

FUJI MACHINE MFG. CO., LTD.

19 Chausuyama, Yamamachi, Chiryu Aichi, Japan
Nobuyuki Soga, President & CEO

Notice of Convocation of the 71st Ordinary General Meeting of Shareholders

To Our Shareholders:

You are cordially invited to the 71st Ordinary General Meeting of Shareholders of the Company to be held as follows.

If you are unable to attend the Meeting, you may exercise your rights to vote in writing. Please review the “Reference Material for the General Meeting of Shareholders” described below, indicate your approval or disapproval of the proposals on the enclosed Voting Card, then sign and return it so it will arrive by 6:00 p.m., Wednesday, June 28, 2017.

Meeting Details

- 1. Date & Time:** 10:00 a.m. on Thursday, June 29, 2017 (Reception is scheduled to start at 9:00 a.m.)
- 2. Place:** Grand Hall, 7th floor of the Corporate Headquarters
19 Chausuyama, Yamamachi, Chiryu, Aichi, Japan

3. Objectives of Meeting:

Reporting:

1. Presentation of the Business Report, Consolidated Financial Statements and Findings of Audits on Consolidated Financial Statements by the Independent Auditor and the Audit & Supervisory Board for the 71st Business Period (from April 1, 2016, to March 31, 2017)
2. Presentation of the Non-consolidated Financial Statements for the 71st Business Period (from April 1, 2016, to March 31, 2017)

Agenda:

- Proposal 1:** Treatment of Surplus Earnings
- Proposal 2:** Partial Amendments to the Articles of Incorporation
- Proposal 3:** Election of Eight Board Members
- Proposal 4:** Election of One Audit & Supervisory Board Member
- Proposal 5:** Election of One Substitute Audit & Supervisory Board Member

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- ⊙ When you attend the Meeting in person on the day, we kindly request you to submit the enclosed Voting Card to the reception desk at the meeting venue.
 - ⊙ Please note that any changes to the Reference Material for the General Meeting of Shareholders as well as the Business Report, Non-consolidated/Consolidated Financial Statements will be posted on the Company's website at <http://www.fuji.co.jp/>.

Business Report

(April 1, 2016 to March 31, 2017)

1. Current Condition of the Group

(1) Business condition for the fiscal year ended March 31, 2017

1) Business progress and results

In the fiscal year ended March 31, 2017, while the Japanese economy saw the business environment recover moderately, companies continued a cautious stance toward capital investment. In terms of the global economy, the European economy continued a moderate recovery and there were signs of recovery in the manufacturing industry in North America against the backdrop of improved corporate earnings. In China, capital investment showed signs of improvement as well after the continuing manufacturing industry slowdown.

In this environment, under the slogan of “Excite and Inspire,” the Company and its subsidiaries (hereinafter referred to as the “Group”) have taken on the challenge of reforming, and have undertaken efforts to develop highly original products as one of the world’s leading robot manufacturers, while striving to promote swift management and to provide the market with products that are highly cost competitive in a timely manner. We have also worked to improve customer satisfaction by strengthening the domestic and overseas sales and service systems, through cooperation among the Group companies and expansion of the dealer network, and by promoting solution-based sales approaches. At the same time, we have sought to improve profitability through efforts to pursue exhaustive QCD (quality, cost, and delivery) by strengthening supply chains and through production reforms.

As a result of the above, orders for the fiscal year ended March 31, 2017 were ¥94,024 million (up 13.8% from the previous fiscal year). Net sales decreased by ¥245 million (0.3%) from the previous fiscal year to ¥86,397 million, and operating income decreased by ¥2,107 million (17.7%) from the previous fiscal year to ¥9,794 million due to factors including intensified pricing competition and a fall in sale price stemming from yen appreciation. Ordinary income also decreased by ¥1,790 million (14.9%) from the previous fiscal year to ¥10,200 million. Profit attributable to owners of parent was ¥7,054 million, a decrease of ¥182 million (2.5%) from the previous fiscal year.

Condition of each business is as follows.

Starting from the fiscal year ended March 31, 2017, the reportable business formerly known as “Electronics Assembly Equipment” has been changed to “Robotic Solutions.” This change is in name only.

