways. The Company has global operations that include manufacturing, sales, and maintenance services.

The Fujitec Group has 10 manufacturing bases and a large number of sales offices in 24 different countries and regions worldwide. Our operating framework pursues the best possible performance in line with the goal of optimizing consolidated financial results. This organization strives to conduct operations with deep local roots, while providing for collaboration among group companies on a global scale. Our group is dedicated to developing products that target a diverse range of global market needs. At the same time, we pursue a global production and sourcing system by which group companies supply product parts and other items to each other to control expenses and maintain outstanding quality. Through these efforts, we strive to improve our power to develop and supply excellent products.

The Fujitec management philosophy is “to work in countries worldwide and with people around the world to create beautiful urban functions that meet the demands of a new era, while placing priority on people, technologies and products.” In the pursuit of this philosophy, we strive to satisfy all stakeholders, including shareholders, customers, users, suppliers, residents of communities, employees and others, through sustained growth and consistent profitability; cultivates advanced skills in R&D, manufacturing technologies and business field; supplies reliable, high quality products. We offer a maintenance and modernization approach to build long-term, trusting relationships with customers and users. The above philosophy also supports our efforts to achieve the following goals through our business activities, to contribute to the industrial progress and economic growth of countries worldwide, to play a part in cultural enrichment and mutual understanding among peoples all over the world, and to promote the spirit of mutual harmony and prosperity with all stakeholders. We believe that the commitment of the entire Fujitec Group to translating this philosophy into concrete action represents the source of the group’s corporate value, and will lead to the preservation and enhancement of both our corporate value and our shareholders’ common interests.

For these reasons, the Fujitec believes that an entity or group attempting to make a large-scale purchase of Fujitec stock that could be detrimental to the preservation and enhancement of corporate value and common shareholder interests would not be appropriate for managing decision-making related to our financial affairs and business activities.

(2) Overview of special initiatives to achieve the basic policy

i. Outline of initiatives to utilize property effectively, to form an appropriate corporate group, and otherwise achieve the basic policy

The company has steadily implemented the initiatives described in Fujitec Future Strategic Direction announced on December 4, 2020. Considering the global megatrends causing changes in the business environment, we announced a new three-year medium-term management plan, Vision24 Fujitec Medium-Term Management Plan (FY2022 - FY2024) in December 2021. In March 2022, we published supplemental disclosure of Vision24 explaining specific measures and capital policies to improve management transparency. We will increase our market share by expanding our New Installation and Aftermarket Businesses as described in Vision 24. And ensure that we improve our profitability by expanding sales and promoting cost reductions. Through these efforts, we will continue to provide safe and reliable products to people around the world for sustainable enhancement of our corporate value in the global market. Vision 24 Action Guidelines emphasize the following four points:

○Sales Strategy	: Cultivate and delve deeper into new markets and customers by expanding our product lineup
○ Product and Technology Strategy	: Develop and launch strategic models in collaboration with each location Strengthen development of environment-friendly products
○ Production and Operations Strategy	: Achieve cost reforms through procurement and the introduction of next generation technologies in collaboration with each location
○ Corporate Strategy	: Strengthen capital policy and governance structure Establish a system to implement group strategies

ii. Overview of measures to prevent decisions on Company financial and business policies from being controlled by persons who are inappropriate in consideration of the Basic Policy on Management Control

At the 72nd Ordinary General Meeting of Shareholders held on June 21, 2019, the Company received shareholder approval and renewed its Policy Against Large-Scale Purchases of Company Shares (the "Plan"). Further, at a meeting of the board of directors held December 4, 2020, the Company resolved to discontinue the Plan upon the conclusion of 75th Ordinary General Meeting of Shareholders, scheduled to be held in June 2022, which is the effective term of the Plan.

