FUJITEC

Financial Results Presentation for the Second Quarter Ended September 30, 2020 (FY2020)

November 6, 2020

FUJITEC CO., LTD.

(TSE First Section: 6406)

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Executive Summary

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The Second Quarter Ended September 30, 2020 (FY2020)

- Fujitec reported decreases in sales and operating income of 11.0% and 18.9%, respectively as earnings trended toward recovery.
- Business performance stabilized. Softness in the new installation market was partially offset by continued demand in many markets for maintenance services.
- Fujitec moved forward with the rollout in Japan and overseas markets of its XIOR standard elevator for new and existing installations. First launched in April, the new XIOR standard elevator offering a series of innovations for the *new normal* with enhanced hygiene features including touchless control buttons, gained a lot of positive attention.
- Business performance demonstrated the effectiveness of Fujitec's diversified global footprint to mitigate market risk.
  - Business results in Japan and East Asian markets shifted towards recovery
  - Japan orders increased
  - Focus on outlook for economic recovery from COVID-19 in North America, Europe, and India
- Continued progress in automation in Japan, Taiwan, and India to strengthen production capabilities and boost operating efficiency to capture medium-term growth.

FY2020 Earnings Forecast

- Fujitec leaves unchanged its full-year earnings forecast announced in May. Fujitec also maintains a ¥50 per share annual dividend forecast.

Initiatives Toward Our Future Strategic Direction

- Target to announce new strategic direction for business strategy and capital policies on December 4.
- Fujitec's new strategic direction will reflect medium- and long-term considerations, factoring in the potential impact of more surges in COVID-19 infections.

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Earnings Highlights –
The Second Quarter Ended September 30, 2020 (FY2020)

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- **Sales and profits declined in the second quarter of FY2020 with only a gentle recovery from the resumption of economic activities suspended by restrictions during the COVID-19 pandemic**

(Million yen)

	FY2019 Q2	FY2020 Q2	Change (%)
Net sales	85,859	76,418	(11.0)
Japan	34,309	31,168	(9.2)
International	51,549	45,250	(12.2)
Operating income	6,218	5,041	(18.9)
Ordinary income	6,926	5,611	(19.0)
Profit attributable to owners of parent	4,587	3,438	(25.0)
Net income per share	56.71 yen	42.41 yen	-

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COVID-19 Impact on the Elevator and Escalator Industry

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- **Even during the COVID 19 Pandemic, Demand Remained Firm in Maintenance Business for Existing Installations as part of Essential Social Infrastructure**

- Concerns of COVID-19 reemergence continue to affect certain business activities.

  ✓ New Installation Business
  - Demand recovered in China beginning in March. Performance was level with the same period in the prior fiscal year on an installed basis.
  - In other countries and regions, demand decreased due to stagnation in new construction projects.

  ✓ Aftermarket Business
  - Modernization and Repair Business: Some project restarts and some face additional delays.
  - Maintenance: Continues given the importance of existing installations to the social infrastructure. Limited impact on our business.



- Economy is recovering favorably in China, where the resumption of economic activity was earlier than many other markets.
- Steadiness in our Maintenance business helped offset COVID-19 impact.

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Fujitec Countermeasures for COVID-19

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Enhanced Safety Measures

- ✓ Safety and security of customers, employees, and other business partners remains our highest priority.
- ✓ Maintaining telecommuting and other measures to avoid the Three Cs (closed spaces, crowded places, close-contact settings) in accordance with local policies and protocols in our various markets.

Business Strategy Execution

- ✓ Continuing to provide safe and stable maintenance business as part of the social infrastructure.
- ✓ Expanding sales of XIOR, a new standard elevator model with anti-infection features.
  - Launched sales of XIOR in April in Japan. Began full-scale sales activities in June after the lifting of the declaration of emergency, shipping numerous units to date.
  - Our unique technologies to strengthen hygiene continued to generate a lot of positive attention in Japan and overseas.
  - Expanding lineup of touchless button-equipped elevators. Actively securing orders for new and existing elevators in Japan and overseas.
- ✓ Strengthened escalator cleaning functions and developed handrail sterilization device using UV rays.
- ✓ Operational Strategy: Adopting automation for improved productivity in Japan, India, and Taiwan; strengthening production capacity and efficiencies.