Regarding the Robotic Solutions business, while certain segments of the markets appeared to be cautious in investing in capital equipment due to uncertainties continuing to the second quarter, movements toward active investment were seen from the third quarter. In addition to the Company’s main market of telecommunication equipment, demand was also firm in the markets of automotive equipment and computer equipment including servers thanks to the spread of IoT. As a result, orders were ¥80,981 million (up 18.4% from the previous fiscal year). Net sales increased by ¥3,318 million (4.7%) from the previous fiscal year to ¥74,105 million, and operating income increased by ¥18 million (0.1%) from the previous fiscal year to ¥14,545 million due mainly to a fall in sale price stemming from yen appreciation.

Regarding the Machine Tools business, while demand for automotive-related machine tools, the Company’s

focus market, was sluggish through the second quarter, it picked up somewhat from the third quarter onward. As a result, orders were ¥11,776 million (down 10.0% from the previous fiscal year). Net sales decreased by ¥3,625 million (24.8%) from the previous fiscal year to ¥10,997 million, and operating loss was ¥712 million (operating income for the previous fiscal year was ¥614 million).

Regarding Others, which includes the manufacture of control equipment and electronic equipment and image processing development, orders were ¥1,265 million (up 8.9% from the previous fiscal year), net sales were ¥1,294 million (up 5.0% from the previous fiscal year), and operating loss was ¥472 million (operating loss for the previous fiscal year was ¥356 million).

(Millions of yen)

Business	Net sales	Orders
Robotic Solutions	74,105	80,981
Machine Tools	10,997	11,776
Others	1,294	1,265

2) Capital investment

The total amount of capital investment implemented by the Group during the fiscal year ended March 31, 2017 was ¥6,175 million.

3) Funding procurement

The Company has concluded specified commitment line contracts for a total of ¥12.0 billion with its main financial institutions, in order to efficiently procure operating funds.

4) Transfer of business, absorption-type splits, and incorporation-type splits

Not applicable

5) Acceptance of business transferred from other companies

Not applicable

6) Succession of rights and obligations related to businesses in other companies as a result of absorption-type mergers or absorption-type splits

Not applicable

7) Acquisition or disposal of shares or other equity in other companies, or stock acquisition rights, etc.

Not applicable

(2) Status of assets and profit and loss for the past three business periods

Classification	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Current fiscal year Fiscal year ended March 31, 2017
Net sales (Millions of yen)	65,565	85,265	86,642	86,397
Profit attributable to owners of parent (Millions of yen)	2,592	8,629	7,237	7,054
Profit per share (Yen)	26.52	88.27	74.13	76.19
Total assets (Millions of yen)	135,942	153,890	156,958	158,406
Net assets (Millions of yen)	120,794	135,044	132,069	130,947
Net assets per share (Yen)	1,235.64	1,379.19	1,372.18	1,461.63

(3) Status of parent company and principal subsidiaries

1) Parent company

Not applicable

2) Principal subsidiaries

Company name	Capital stock	Investment ratio of the Company (%)	Main business
ADTEK FUJI Co., Ltd.	45 million Japanese yen	100	Assembly, remodeling and repair of the Company's products
EDEC LINSEY SYSTEM Co., Ltd.	40 million Japanese yen	100	Manufacturing of control equipment Manufacturing of electronic equipment Image processing development
Fuji America Corporation	1,000 thousand U.S. dollar	100	Sales of the Company's products (robotic moulder)
Fuji Machine America Corporation	1,000 thousand U.S. dollar	100 (100)*	Sales of the Company's products (machine tools)
Fuji Machine Manufacturing (Europe) GmbH	1,022 thousand euro	100	Sales of the Company's products (robotic moulder)
Tower-Factory GmbH	32 thousand euro	100	Manufacturing and sales of robotic solutions peripheral devices
Fuji Machine China Co., Ltd.	12,737 thousand Chinese yuan	100	Maintenance and after-sale service of the Company's products (robotic moulder)
Kunshan Fuji Machine Mfg. Co., Ltd.	94,291 thousand Chinese yuan	100	Manufacturing and sales of the Company's products
Fuji Do Brasil Maquinas Industriais Ltda.	6,052 thousand Brazil real	60	Sales of the Company's products (robotic moulder)

Notes:1. The investment ratio of the Company in parentheses indicates indirect ownership, and an asterisk indicates ownership by Fuji America Corporation.