Fujitec will continue to secure and improve corporate value and the common interests of our shareholders after the discontinuation of the Plan. At the same time, we will require any large-scale purchaser of company shares to provide information in a sufficient and necessary manner to allow shareholders to make appropriate judgments as to the propriety of such large-scale purchases, while also disclosing the opinions, etc., of our board of directors and securing time for our shareholders to conduct a review. In this way and others, we will take appropriate measures based on the Financial Instruments and Exchange Act, the Companies Act, and other relevant laws and regulations.

To preserve and enhance the Company’s corporate value and common shareholder interest, the Plan sets forth the procedure through which the board of directors take the following measures with respect to an entity which attempts a large-scale purchase of Company stock: (i) request the party planning the large-scale purchase (“large-scale purchaser”) provide necessary and sufficient information regarding the proposed large-scale purchase in advance; (ii) secure time to collect information and to examine the proposed large-scale purchase; and (iii) present a plan or an alternative proposal formulated by the board to shareholders and negotiate with said large-scale purchaser. To achieve the intent and objectives of these procedures, the board of directors will also require the large-scale purchaser or specified shareholder groups to refrain from commencing the proposed large-scale purchase until the procedures set forth in the Plan have been completed.

In the event that the large-scale purchaser does not follow procedures as defined in the Plan, or if the large-scale purchase, etc., could be detrimental to the Company's shareholder value and, in turn, the common interests of our shareholders, the Company may perform a gratis allotment of stock acquisition rights as a countermeasure.

The Company has established an Independent Committee for the purpose of eliminating arbitrary decisions of its Board of Directors concerning whether or not to conduct the allotment of stock acquisition rights or to acquire these rights under the plan. These decisions are made only after the Independent Committee has reached an objective decision. The members of this committee consist solely of outside directors, outside members of the Audit & Supervisory Board and outside experts (business executives, attorneys, certified public accountants, and others with a business or academic background) who are independent of the Company's senior executives.

In general, the Company's board of directors convene a General Shareholders Meeting for Confirmation of Intent and confirm the intent of the Company's shareholders regarding the gratis allotment of stock acquisition rights. The Company shall engage in timely disclosure of information every shareholder to ensure transparency in connection with this procedure.

Visit our website for more information:
https://www.fujitec.com/common/fjhp/doc/top_global/document/irnews/1988/190510_Renewal%20of%20Countermeasures%20to%20Large-Scale%20Purchase%20of%20Fujitec%20Co.,%20Ltd.%20Shares_Final.pdf
Details are provided in a PDF document titled, *Renewal of Countermeasures to Large-Scale Purchases of Fujitec Co., Ltd. Shares (Takeover Defense Measures).*

(3) Judgments and supporting reasons of the board of directors regarding specific measures

Based on the following reasons, the Company believes that the Plan is consistent with the Basic Policy on Management Control, and that the Plan is not detrimental to the common shareholder interest, nor is intended to protect the positions of current officers.

i. The Plan meets the requirements of the Guidelines Concerning Takeover Defense Measures

The Plan fulfills the three basic principles of the established by the *Policy Concerning Takeover Defenses for Preserving and Enhancing Corporate Value and Shareholders' Common Interests* (the principle of preservation and enhancement of corporate value and shareholders' common interests; principle of prior disclosure and intentions of shareholders; and principle of necessity and reasonableness). This policy was issued jointly by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

The Plan also takes into consideration the *Nature of Takeover Defense Policy considering the Recent Environmental Changes* released by the Business Research Institute on June 30, 2008.

ii. The Plan has been adopted for the purpose of preserving and enhancing common shareholder interests

The Company adopted the Plan with the aim of preserving and enhancing corporate value and common shareholder interests. The Plan is designed to achieve this aim by, upon receipt of a proposal for purchase of the Company stock, securing information and time necessary for shareholders to make decisions about accepting the proposed purchase, as well as time necessary for the Company's board of directors to present an alternative proposal or negotiate with the prospective purchaser on behalf of shareholders.

