August 7, 2020

Consolidated Business Results for the First Quarter Ended June 30, 2020 (Japan GAAP)

Company: **FUJITEC CO., LTD.** Listed on TSE1

Stock Code: 6406 URL: https://www.fujitec.com

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Expected date of filing of quarterly report: August 12, 2020

Expected starting date of dividend payment: —

Supplementary materials for the quarterly business results: Yes
(Disclosed on corporate website)

Presentation of the quarterly business results: No
(for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated business results for the first quarter ended June 30, 2020 (April 1, 2020 to June 30, 2020)

(1) Operating results (cumulative)

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2020	34,103	(12.9)	1,438	(26.4)	1,746	(26.4)	1,293	(24.2)
June 30, 2019	39,169	7.9	1,953	66.9	2,371	42.8	1,707	60.8

(Note) Comprehensive income — June 30, 2020: 226 million yen (-90.4%), June 30, 2019: 2,363 million yen (—%)

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
June 30, 2020	15.96	15.95
June 30, 2019	21.11	21.10

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
June 30, 2020	187,441	116,505	55.9
March 31, 2020	193,581	118,714	55.2

(Reference) Shareholders' equity — June 30, 2020: 104,850 million yen, March 31, 2020: 106,913 million yen

2. Cash dividends

	Cash dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
For the year ended March 31, 2020	—	20.00	—	30.00	50.00
For the year ending March 31, 2021	—				
March 31, 2021 (forecast)		20.00	—	30.00	50.00

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

3. Forecasts of consolidated business performance for the fiscal year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
For the year ending March 31, 2021	165,000	(9.0)	10,700	(20.0)	11,500	(21.7)	7,500	(24.4)	92.50

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

4. Other

(1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries due to changes in the scope of consolidation): No

(2) Application of specific accounting procedures for quarterly financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

1) Changes in accounting policies due to revision of accounting standards: No

2) Changes other than 1), above: No

3) Changes in accounting estimates: No

4) Retrospective restatements: No

(4) Number of shares outstanding (common stock)

1) Number of shares outstanding at the end of period (including treasury stock):	Three months ended June 30, 2020: 90,067,000 shares	Year ended March 31, 2020: 90,067,000 shares
2) Treasury stock at the end of period:	Three months ended June 30, 2020: 8,985,121 shares	Year ended March 31, 2020: 8,985,121 shares
3) Weighted average number of shares outstanding during the period:	Three months ended June 30, 2020: 81,081,879 shares	Three months ended June 30, 2019: 80,876,303 shares

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

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

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

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

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1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Operating Results

(Amounts less than one million yen are rounded down)

		FY2019 Q1 (April 1 - June 30, 2019)	FY2020 Q1 (April 1 - June 30, 2020)	Change (%)
Net sales		39,169	34,103	(12.9)
	Japan	16,258	14,713	(9.5)
	Overseas	22,910	19,390	(15.4)
Operating income		1,953	1,438	(26.4)
Ordinary income		2,371	1,746	(26.4)
Profit attributable to owners of parent		1,707	1,293	(24.2)
Net income per share		21.11 yen	15.96 yen	—

During the three months ended June 30, 2020, the global economy was extremely challenging as economic activity stagnated due to measures taken by governments around the world in response to COVID-19. China, the United States, and Europe experienced negative economic growth between January and March. Even other areas of Asia that were relatively unscathed by the pandemic experienced slowing economies. The Japanese economy weakened rapidly in the wake of the government's April declaration of a state of emergency and request for voluntary restraints on social and economic activities in non-essential travel outside the home.

The elevator and escalator industry saw suspensions and delays in construction, as well as temporary factory closings and other negative effects stemming from government restrictions on business activities. Demand decreased for our new installation business due to stagnation in new construction plans. Our modernization business within the aftermarket business also saw weaker demand similar to the new installation business. Our maintenance business provides maintenance for the elevators and escalators that represent social infrastructure. Here, the impact of COVID-19 was limited, despite certain restrictions in many countries.