2. As of March 29, 2017, Tower-Factory GmbH has become a consolidated subsidiary.

(4) Issues to be addressed

Regarding the economic environment surrounding the Group, despite prevailing uncertainty about the future of the global economy due to the effects of policies of the new U.S. President and Brexit, as well as concerns over further deceleration of the Chinese economy, a moderate recovery is expected overall.

Under these circumstances, the Group will strive to promote swift management, and will respond to market needs primarily through robotics technology, which is our strength, and also promote the development of products that are highly cost competitive, in an effort to provide products that will impress our customers.

We will also work to improve profitability by strengthening cooperation on inter-Group manufacturing, pursuing quality and service that surpass those of other companies, as well as by reducing costs.

Furthermore, in pursuing the challenge of reforming by the Group as a whole, in addition to working on strengthening our corporate structure, improving our organizational capabilities and promoting structural reforms, we have implemented thorough compliance and participated in activities that contribute to society in an effort to continuously improve our corporate value and to be well trusted by society.

We look forward to the continued support of all our shareholders.

(5) Main business (as of March 31, 2017)

Business	Main products
Robotic Solutions	Robotic mounter
Machine Tools	Automatic lathes, specialized machines
Others	Control equipment, electronic equipment, image processing development

(6) Principal offices and plants (as of March 31, 2017)

The Company	Headquarters: Chiryu, Aichi Tokyo Branch Office: Minato-ku, Tokyo Osaka Branch Office: Suita, Osaka Headquarters Factory: Chiryu, Aichi Okazaki Factory: Okazaki, Aichi Fujioka Factory: Toyota, Aichi
ADTEK FUJI Co., Ltd.	Headquarters: Okazaki, Aichi
EDEC LINSEY SYSTEM Co., Ltd.	Headquarters: Toyohashi, Aichi
Fuji America Corporation	Headquarters: Vernon Hills, Illinois, U.S.
Fuji Machine America Corporation	Headquarters: Vernon Hills, Illinois, U.S.
Fuji Machine Manufacturing (Europe) GmbH	Headquarters: Mainz-Kastel, Germany
Tower-Factory GmbH	Headquarters: Friedberg, Germany
Fuji Machine China Co., Ltd.	Headquarters: Shanghai, China
Kunshan Fuji Machine Mfg. Co., Ltd.	Headquarters: Kunshan, China
Fuji Do Brasil Maquinas Industriais Ltda.	Headquarters: São Paulo, São Paulo, Brazil

(7) Status of employees (as of March 31, 2017)

1) Employees of the Group

Number of employees	Change from the end of the previous fiscal year
2,117	+9

Note: The number of employees is the number of full-time employees.

2) Employees of the Company

Number of employees	Change from the end of the previous fiscal year	Average age	Average number of years employed
1,607	+3	41.3 years old	16.4 years

Note: The number of employees is the number of full-time employees.

(8) Status of main lenders (as of March 31, 2017)

Statement is omitted, as the amounts of the loans have no significance.

(9) Other important matters regarding the current condition of the Group

Not applicable

2. Current Status of the Company

(1) Status of shares (as of March 31, 2017)

1) Total number of shares authorized to be issued 390,000,000 shares

2) Total number of shares issued 97,823,748 shares

3) Number of shareholder 6,140

4) Major shareholders (top ten shareholders)

Shareholder name	Number of shares held (Thousand shares)	Shareholding ratio (%)
Daido Life Insurance Co.	6,684	7.4
NORTHERN TRUST CO.(AVFC) RE THE KILTEARN GLOBAL EQUITY FUND	4,433	4.9
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,341	4.8
Japan Trustee Services Bank, Ltd. (Trust account)	3,478	3.8
Fuji customers stock ownership	2,917	3.2
The Master Trust Bank of Japan, Ltd. (Trust account)	2,856	3.1
SAKAGAMI CO., LTD.	2,400	2.6
Japan Trustee Services Bank, Ltd. (Trust account 9)	2,169	2.4
NORTHERN TRUST CO.(AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	1,585	1.7
The Bank of Nagoya, Ltd.	1,554	1.7

Notes: 1. Shares held by the Company as treasury shares (8,372,922 shares) are excluded from the top ten shareholders listed above.