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Reference: Wide Variety of Touchless Call Buttons

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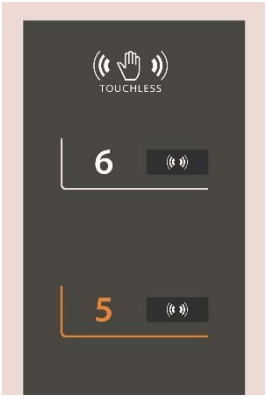
- **Contactless buttons for touch-free elevator operations across a wide range of applications, including new and existing installations (modernization, repair)**

Sensor-Only Model





Riders can call an elevator car and select a floor without touching buttons

Hybrid Model





Installation of both push buttons and touchless buttons

Push-Button Integrated Model





Integration of both push buttons and touchless buttons

Touchless buttons allow for hygienic operation of elevators without touching buttons. Operating method is the same as for traditional elevators.

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Orders Received –
The Second Quarter Ended September 30, 2020 (FY2020)

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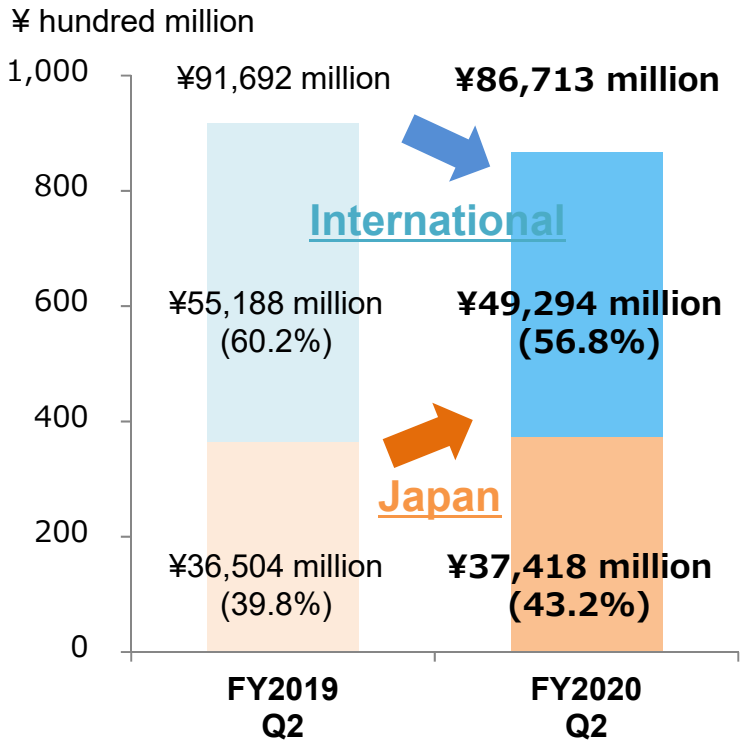
- **Total orders amounted to ¥86,713 million (5.4% decrease year on year)**



Figures inside graph: Orders (breakdown)

[Japan Orders] ¥37,418 million (2.5% year on year)

New Installation Business

- Orders increased. Demand increased in the public sector. Private-sector demand stagnated, mainly for hotels and retail stores.

Aftermarket Business

- Results for modernization projects were level with the same period in the prior fiscal year.
- Maintenance performance remained firm.

[International Orders] ¥49,294 million (-10.7% year on year)

New Installation Business

- East Asia decreased in China and Hong Kong due to the impact of COVID-19.
- Secured orders for large projects in South Asia (Singapore, Indonesia, and Malaysia). Performance in India decreased.
- Maintained level performance in the U.S. year on year.