We believe the Plan allows our shareholders and other investors to make appropriate investment decisions. In this light, the Plan is not detrimental, but indeed is beneficial, to the common interests of shareholders.

iii. The Plan places importance on the intentions of shareholders

In general, the Company's board of directors shall convene a General Shareholders Meeting for Confirmation of Intent and confirm the intent of the Company's shareholders.

Further, the Plan is subject to a so-called sunset clause that sets an effective period of approximately three years. However, if a resolution is approved at a shareholders meeting to revoke the resolution to delegate the authority described above, the Plan will be abolished at that time, even if such is prior to the expiration of the effective period of the Plan. In this respect, the termination of the plan and its details will reflect the intent of the Company's shareholders.

iv. An Independent Committee has been established to ensure objectivity and reasonableness in decisions made by the board of directors

The Company will establish an Independent Committee to prevent the board of directors from making arbitrary decisions that trigger countermeasures.

The Independent Committee will consist of two outside directors and one outside expert who are independent of the Company's senior operating officers. The following provides an overview of the rules of the Independent Committee.

Overview of the Rules of the Independent Committee

- The Independent Committee shall be established by a resolution of the Company's board of directors.
- The committee shall consist of no less than three members. The Company's board of directors will appoint members of the committee by choosing outside directors, outside members of the Audit & Supervisory Board, and outside experts who are independent from the Company's senior executives who conduct the Company's business operations. In this way, the committee may reach fair and neutral decisions independently.
- The Independent Committee will submit recommendations to the Company's board of directors concerning items consulted by the board of directors. In principle, the Independent Committee shall recommend decisions supported by evidence and reasons. When making decisions, committee members shall consider whether an outcome would be beneficial to Company corporate value and, in turn, the common interests of shareholders.
- The Independent Committee may, at the Company's expense, obtain advice from investment banks, securities companies, attorneys, certified public accountants, and other outside specialists.
- Resolutions of the Independent Committee shall be approved by a majority vote of members attending the meeting at which a majority of committee members are in attendance.

The Company's board of directors shall respect decisions made by the Independent Committee to the greatest extent possible. This ensures a mechanism for the operation of the Plan in a transparent manner beneficial to Company corporate value and common shareholder interests.

v. Reasonable and objective requirements have been established

The Plan has been established so as not to be triggered unless reasonable and objective requirements set forth in advance have been satisfied. The Plan has been structured to ensure the elimination of arbitrary triggering by the Company's board of directors.

vi. Shorter terms of office for Company directors

We have already shortened the term of service for directors to one year with approval received at a shareholders' meeting. In this way, shareholders will also be able to express their intentions regarding the Plan through their annual appointment of directors.

vii. No dead-hand or slow-hand takeover defense measures have been adopted

The Plan may be abolished by the board of directors, consisting of directors elected at a general meeting of shareholders. The Plan may be abolished by a board of directors consisting of directors nominated at a general meeting of shareholders by a person who has purchased a large number of Company stock certificates. Therefore, the Plan is not a dead-hand takeover defense measure (a takeover defense measure that cannot be prevented from being triggered, even if a majority of the members of the board of directors are replaced). Also, the Company has not adopted a system of staggered terms of office for the board of directors. Therefore, the Plan is not a slow-hand takeover defense measure (a takeover defense measure that requires time to prevent the implementation thereof since the members of the board of directors cannot be replaced at once).

Consolidated Statements of Changes in Shareholders' Equity

(April 1, 2021 to March 31, 2022)

(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	14,474	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
Change during the current fiscal year					
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Dividends from surplus			(5,298)		(5,298)
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
	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	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
Change during the current fiscal year								
Change in ownership interest of parent due to transactions with non-controlling interests								0
Dividends from surplus								(5,298)
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

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)

(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 other than stocks, etc., with no market price	……	Market value method (all valuation differences are reported as a component of shareholders' equity, and selling cost is calculated by the moving average method)
・ Stocks, etc., with no market price	……	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)

The straight-line method is primarily used.