2. The number of shares held is rounded down to the nearest thousand, and the shareholding ratio is calculated after deducting shares held by the Company as treasury shares.

5) Other important matters concerning the status of shares

The Company, at the meeting of its Board of Directors held on March 9, 2016, resolved to acquire treasury shares through a market purchase of the Company's common stock on the Tokyo Stock Exchange, for the purpose of further enhancing its return of profits to shareholders and executing flexible capital policies by improving capital efficiency. The maximum total number of shares to be acquired has been set at 9 million

shares for a maximum total acquisition value of ¥10,000 million to be purchased from March 10, 2016 to February 28, 2017. The acquisition of treasury shares was executed as detailed below.

Result of acquisition of treasury shares

- a) Total number of shares acquired: 8,303,800 shares of common stock
- b) Total acquisition value: ¥9,999,987,200

(2) Status of subscription rights to shares, etc.

- 1) Status of subscription rights to shares issued as compensation for the execution of duties and held by the Board Members and Audit & Supervisory Board Members of the Company, as of March 31, 2017

Not applicable

- 2) Status of subscription rights to shares issued to employees, etc., as compensation for execution of duties during the fiscal year ended March 31, 2017

Not applicable

- 3) Status of other subscription rights to shares, etc.

Outline of subscription rights to shares attached to “zero coupon convertible bonds due 2021,” issued based on the resolution of the Board of Directors held on March 9, 2016

Name (Date of issue)	Number of subscription rights to shares	Type and number of shares subject to subscription rights to shares	Exercise price of subscription rights to shares	Exercise period of subscription rights to shares
Zero coupon convertible bonds due 2021 (March 25, 2016)	1,000	6,811,989 common shares of the Company	1,468 yen	From April 8, 2016 to March 11, 2021 (Local time at the location for acceptance of exercise requests)

- Notes: 1. The number of subscription rights to shares per a total face value amount of ¥10 million of the bonds is one.
2. No partial exercise of each subscription right to shares shall be permitted, and the number of shares of common stock of the Company to be issued by the Company due to the exercise shall equal the number obtained by dividing the aggregated amounts of the face value of the bonds related to the exercise request by a conversion price of 1,468 yen. However, any fractions less than one share due to the exercise shall be rounded down, and no adjustments by cash shall be made.
3. Upon exercise of the subscription rights to shares, the bonds related to the subscription rights to shares shall be contributed, and the price of the bonds shall be equal to the face value.

(3) Status of Board Members and Audit & Supervisory Board Members

1) Status of Board Members and Audit & Supervisory Board Members (as of March 31, 2017)

Position in the Company	Name	Responsibility and representation of other companies
President & CEO	Nobuyuki Soga	
Board Member Senior Managing Executive Officer	Shinsuke Suhara	General Manager, Robotic Solutions Division Chairman, Kunshan Fuji Machine Mfg. Co., Ltd.
Board Member Managing Executive Officer	Seigo Kodama	Head, Development Center President & CEO, ADTEK FUJI Co., Ltd.
Board Member Managing Executive Officer	Takayoshi Kawai	General Manager, Machine Tools Division Factory Manager, Fujioka Factory
Board Member Executive Officer	Mitsuji Tatsumi	General Manager, Accounting Department
Board Member Executive Officer	Hajime Ezaki	General Manager, Marketing and Strategic planning Department
Board Member	Nobuyuki Matsui	Part-time Specially Appointed Professor to the Chairman of the Board of Trustees, Chubu University Outside Director, Rinnai Corporation Outside Director, Aichi Tokei Denki Co., Ltd.
Board Member	Nobuko Kawai	Representative, Nobuko Kawai Law Office Professor of the Law School, Nagoya University
Full-time Audit & Supervisory Board Member	Shinsaku Sakagami	
Audit & Supervisory Board Member	Shigeki Matsuda	Representative, Matsuda Public Accounting Firm Representative, Aiki Tax Accounting Corporation External Audit & Supervisory Board Member, Roland DG Corporation
Audit & Supervisory Board Member	Kayoko Yamashita	Representative, Yamashita Certified Public Accountant Firm Outside Audit & Supervisory Board Member, Sotoh Co., Ltd.