Aftermarket Business

- Modernization projects in North America decreased.

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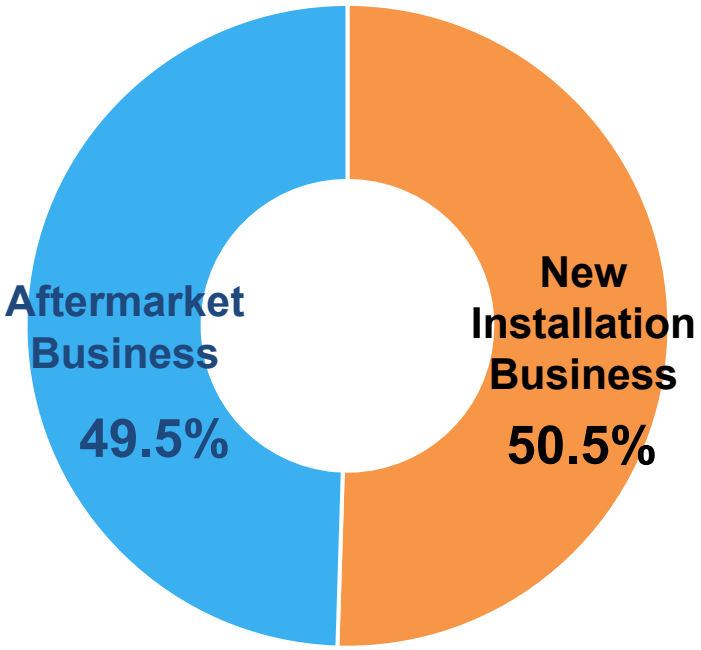
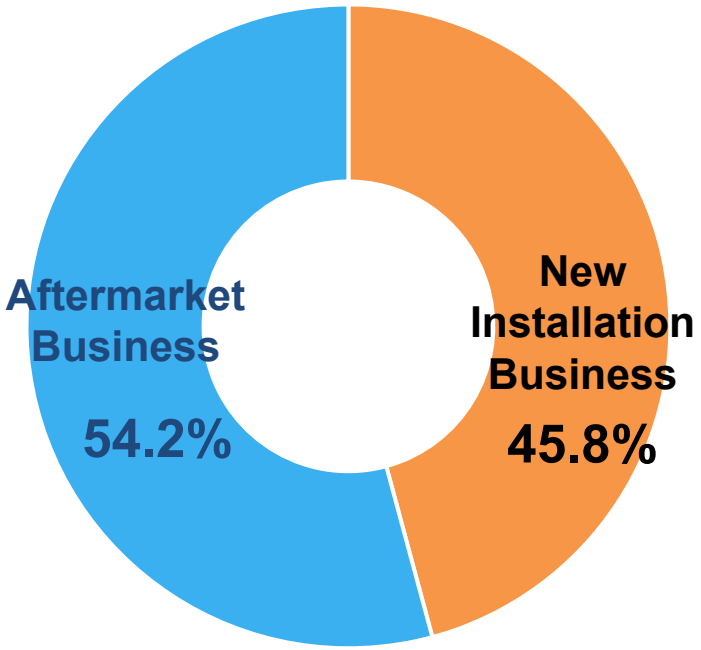
Sales Composition Ratio by Business

- **The Aftermarket Business sales ratio increased due to COVID-19 impact, resulting in softness in new installations but firm results in maintenance**

FY2019 Q2



FY2020 Q2



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Earnings by Segment –
The Second Quarter Ended September 30, 2020 (FY2020)

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- **Sales and profits declined in every region**
- **East Asia showed signs of recovery, recording the smallest decline**

(Million yen)