In response to these circumstances, the Fujitec Group will continue to adapt through telecommuting and other measures in accordance with governmental policies. We have endeavored to prevent the spread of COVID-19, placing the highest priority on the safety and security of our employees and other business partners. Under our *Sales Strategy*, we engaged in sales activities preparing for a recover in demand in China, where the economy is showing signs of increasing economic activity. Under our *Product and Technology Strategy*, we began sales of our XIOR product, a new standard model for Japan featuring the latest in technology trends. New features include a touchless non-contact call button, a current capacity status display to help passengers avoid the 3Cs (closed spaces, crowded places, close-contact settings), and other highly regarded new functions for better hygiene. Under our *Operational Strategy*, Fujitec moved forward with factory expansions in India and Taiwan to increase production capacity. We also engaged in capital investment in Japan to improve productivity.

We implemented the various initiatives as described above in response to the business environment. Fujitec Group business performance for the three months ended June 30, 2020 was as described below.

Our new installation business experienced weaker demand for in the private sector in Japan for the first quarter due to voluntary restraints on business activities under the declaration of emergency. On the other hand, government sector demand rose, resulting in orders for new installations level with the same quarter in the prior fiscal year. Our modernization business, under the after-sales market business, conducts upgrades of existing elevators and escalators. Here, we saw cut-backs in construction plans and fewer orders. Meanwhile, our maintenance business, which repairs and maintains elevators and escalators, delivered strong performance, using remote surveillances, automated remote inspections, and other systems related to the work of maintaining social infrastructure, even in this time of COVID-19 pandemic.

In overseas markets, the spread of COVID-19 had a significant impact on the new installation market. New installation orders decreased in China and other countries of East Asia. In South Asia, new installation orders were weak in Singapore and India. However, new installation orders in Indonesia and Malaysia were higher as we won large-scale projects in these countries. Our after-sales market business saw increased maintenance work in Singapore. Our North America and Europe segment saw a significant decline in new installation orders in the United States.

As a result of these circumstances, total orders received amounted to ¥40,760 million (down 6.1% year on year), consisting of ¥17,547 million in domestic orders received (down 2.6%) and ¥23,212 million in overseas orders received (down 8.6%). In real terms, overseas orders received was 6.6% lower year on year when excluding the impact of foreign exchange fluctuations.

Total net sales amounted to ¥34,103 million (down 12.9%), consisting of ¥14,713 million in domestic net sales (down 9.5%) and ¥19,390 million in overseas net sales (down 15.4%). In real terms, overseas net sales were 13.7% lower year on year when excluding the impact of foreign exchange fluctuations.

Total order backlog amounted to ¥213,832 million (up 2.9% year on year), consisting of domestic order backlog in the amount of ¥68,563 million (up 4.3%) and overseas order backlog in the amount of ¥145,268 million (up 2.2%). In real terms, overseas order backlog was 2.7% higher year on year when excluding the impact of foreign exchange fluctuations.

Operating profit rose year on year in East Asia and decreased in Japan and North America and Europe, amounting to ¥1,438 million (26.4% decrease). ordinary profit amounted to ¥1,746 million (26.4% decrease). Profit before income taxes and other adjustments amounted to ¥1,746 million (down 25.6%) and net profit attributable to owners of parent amounted to 1,293 million (down 24.2%).

The following information highlights performance by segment:

(Amounts less than one million yen are rounded down)

	Net sales			Operating profit (loss)		
	FY2019 Q1	FY2020 Q1	Change (%)	FY2019 Q1	FY2020 Q1	Change
Japan	16,996	15,455	(9.1)	626	130	(496)
East Asia	14,626	10,754	(26.5)	417	723	306
South Asia	4,154	4,070	(2.0)	716	801	84
North America and Europe	6,125	5,918	(3.4)	234	(236)	(470)
Subtotal	41,902	36,199	(13.6)	1,995	1,419	(575)
Adjustments	(2,733)	(2,095)	—	(41)	19	61
Total	39,169	34,103	(12.9)	1,953	1,438	(514)

Japan

Net sales amounted to ¥15,455 million (down 9.1% year on year). This result was mainly due to low factory operating capacity and delays in construction progress stemming from the declaration of a state of emergency and requests for voluntary restraints, leading to significantly fewer new installations. Operating profit amounted to ¥130 million (down ¥496 million) due to lower sales of new installations.