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.

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

(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

・New installation work

The Company is engaged in the construction of new elevators, escalators, and other equipment. The Company recognizes revenue based on the progress of completion of performance obligations for construction contracts over a certain period of time. We measure the progress of completion 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. These subsidiaries measure progress based on the percentage of construction costs incurred by the end of each reporting period compared with the total expected construction costs.

・Modernization projects

The Company performs modernization 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.

・Maintenance

The Company provides maintenance services for 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. We measure progress for these services based on elapsed time.

・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.

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. 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.

f. Hedge accounting method

・ Hedge accounting method

In principle, treatment is done on a deferred hedge accounting basis.

・ Hedging methods and hedging targets

Hedging method	Hedging target
Foreign currency contract	Foreign currency denominated transactions

・ 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.

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. Some overseas subsidiaries have changed their revenue recognition method for certain equipment sales to the point at which control of the equipment is transferred to the customer. Revenue recognition for installation construction contracts 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 the 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 consolidated of the current 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 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.

Adoption of Accounting Standard for Fair Value Measurement

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, in the notes to Financial Instruments, the Company has decided to provide notes on items such as the breakdown of the fair value of financial instruments by level.

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 equipment in question. Since we expect our property, plant and equipment to be in stable operation over an extended period of time, we determined that the adopting the straight-line method of depreciation reflects the actual business conditions of the company more appropriately. The straight-line method allocates the average cost of the fixed asset over its useful life.

As a result of this change, operating income, ordinary income, and profit before income taxes for the current consolidated fiscal year increased by 271 million yen, respectively, compared with the amounts based on the previous method.

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	2,154 million yen
Machinery and equipment	84 million yen
Land	258 million yen
Total	2,497 million yen
Short-term debt	83 million yen

2. Accumulated depreciation for property, plant and equipment 35,276 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	85,300	—	2,900	82,400

(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 March 1, 2022: 2,900 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 22, 2021 Ordinary General Meeting of Shareholders	Common stock	3,260	40.00	March 31, 2021	June 23, 2021
November 10, 2021 Board of Directors	Common stock	2,037	25.00	September 30, 2021	December 1, 2021

(Note) Dividends for Company shares held by the Trust-Type Employee Shareholding Incentive Plan (E-Ship) amounted to 14 million yen of the total dividends approved at the ordinary general meeting of shareholders held June 22, 2021 and 6 million yen of the total dividends approved at the board of directors meeting held November 10, 2021.

(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 23, 2022.

Resolution	Class of stock	Total dividend value (million yen)	Source of dividend	Dividends per share (yen)	Date of record	Effective date
June 23, 2022 Ordinary General Meeting of Shareholders	Common stock	3,652	Retained earnings	45.00	March 31, 2022	June 24, 2022

(Note) The total amount of dividends as resolved at the ordinary general meeting of shareholders on June 23, 2022 includes dividends of 8 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, 2022.

(Million yen)

	Carrying value	Market value	Net balance
(1) notes and accounts receivable - trade and contract assets (Before exclusion of allowance of doubtful accounts) (*3)	52,494	50,622	(1,871)
(2) Investment securities			
Other securities	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)
Derivative transactions (*5) Items treated under 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) 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	Carrying value on consolidated balance sheets (Million yen)
Unlisted stocks	112
Stocks of subsidiaries and affiliates	579

(*3) Contract assets are not included.

(*4) Lease obligations included in *Other* of *current liabilities*, and *Other* of *fixed liabilities* 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.

3. Matters Related to 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

Classification	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Investments securities				
Other securities				
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 not carried at face value on the consolidated balance sheets

Classification	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable-trade and contract assets (Before exclusion of allowance of 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 and contract assets

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-operating, 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 principle and interest rate applicable to new similar transactions.