	Net sales			Operating income (loss)		
	FY2019 Q2	FY2020 Q2	Change (%)	FY2019 Q2	FY2020 Q2	Change
Japan	35,659	32,550	(8.7)	2,019	1,593	(425)
East Asia	34,840	29,994	(13.9)	2,546	2,256	(290)
South Asia	8,089	6,880	(14.9)	1,178	1,124	(53)
North America and Europe	12,579	11,347	(9.8)	490	68	(422)
Subtotal	91,168	80,772	(11.4)	6,235	5,042	(1,192)
Adjustments	(5,309)	(4,353)	-	(17)	(1)	+15
Total	85,859	76,418	(11.0)	6,218	5,041	(1,177)

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Earnings Comparison by Region

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- **Comparison of net sales and operating income between Q1 and Q2, analyzing the impact of COVID-19 by region**

Net sales

(Million yen)

Net sales	Q1	Q2	Difference
Japan	15,455	17,094	+1,638
East Asia	10,754	19,239	+8,485
South Asia	4,070	2,810	(1,259)
North America and Europe	5,918	5,428	(490)
Total	36,199	44,573	+8,373

- Japan and East Asia moving toward recovery
- Ongoing impact in South Asia and North America and Europe

Operating income

(Million yen)

Operating income	Q1	Q2	Difference
Japan	130	1,462	+1,332
East Asia	723	1,532	+808
South Asia	801	323	(478)
North America and Europe	(236)	304	+541
Total	1,419	3,623	+2,204

- Japan and East Asia seeing increase in profit owing to trending recovery in net sales
- South Asia recorded lower profit due to lower net sales

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Impact of COVID-19 by Region

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	Notable Updates
Japan	● Net sales: Postponements or cancellations of construction; experienced a recovery after state of emergency declaration was lifted. ● Orders: While demand from the private sector was slow to recover, public sector demand for new installations increased. ● Production: COVID-19 had limited impact. ● Maintenance: COVID-19 had limited impact.
East Asia	● China: Performance essentially normalized beginning in March. Order activity from major developers has recovered. Shipment volume has recovered. Production capacity ratios have returned to pre-COVID-19 levels. ● Hong Kong: Solid performance for modernization projects and increase in maintenance. ● Korea: Solid performance for modernization projects and other aftermarket business. ● Taiwan: Favorable performance in new installations and aftermarket.
South Asia	● Singapore: Normalization due to government stimulus package. Maintenance and repair construction increased. ● India: Production and sales activities are ongoing, although orders were lower in certain areas due to lockdowns. Maintenance remained steady. Exports to South Asia were steady. ● Malaysia, Other: Total orders decreased, despite major orders for new installation construction.
North America and Europe	● U.S.: Decrease in new installation construction affected sales. ● Canada: Limited impact; increase in new installation construction. ● U.K.: Limited impact; increase in new installation construction.

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Earnings Forecast by Segment, Q3 Through Q4 (FY2020)

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	FY2020 Q3-Q4 Forecasts
Japan	● Uncertainties continue around economic outlook. Ongoing public-sector demand driving orders for major projects. Slow recovery in private-sector orders. ● Net sales to progress in line with plan. ● Expect high, sustained demand for contactless buttons and other preventative measures driving new installations and aftermarket.
East Asia	● Recovery orders from small- and medium-sized developers expected to slow in China, despite recovery in orders for public-sector and major developers. Steady progress in net sales in China for the fiscal year. ● Order activity in other regions not yet expected to return to pre-COVID-19 levels. ● Sales in other regions expected to be affected by delays in construction and other factors.
South Asia	● Expect to achieve plan in Singapore as COVID-19 subsides. ● In South Asia as a whole, expect orders for new installation construction to recover; expect orders for modernization projects to be low. Expect sales to recover, but construction work may be delayed in some regions. ● India's economic environment is likely to be slow to recover, despite some regulatory relief.
North America and Europe	● Expect sales of new installations to be steady in the U.S.; performance may be impacted by delays in planned modernization projects. Recovery in sales will likely be delayed due to continued project delays. ● In Canada, certain new installation projects will remain suspended; however the business plan is on track.