Notes: 1. Board Members, Nobuyuki Matsui and Nobuko Kawai, are Outside Board Members.

2. Audit & Supervisory Board Members, Shigeki Matsuda and Kayoko Yamashita, are Outside Audit & Supervisory Board Members.

3. Audit & Supervisory Board Members, Shigeki Matsuda and Kayoko Yamashita, are licensed as a certified public accountant and have extensive knowledge of finance and accounting.

4. The Company has designated Board Members, Nobuyuki Matsui and Nobuko Kawai, as well as Audit & Supervisory Board Members, Shigeki Matsuda and Kayoko Yamashita, as Independent Directors/Auditors according to the regulations of the Tokyo Stock Exchange and the Nagoya Stock Exchange, and has notified said Exchanges thereof.

2) Total amount of remuneration, etc., for Board Members and Audit & Supervisory Board Members

Category	Numbers	Total amount of remuneration, etc. (Millions of yen)
Board Members (including Outside Board Members)	8 (2)	294 (15)
Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members)	3 (2)	39 (15)
Total (including Outside Board Members/Audit & Supervisory Board Members)	11 (4)	333 (30)

- Notes: 1. No employee-portion salary was paid to any Board Member who also serves as an employee.
2. The limit of annual remuneration for Board Members is ¥450 million, pursuant to the resolution adopted at the 62nd Ordinary General Meeting of Shareholders held on June 27, 2008.
3. The limit of annual remuneration for Audit & Supervisory Board Members is ¥60 million, pursuant to the resolution adopted at the 60th Ordinary General Meeting of Shareholders held on June 29, 2006.

3) Matters related to Outside Board Members/Audit & Supervisory Board Members

- a) Significant concurrent positions held as an executive in other corporations, etc., and relationship between these corporations, etc., and the Company
- Board Member Nobuko Kawai concurrently serves as a representative of Nobuko Kawai Law Office. There is no special interest between Nobuko Kawai Law Office and the Company.
 - Audit & Supervisory Board Member Shigeki Matsuda concurrently serves as a representative of Matsuda Public Accounting Firm and Aiki Tax Accounting Corporation. There is no special interest between Matsuda Public Accounting Firm and Aiki Tax Accounting Corporation and the Company.
 - Audit & Supervisory Board Member Kayoko Yamashita concurrently serves as a representative of Yamashita Certified Public Accountant Firm. There is no special interest between Yamashita Certified Public Accountant Firm and the Company.
- b) Significant concurrent positions held as Outside Board Members/Audit & Supervisory Board Members in other corporations, etc., and relationship between these corporations, etc., and the Company
- Board Member Nobuyuki Matsui assumed the office of Outside Director of Rinnai Corporation in June 2014 and Aichi Tokei Denki Co., Ltd. in June 2015 respectively. There is no special interest between Rinnai Corporation and Aichi Tokei Denki Co., Ltd. and the Company.
 - Audit & Supervisory Board Member Shigeki Matsuda assumed the office of External Audit & Supervisory Board Member of Roland DG Corporation in June 2015. There is no special interest between Roland DG Corporation and the Company.
 - Audit & Supervisory Board Member Kayoko Yamashita assumed the office of Outside Audit & Supervisory Board Member of Sotoh Co., Ltd. in June 2015. There is no special interest between Sotoh Co., Ltd. and the Company.

c) Main activities during the fiscal year ended March 31, 2017

	Activities
Board Member Nobuyuki Matsui	Attended all 13 meetings of the Board of Directors held in the fiscal year ended March 31, 2017. He mainly provides suggestions and comments based on his experience as a former university professor and president.
Board Member Nobuko Kawai	Attended all 13 meetings of the Board of Directors held in the fiscal year ended March 31, 2017. She mainly provides suggestions and comments from her professional viewpoints as a lawyer.
Audit & Supervisory Board Member Shigeki Matsuda	Attended 12 out of 13 meetings of the Board of Directors and 13 out of 14 meetings of the Audit & Supervisory Board held in the fiscal year ended March 31, 2017. He mainly provides his opinions as necessary from his professional viewpoints as a certified public accountant.
Audit & Supervisory Board Member Kayoko Yamashita	Attended all 13 meetings of the Board of Directors and all 14 meetings of the Audit & Supervisory Board held in the fiscal year ended March 31, 2017. She mainly provides her opinions as necessary from her professional viewpoints as a certified public accountant.