Notes Regarding Revenue Recognition

1. Disaggregation of revenues arising from customer contracts

(Million 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
Revenue 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'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. Consideration for transactions is generally received within approximately one year from 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. 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'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. Consideration for transactions is generally received within approximately one year from 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, etc.

(Million yen)

	Beginning of Period	End of Period
Accounts receivable-trade	49,456	52,494
Contract assets	11,125	13,629
Contract liability	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. Contract assets are reclassified to accounts receivable when the Company or consolidated subsidiaries rights to the 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 liability is unearned consideration received from customers in advance of the performance of contracts for goods or services provided by the Company and consolidated subsidiaries. Contracts related to such unearned consideration is reversed as revenue is recognized.

Of the beginning balance of *advances from customers*, 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, 2012 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 Par.19 of Implementation Guidance on Accounting Standard for Revenue Recognition.

Notes on per-share information

Net assets per share	1,549.83 yen
Earnings per share	133.42 yen
Diluted earnings per share	133.36 yen

(Note) 1. 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.

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, earnings per share increased 11.65 yen and diluted earnings per share increased 11.64 yen for the current consolidated fiscal year.

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

Non-Consolidated Statements of Changes in Shareholders' Equity

(April 1, 2021 to March 31, 2022)

(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	67	900	800	3,500	34,415	41,020
Cumulative effects of changes in accounting policies										(585)	(585)
Restated balance	12,533	14,565	－	14,565	1,337	67	900	800	3,500	33,829	40,434
Change during the current fiscal year											
Provision of reserve for advanced depreciation of fixed assets						16				(16)	－
Reversal of reserve for advanced depreciation of fixed assets						(3)				3	－
Dividends from surplus										(5,298)	(5,298)
Net income										8,177	8,177
Purchases of treasury stock											－
Disposal of treasury stock			15	15							－
Cancellation of treasury stock			(3,560)	(3,560)							－
Transfer to capital surplus from retained earnings			3,545	3,545						(3,545)	(3,545)
Net changes of items other than shareholders' equity											
Total changes during the current fiscal year	－	－	－	－	－	13	－	－	－	(679)	(666)
Balance at the end of the current fiscal year	12,533	14,565	－	14,565	1,337	81	900	800	3,500	33,150	39,768

	Shareholders' equity		Valuation and translation adjustments			
	Treasury stock	Total Shareholders' equity	Net unrealized gains on securities	Total valuation and translation adjustments	Stock acquisition rights	Total net assets
Balance at the beginning of the current fiscal year	(5,206)	62,913	2,681	2,681	35	65,630
Cumulative effects of changes in accounting policies		(585)				(585)
Restated balance	(5,206)	62,328	2,681	2,681	35	65,044
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		(5,298)				(5,298)
Net income		8,177				8,177
Purchases of treasury stock	(1,004)	(1,004)				(1,004)
Disposal of treasury stock	382	398				398
Cancellation of treasury stock	3,560	－				－
Transfer to capital surplus from retained earnings		－				－
Net changes of items other than shareholders' equity			(205)	(205)	－	(205)
Total changes during the current fiscal year	2,938	2,272	(205)	(205)	－	2,066
Balance at the end of the current fiscal year	(2,267)	64,600	2,475	2,475	35	67,111

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 other than stocks, etc., with no market price	……	Market value method (all valuation differences are reported as a component of shareholders' equity, and selling cost is calculated by the moving average method)
・Stocks, etc., with no market price	……	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

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.
(7) Provision for shareholder benefit program	……	The Company records an allowance for expenses expected to be incurred under the shareholder benefit program.

4. Standards for recognition of revenues and expenses

・New installation work

The Company is engaged in the construction of new elevators, escalators, and other equipment. The Company recognizes revenue based on the progress of completion of performance obligations for construction contracts over a certain period of time. We measure the progress of completion based on the percentage of construction costs incurred by the end of each reporting period compared with the total expected construction costs.

・Modernization projects

The Company performs modernization 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.