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Maintain Consolidated Earnings Forecasts for FY2020

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- **Fujitec maintains its consolidated FY2020 sales and profits forecasts, expects higher profit in Japan**

(Million yen)

	Net sales			Operating income		
	FY2019 (Annual)	FY2020 (Full-Year Forecast)	Change (%)	FY2020 (Annual)	FY2020 (Full-Year Forecast)	Change
Japan	74,751	70,000	(6.4)	4,891	5,000	+108
East Asia	74,748	64,000	(14.4)	5,297	3,600	(1,697)
South Asia	16,379	16,000	(2.3)	2,135	1,700	(435)
North America and Europe	25,443	25,000	(1.7)	1,045	600	(445)
Subtotal	191,323	175,000	(8.5)	13,370	10,900	(2,470)
Adjustments	(10,091)	(10,000)	-	5	(200)	(205)
Total	181,232	165,000	(9.0)	13,375	10,700	(2,675)

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Investment plans and dividends to be implemented as planned

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Capital investment, depreciation, and research and development expenses

(Million yen)

	FY2019	FY2020	Change
Capital investment	3,523	5,700	+2,177
Japan	2,392	3,200	+808
Overseas	1,131	2,500	+1,369
Depreciation and amortization	3,131	3,500	+369
Research and development	2,208	2,500	+292

Dividends

(Unit: yen)

	FY2019	FY2020	Change
Dividends	50	50	—
Interim	20	20	—
Year-end	30	30	—

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Progress in Initiatives Toward a New Strategic Direction

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On August 7, we announced plans to share a new direction for business strategy and capital policies by calendar year-end

Background	• Achieved stated targets of our Medium-Term Management Plan within its first year • Impact of COVID-19 on Future Business • Feedback From Shareholders and Other Stakeholders
Progress Status	• Active discussions regarding business strategy and capital policies • Set new strategic direction that anticipates the potential economic impact from concerns about more waves of COVID-19 infections

New strategic direction based on medium- and long-term considerations
Announcement target date: December 4

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Creative Studio Tokyo (Minato-ku, Tokyo)

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Reference: Consolidated Balance Sheet as of September 30, 2020

(Million yen)	March 31, 2020	September 30, 2020	Change	Comments
Current assets	140,884	138,593	(2,290)	
Cash and cash equivalents	57,024	60,290	+3,266	Increases in Japan and South Asia
Notes and accounts receivable-trade	61,626	54,552	(7,074)	Decrease in Japan
Inventory adjustments	19,321	20,449	+1,127	
Other	5,053	5,816	+762	
Allowance for doubtful accounts	(2,142)	(2,514)	(372)	
Fixed assets	52,697	54,959	+2,261	
Property, plant and equipment	34,188	33,894	(293)	Capital Investment +1,296 Depreciation (1,428) Foreign exchange, etc. (161)
Intangible assets	3,640	4,793	+1,153	
Investments and other assets	14,868	16,270	+1,401	
Total assets	193,581	193,553	(28)	
Current liabilities	70,083	69,580	(503)	Advances from customers +3,374 Trade notes and accounts payable (463) Electronically recorded obligations (1,532) Short-term debt (1,532)
Fixed liabilities	4,783	4,931	+147	
Net assets	118,714	119,041	+326	Retained earnings +1,004 Foreign currency translation adjustment (1,803) Net unrealized gain on available-for-sale securities +869
Shareholders' equity ratio	55.2%	55.3%	+0.1%	
B P S:	1318.59 yen	1320.94 yen	+2.35 yen	

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Reference: Cash Flows

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(Million yen)