d) Outline of the liability limitation agreement

Pursuant to the provisions in Article 427, Paragraph 1, of the Companies Act, the Company entered into an agreement with each Outside Board Member and Outside Audit & Supervisory Board Member to limit the liability for damages set forth in Article 423, Paragraph 1, of the said Act. The limit of the liability for damages under the agreement is the amount stipulated in applicable laws and regulations.

(4) Status of accounting auditor

1) Name: KPMG AZSA LLC

2) Amount of compensation, etc.

	Payment amount (Millions of yen)
The amount of compensation, etc., for the accounting auditor for the fiscal year ended March 31, 2017	49
Total amount of monies and other property benefits to be paid to the accounting auditor by the Company and its subsidiaries	49

- Notes: 1. Among subsidiaries of the Company, Fuji Machine Manufacturing (Europe) GmbH, Fuji Machine China Co., Ltd., Kunshan Fuji Machine Mfg. Co., Ltd. and Fuji Do Brasil Maquinas Industriais Ltda. are audited by an auditing firm other than the Company's accounting auditor, for statutory audits.
2. The audit agreement between the Company and the accounting auditor does not and cannot practically distinguish between compensation, etc., for audits stipulated by the Companies Act and those stipulated by the Financial Instruments and Exchange Act. For this reason, the amount of the compensation, etc., for the accounting auditor for the fiscal year ended March 31, 2017 represents the total amount for those audits.
3. The Audit & Supervisory Board gave consent regarding the amount of compensation, etc., for the accounting auditor after necessary verification, such as whether the details of the audit plan, status of execution of the duties of the accounting audit, and the calculation basis for the compensation estimate undertaken by the accounting auditor were appropriate.

3) Policy for decisions on dismissal or non-reappointment of accounting auditor

If the Audit & Supervisory Board deems necessary, such as in the event that the accounting auditor is unable to appropriately execute its designated duties, the Audit & Supervisory Board shall determine the details of a proposal for the dismissal or non-reappointment of the accounting auditor, to be submitted to the General Meeting of Shareholders.

In addition, the Audit & Supervisory Board may dismiss an accounting auditor if they unanimously agree that there has been an event that corresponds to the items listed in Article 340, Paragraph 1, of the Companies Act. In this case, a designated Audit & Supervisory Board Member of the Audit & Supervisory Board shall report the dismissal of the accounting auditor and reasons for the dismissal at the General Meeting of Shareholders convened for the first time after such dismissal.

4) Outline of the liability limitation agreement

Not applicable

(5) Systems to ensure appropriate conduct of operations and the status of implementation of such systems

The Board of Directors resolved to adopt systems to ensure compliance of the execution of duties by Board Members and employees with laws and regulations and the Articles of Incorporation, and other systems to ensure appropriate conduct of operations by the Company as follows.

1) Systems to ensure compliance of the execution of duties by Board Members and employees with laws and regulations and the Articles of Incorporation

a) The Company provides the Corporate Behavior Charter to achieve control objectives, such as effectiveness and efficiency of operations, reliability of financial reporting, assurance of compliance, and preservation of assets, and Board Members shall take initiatives in publicizing the Charter among employees.

b) The Company establishes the Risk Compliance Committee as the internal control organization, for which the responsible chief officer is the President and CEO.

c) The Company establishes the Internal Control Council, for which the responsible chief officer is the President and CEO, aiming to supervise the relevant operations for the setup, improvement, operation and evaluation of internal controls involved in financial reporting.

d) The Audit Department conducts audits about whether operational duties in the respective departments are properly and reasonably executed in accordance with laws and regulations, the Articles of Incorporation and internal rules, and reports the results to the President and CEO.

e) The Company establishes the whistleblower hotline to which compliance violations relating to the execution of duties by Board Members and employees are reported.