East Asia

Net sales amounted to ¥10,754 million (down 26.5%), mainly due to significant slowing of new installations in China, despite increased maintenance in Hong Kong and modernization projects in Korea. Operating profit amounted to ¥723 million (up ¥306 million year on year). This result was mainly due to improved profitability for new installations and modernization

projects in Hong Kong and Korea, despite weakness caused by lower sales in China. In real terms, net sales were 24.3% lower year on year when excluding the impact of foreign exchange fluctuations.

South Asia

Net sales amounted to ¥4,070 million (down 2.0% year on year). This result was mainly due to fewer new installations in Singapore and Malaysia, in contrast to higher performance in India. Operating profit amounted to ¥801 million (up ¥84 million) due to strong services business profitability in Singapore and improved profitability in India. In real terms, net sales decreased 0.2% when excluding the impact of foreign exchange fluctuations.

North America and Europe

Net sales amounted to ¥5,918 million (down 3.4% year on year). This result was mainly due to slowed new installations in the United States, where the impact of COVID-19 was significant, despite increases sales in Canada stemming from new installation specification changes. Operating loss amounted to ¥236 million (compared to operating profit of ¥234 million in the year-ago quarter) due to weaker profitability in modernization projects in the United States and in new installations in Canada. In real terms net sales decreased 2.6% when excluding the impact of foreign exchange fluctuations.

(2) Explanation of Financial Position

Total assets as of June 30, 2020 amounted to ¥187,441 million, a decrease of ¥6,140 million compared with the end of the prior consolidated fiscal year. This result was mainly due to decreases in cash and cash equivalents and notes and accounts receivable-trade.

Total liabilities amounted to ¥70,935 million, a decrease of ¥3,931 million compared with the end of the prior consolidated fiscal year. This result was mainly due to decreases in notes and accounts payable-trade, electronically recorded obligations-operating, and short-term debt, partially offset by an increase in advances from customers.

Total net assets amounted to ¥116,505 million, a decrease of ¥2,208 million compared with the end of the prior consolidated fiscal year. This result was mainly due to decreases in retained earnings stemming from year-end dividend payments in the amount of ¥1,138 million and foreign currency translation adjustments in the amount of ¥1,552 million. These decreases were offset in part by an increase in net unrealized gains on securities in the amount of ¥535 million. Our shareholders' equity ratio as of June 30, 2020, was 55.9%, up 0.7 points compared to the end of the prior consolidated fiscal year. Net assets per share amounted to ¥1,293.14, down ¥25.45 compared with the end of the prior consolidated fiscal year.

(3) Explanation of Consolidated Earnings Forecasts and Other Forecasts

We have not made any changes to the consolidated earnings forecasts for fiscal 2020 (April 1, 2020 - March 31, 2021) as announced on May 13, 2020.

In fiscal 2019, the Fujitec Group began executing the first year of our three year medium-term management plan, *Innovation, Quality & Speed*. In the first year of our plan, we already exceeded the targets that we set for the final year of the plan.

Meanwhile, we expect the impact of the global COVID-19 pandemic has made the future direction of the economy extremely difficult to predict. Further, we expect an accelerating shift in social environments reflecting a "new normal".

Considering these circumstances, as well as our verification and analysis of the valuable feedback we have received from our stakeholders, the Fujitec Group is aiming to formulate a new direction for business strategy and capital policies within the fiscal year. We will disclose further details promptly as they become final.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and cash equivalents	57,024	54,668
Notes and accounts receivable-trade	61,626	54,853
Merchandise and finished goods	5,571	5,714
Work in process	5,457	6,147
Raw materials and supplies	8,291	8,401
Other	5,053	5,194
Allowance for doubtful accounts	(2,142)	(2,389)
Total current assets	140,884	132,591
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	19,758	19,405
Machinery and equipment, net	3,403	3,561
Tools, furniture and fixtures, net	2,232	2,111
Land	6,909	6,894
Leased assets, net	694	600
Construction in progress	1,190	1,128
Total property, plant and equipment	34,188	33,701
Intangible assets		
Goodwill	115	1,438
Other	3,524	3,471
Total intangible assets	3,640	4,910
Investments and other assets		
Investments securities	7,172	7,932
Long-term loans receivable	1	0
Other	7,807	8,418
Allowance for doubtful accounts	(112)	(115)
Total investments and other assets	14,868	16,237
Total fixed assets	52,697	54,849
Total assets	193,581	187,441