	FY2019 Q2	FY2020 Q2	Change
Cash and cash equivalents at beginning of the period	25,902	28,181	+2,278
Cash Flows From Operating Activities	5,786	12,292	+6,505
Cash Flows From Investing Activities	(2,551)	(7,693)	(5,142)
Free Cash Flows	3,235	4,598	+1,363
Cash Flows From Financing Activities	(2,818)	(4,080)	(1,261)
Cash and cash equivalents at end of the period	25,566	27,829	+2,263

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XIOR, a Product of Advanced Fujitec Technologies

- **A new standard elevator responding to customer demands through unique technologies**
- **Enhanced features and quality offering hygiene and comfort superior to conventional standard elevators**

A new standard elevator offering specifications that exceed conventional standards

Industry-first* air conditioner as standard equipment

Provides comfort during summer months

Fastest maximum rated speed in the industry*

120meters/minute demonstrated in high-rise buildings

Largest LCD monitor in the industry*

Four times the size of screens used in traditional elevators for improved visibility

*As of December 2019 Fujitec research
For Japanese standard machine room-less elevators

Full range of hygiene functions in response to the *new normal*

Non-contact button



Operable without touching the buttons

Occupancy indicator



Displays occupancy, allowing users to avoid congested cars

Ionful

Air cleaning via plasma cluster technology

Antimicrobial buttons

Incorporates antimicrobial resin to limit bacterial growth

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Reference: Fujitec Develops New Features for Improved Hygiene

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- **XIOR, a new standard elevator model, offers several anti-infection features**

Touchless call button



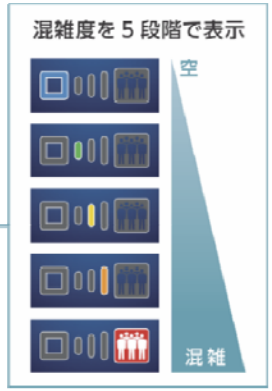


Riders sweep hand over an infrared sensor to call an elevator car and indicate destination without touching any buttons



Occupancy indicator

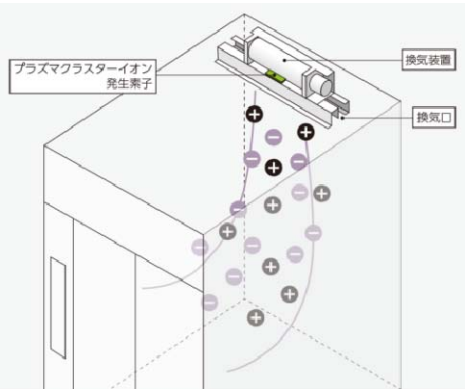






Car occupancy indicated in five stages. Users provided with car occupancy information beforehand, allowing them to make a decision whether to ride or wait based on the Three Cs (closed spaces, crowded places, close-contact settings)

Ionful



Plasma cluster technology (breaks down and removes airborne mold, cigarette odors, etc.) from Sharp Corporation cleans elevator shaft and car air

Antimicrobial button

Button material incorporates antimicrobial resin to limit bacterial growth.
Superior longevity compared with paint; no concerns about peeling due to deterioration

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Reference: Escalator Cleaning Functions

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- **A range of products designed to ensure social distancing and antimicrobial handrails. Compatible with new and existing installations**

Handrail sterilization device

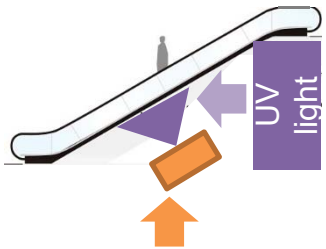
Notice regarding sterilization processing



Labels attached to handrails, etc. Peace of mind for users



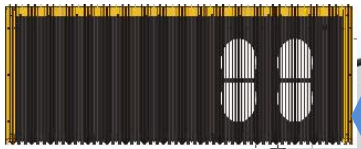
Sterilization mechanism



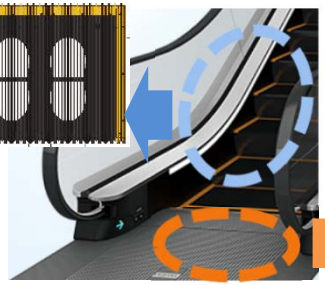
Sterilization device

On-board LED emits UV light on handrails

Step and Floor Plate Wrapping



For Steps





For floor plate

Antimicrobial handrails

Antimicrobial agent incorporated into surface rubber controls growth of bacteria on handrails