- 2) System for the storage and management of information related to the execution of duties by Board Members
Information related to the execution of duties by Board Members shall be recorded and kept in documents or electromagnetic media pursuant to the Rules on Document Management and managed so that Board Members and Audit & Supervisory Board Members can view such documents or media at all times.
- 3) Rules and other aspects of the system for managing risks of loss
 - a) The Company establishes the Risk Compliance Committee, which supports the streamlining of cross-departmental risk management systems in the respective departments and promotes their improvement from a companywide viewpoint.
 - b) Each department structurally and systematically organizes risks that obstruct the execution of management activities pursuant to the Basic Rules of Risk Management, and then prevents the occurrence of such risks and minimizes damages upon occurrence of such risks.
 - c) The Audit Department conducts audits about the risk management conditions in the respective departments and reports the results to the President and CEO.
 - d) The Company is committed to various risk management efforts through the Environment Control Committee and the Health and Safety Committee with regard to environment- and health/safety-related risks associated with corporate social responsibility.
- 4) System for ensuring that the duties of Board Members are efficiently performed
 - a) The Company has introduced an executive officer system separating the decision-making function and business execution function in management in order to speed up the managerial decision-making process and clarify responsibility. Under the system, executive officers assume the responsibility for the execution of operational duties with the delegation of authority given by the President and CEO.
 - b) With respect to the execution of duties of Board Members, the Company provides the scope of roles/responsibilities and the procedures for execution of duties in accordance with rules on organization, administrative authorities, division of business operations, etc.
 - c) In conducting the execution of business operations, the Company clarifies management objectives by formulating the annual “Management Policies” and “Annual (Medium-term) Profit Plan,” and each department manages to achieve their objectives.
- 5) System for ensuring appropriate business operations within the Group
 - a) The regular Operations Executive Board meetings, which are attended by representatives from the Group, including subsidiaries, confirm that the subsidiaries’ business activities are properly and effectively carried out.
 - b) The Audit Department audits that business duties are properly executed in the subsidiaries and that the compliance and risk management systems are properly operated, including those of the subsidiaries, and reports the results to the President and CEO.

- 6) Matters related to an employee to assist the duties of Audit & Supervisory Board Members and the independence of such employee
 - a) The Company shall not appoint any employee who assists the duties of Audit & Supervisory Board Members. However, upon request of Audit & Supervisory Board Members, the President and CEO responds to such request in each case by designating a staff of the Audit Department.
 - b) The employee who assists Audit & Supervisory Board Members shall not be subject to instructions and orders from Board Members, and personnel transfers and personnel evaluations of such employee shall be approved by Audit & Supervisory Board Members.
- 7) The system for reporting to Audit & Supervisory Board Members by Board Members and employees and other systems concerning reporting to Audit & Supervisory Board Members, and the system for ensuring effective audits by Audit & Supervisory Board Members
 - a) Board Members and employees shall, upon request of Audit & Supervisory Board Members, report the status of the execution of the Company's business activities to Audit & Supervisory Board Members. Also, if Board Members find any fact likely to cause significant damage to the Company, Board Members shall immediately report the fact to the Audit & Supervisory Board.
 - b) Audit & Supervisory Board Members shall meet regularly with the President and CEO and exchange opinions concerning important audit issues, etc.
 - c) Audit & Supervisory Board Members shall endeavor to enhance the quality of audits and make the audits more effective by consistently maintaining close cooperation and collaboration with the accounting auditor, proactively exchanging opinions and information, and sharing the details obtained from their audits, in addition to holding regular briefing meetings, attending audits, and exchanging information verbally or in writing.
 - d) Board Members and employees shall promptly report to Audit & Supervisory Board Members the reports relating to compliance violations.

The following is a summary of the operating status of the system to ensure appropriate conduct of operations.

The Company makes efforts to spread its corporate philosophy and to improve understanding for compliance through meetings, such as the monthly management meeting and the divisional meeting held by each division, and through in-house training, etc. In addition, the Company endeavors to improve the compliance level by establishing a whistleblower hotline system for the primary purpose of early detection and prevention of violations of laws and regulations, etc., and by audits conducted by the Audit & Supervisory Board Members and the Audit Department.