・Maintenance

The Company provides maintenance services for 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. We measure progress for these services based on elapsed time.

・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.

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.

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 5,237 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.

Changes in Accounting Policies

Adoption of Accounting Standard for Revenue Recognition

At the beginning of the current 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. The Company estimates 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 the 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 fiscal year has been added to or deducted from retained earnings at the beginning of the current fiscal year, and the new accounting policy has been applied beginning with the relevant beginning balance.

As a result, net sales for the current fiscal year increased by 273 million yen compared with the previous accounting method. Cost of sales decreased by 164 million yen, while operating income, ordinary income, and profit before income taxes each increased by 438 million yen. The balance of retained earnings at the beginning of the period decreased by 585 million yen.

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

Adoption of Accounting Standard for Fair Value Measurement

We adopted the 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 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 financial statements of the Company.

Change in Depreciation Method for Tangible Fixed Assets

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

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

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

As a result of this change, operating income, ordinary income, and profit before income taxes for the fiscal year increased by 271 million yen, respectively, compared with the amounts based on the previous method.

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 442 million yen and 197 thousand shares, respectively.

(3) Carrying value of borrowings recorded via application of the gross method: 381 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 21,203 million yen

2. Guarantee obligations

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

(Loan guarantee)

Fujitec Korea Co., Ltd..	707 million yen

(Other payment guarantees)

Fujitec America, Inc.	179 million yen
Fujitec Canada, Inc.	68 million yen
	247 million yen

3. Monetary receivables and payables from and to affiliated companies

Short-term monetary claims	3,080 million yen
Long-term monetary claims	1,003 million yen
Short-term monetary debt	573 million yen
Long-term monetary debt	979 million yen

Notes to statements of income

Transaction volume with affiliated companies

Operating revenue	2,562 million yen
Operating expenses	6,415 million yen
Volume of non-business transactions	3,821 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	4,159	352	3,076	1,434

(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, 197 thousand shares held as a trust-type employee shareholding incentive plan (E-Ship), and 1,020 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
Purchase 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
Decrease due to cancellation of treasury stock by resolution of the board of directors on March 1, 2022	2,900 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	164 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	1,048 million yen
Provision for retirement benefits	391 million yen
Provision for bonuses	599 million yen
Allowance for doubtful accounts	89 million yen
Accrued enterprise tax	116 million yen
Provision for warranties for completed construction	6 million yen
Provision for losses on construction contracts	1,575 million yen
Revenue recognition standard	28 million yen
Other	605 million yen
Subtotal of deferred tax assets	4,460 million yen
Valuation allowance	(1,517) million yen
Total deferred tax assets	2,943 million yen
Deferred tax liabilities	
Net unrealized gains on securities	(1,042) million yen
Deferred tax assets (reserve for advanced depreciation)	(35) million yen
Total deferred tax liabilities	(1,078) million yen
Deferred tax assets, net	1,864 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 1.31, direct	Real estate leasing	Building leasing (Note 3)	38	Security deposits	8
				Purchase and sale of land, buildings, etc. (Note 3)	342	—	—

(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 and sales 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	979
				Interest received (Note 1)	1	Other current assets	0
				Debt guarantee (Note 2)	179	—	—
	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	979
				Interest expenses paid (Note 3)	1	Accrued expenses	0
	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)	202	Short-term loans receivable	1,230
				Interest received (Note 1)	7	Other current assets	2

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. The Company has guaranteed other payments, but not received any guarantee fees.
3. Interest rates for the borrowing and lending of funds are reasonably determined in consideration of market interest rates.

Notes to Revenue Recognition

Basic information for understanding revenues Same as Notes to Consolidated Financial Statements.

Notes on per-share information

Net assets per share	828.46 yen
Earnings per share	100.68 yen
Diluted earnings per share	100.64 yen

(Note) 1. 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.
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 decreased 1.82 yen and earnings per share, diluted earnings per share increased 5.40 yen for the current fiscal year.

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