Handrail coating

Applying antimicrobial coating material on handrail

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Reference: Major Orders, Deliveries

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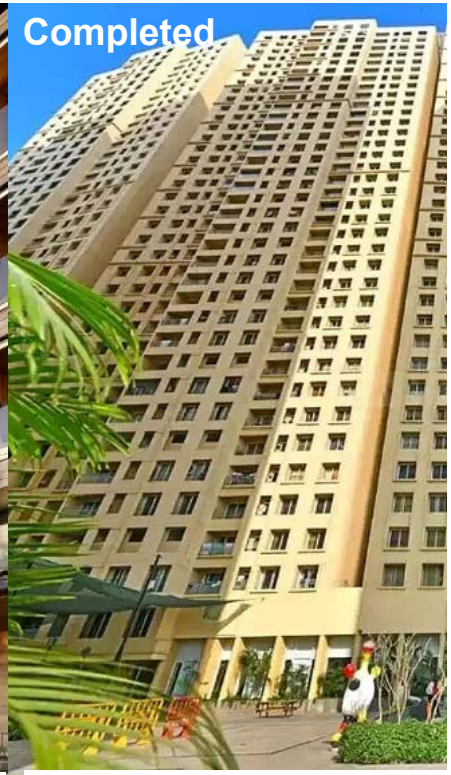
New installations



The Ritz - Carlton, Nikko
(Tochigi, Japan)
Total of 9elevators



Rustomjee Urbania Azziano
(India)
Total of 19elevators

Modernization projects



Three Garden Road
(Hong Kong)
Total of 44 elevators



One Raffles Place
(Singapore)
Total of 19 elevators

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Reference: Company Overview

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Company:	FUJITEC CO., LTD.
Established:	February, 1948 (Listed on TSE First Section since February 1974)
Head Office:	Hikone, Shiga (Big Wing) Japan
Business lines:	R&D, manufacturing, marketing, installation, and maintenance of elevators and escalators
Paid-in Capital	¥12,533 million (90,067,000 shares issued and outstanding)
Directors	President and CEO Takakazu Uchiyama Nine directors (including five outside directors) Four members of the Audit & Supervisory Board (including three outside members)
Number of employees	Consolidated: 10,366 (non-consolidated: 3,108)
Group companies	Total 34 companies (including 19 consolidated subsidiaries) (Americas, East Asia, South Asia, Europe, Middle East)

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This document includes forward-looking statements regarding based current company plans, estimates, expectations, and projections with respect to our business and industry trends. These forward-looking statements involve a variety of risks and uncertainties.

Risks, uncertainties, and other factors that are already known or not yet known may lead to results different than those discussed in forward-looking statements herein. We make no promises as to the accuracy of forward-looking statements or projections. Results may differ significantly from forward-looking statements.

Forward-looking statements in this document are statements of the company based on information available as of November 6, 2020. These forward-looking statements do not include updates or changes reflecting future events or circumstances.

November 6, 2020

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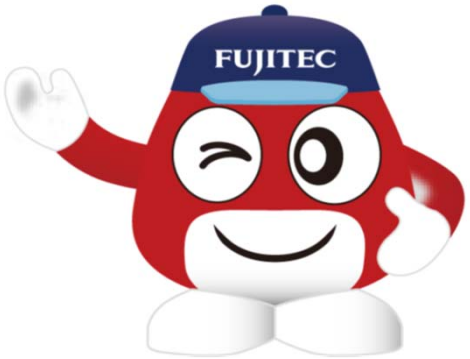

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