(Million yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable-trade	14,938	11,578
Electronically recorded obligations-operating	5,373	4,338
Short-term debt	3,990	2,765
Current portion of long-term debt	217	215
Accrued income taxes	2,178	1,749
Accrued bonuses to employees	3,124	3,511
Provision for losses on construction contracts	5,206	5,729
Other provision	1,253	1,273
Advances from customers	23,417	25,469
Other	10,383	9,515
Total current liabilities	70,083	66,146
Fixed liabilities		
Net defined benefit liability	4,076	4,126
Other	706	662
Total fixed liabilities	4,783	4,789
Total liabilities	74,866	70,935
Net assets		
Shareholders' equity		
Paid-in capital	12,533	12,533
Additional paid-in capital	14,571	14,571
Retained earnings	102,355	101,216
Treasury stock	(10,401)	(10,401)
Total Shareholders' equity	119,059	117,920
Accumulated other comprehensive income		
Net unrealized gains on securities	1,194	1,729
Deferred gains or losses on hedges	(16)	20
Foreign currency translation adjustments	(11,935)	(13,488)
Remeasurements of defined benefit plans	(1,387)	(1,331)
Total accumulated other comprehensive income	(12,145)	(13,070)
Stock acquisition rights	40	40
Non-controlling interests	11,760	11,614
Total net assets	118,714	116,505
Total liabilities and net assets	193,581	187,441

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

Quarterly Consolidated Statements of Income

For the three months ended June 30, 2019 and June 30, 2020

(Million yen)

	FY2019 Q1 April 1 - June 30, 2019	FY2020 Q1 April 1 - June 30, 2020
Net sales	39,169	34,103
Cost of sales	30,885	26,981
Gross profit	8,283	7,122
Selling, general and administrative expenses	6,330	5,683
Operating profit	1,953	1,438
Other income		
Interest income	356	311
Dividend income	87	100
Other	79	101
Total other income	522	512
Other expenses		
Interest expenses	48	62
Foreign exchange loss	43	119
Other	12	22
Total other expenses	104	205
Ordinary profit	2,371	1,746
Special gain		
Gain on sales of property, plant and equipment	1	1
Total special gain	1	1
Special loss		
Loss on sales and disposal of property, plant and equipment	23	1
Loss on valuation of investment securities	0	—
Total special loss	24	1
Profit before income taxes	2,348	1,746
Income taxes expense	916	1,075
Deferred taxes expense	(490)	(805)
Total income taxes	426	269
Profit	1,922	1,476
Profit attributable to non-controlling interests	214	182
Profit attributable to owners of parent	1,707	1,293

Quarterly Consolidated Statements of Comprehensive Income

For the three months ended June 30, 2019 and June 30, 2020

(Million yen)

	FY2019 Q1 April 1 - June 30, 2019	FY2020 Q1 April 1 - June 30, 2020
Profit	1,922	1,476
Other comprehensive income		
Net unrealized gains on securities	(136)	535
Deferred gains or losses on hedges	(2)	43
Foreign currency translation adjustments	552	(1,884)
Remeasurements of defined benefit plans	27	56
Total other comprehensive income	440	(1,249)
Comprehensive income	2,363	226
Comprehensive income attributable to:		
Owners of parent	1,976	368
Non-controlling interests	386	(142)

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes Regarding Assumptions of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Segment and other information)

I Three months ended June 30, 2019

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

(Million yen)

	Reportable Segments					Adjustments (Note 1)	Amount to quarterly consolidated statements of income (Note 2)
	Japan	East Asia	South Asia	North America and Europe	Total		
Net sales							
Sales to external customers	16,281	12,622	4,154	6,110	39,169	—	39,169
Intersegment sales/transfers	715	2,003	—	14	2,733	(2,733)	—
Total	16,996	14,626	4,154	6,125	41,902	(2,733)	39,169
Segment income	626	417	716	234	1,995	(41)	1,953

Note 1 Segment income adjustments of -¥41 million include eliminations of intersegment transactions of -¥0 million and inventory adjustments of -¥41 million.

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

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

Not applicable.

II Three months ended June 30, 2020

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

(Million yen)

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

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

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

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

(Significant changes in goodwill)

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

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