In order to strengthen efforts related to risk management, the Company has established the Risk Compliance Committee as a cross-departmental organization. The responsible chief officer for this committee is the President and CEO, and the members are elected from Board Members, etc., in charge of each division and department. In order to ensure risk management related to responsible business operations, this committee identifies priority risks annually, and evaluates and establishes policies to address these risks, and also provides compliance training, as necessary. Moreover, this committee reports a summary to the Board of Directors or the management meeting.

In order to ensure effective audits by the Audit & Supervisory Board Members, the Audit & Supervisory

Board meeting is held monthly. In addition, the Audit & Supervisory Board exchanges information with the Audit Department and the accounting auditor, and holds a regular meeting with the President and CEO.

(6) Basic policies regarding the control of a company

I. Basic policy regarding those who control decisions on the Company's financial matters and business policies

The Company considers that those who control decisions on the Company's financial matters and business policies must fully understand the features of the Company's businesses and the sources of corporate value of the Company, and be able to continuously ensure and enhance the corporate value of the Company and the common interests of shareholders.

The Company does not generally oppose the acquisition of a large amount of the Company's shares, if it contributes to the corporate value of the Company and the common interests of shareholders. Also, the Company believes a decision regarding any proposed acquisition that would involve a transfer of corporate control of a target company must ultimately be based on the intent of all the shareholders of the target company.

Nonetheless, there are some large-scale acquisitions that do not enhance the corporate value of the target company or serve the common interests of shareholders: those with a purpose that would obviously harm the corporate value of the target company and the common interests of shareholders; those with the potential to substantially coerce shareholders into selling their shares; and those that do not provide sufficient time or information for the target company's shareholders and its Board of Directors to consider the terms and conditions and the like of the large-scale acquisition or to allow for the target company's Board of Directors to make an alternative proposal.

The Company considers that those who intend to conduct a large-scale acquisition of shares that does not contribute to the corporate value of the Company and the common interests of shareholders are inappropriate as the parties to control decisions on the Company's financial matters and business policies. Consequently, the Company believes that it must secure the corporate value and the common interests of shareholders by taking necessary and significant countermeasures against such a large-scale acquisition of shares.

II. Measures to contribute to realizing the basic policy

The Group endeavors to create higher corporate value for shareholders, customers, business partners, and employees by advocating the following basic management philosophy based on the company motto, "We will endeavor to work hard in research and development to provide excellent techniques to respond to customer confidence." The basic management philosophy of the Group is enumerated below.

- 1) We comply with laws and regulations, social norms, the Articles of Incorporation, and internal rules in all aspects of executing business duties.
- 2) We provide products and services that contribute to the creation of a more convenient and comfortable society through untiring development of technology and improvement of quality.
- 3) We create cheerful workplaces where individuality is respected and strong teamwork is fostered.
- 4) We cultivate new business fields for the future through global and innovative management.
- 5) We conduct environmentally friendly corporate activities, recognizing that protecting the global environment is a common issue to all human beings.

Since its foundation in 1959 as an industrial equipment manufacturer in the mainstay fields of electronics assembly equipment and machine tools, the Group has supplied digital equipment manufacturers of mobile phones and, PCs and automobile manufacturers with state-of-the-art technologies and services throughout the world. In recent years, the Group has proactively established a high-profitability financial structure to ensure the continued growth of diverse businesses via further cost reduction to conquer the market competition, given an increasingly

harsh business environment that includes diversifying customer requests against a backdrop of technological innovations, market globalization, intensifying price competition and fluctuations in capital investment demand. Initiatives in this line included reinforcing the sales and service systems, promoting reforms of the development and manufacturing processes and continuous launches of leading-edge, differential products that effectively meet customer needs.

As part of its medium- and long-term management strategy, the Group aims to improve the competitiveness of its products and the sustainable growth of its businesses to ensure swifter and more flexible responses to changes in the business environment and markets and the continued provision of high-value-added products that are manufactured with trustworthy technology and high quality. The specific priority policies of the Group are described below.

- 1) Reinforcing R&D capabilities
- 2) Raising our cost competitiveness
- 3) Reinforcing marketing and sales capabilities
- 4) Development and effective use of human resources
- 5) Enhancing corporate governance

The Company believes that Group-wide execution of the above strategic medium-term policies taking into account the social environment and safety should serve to improve our business performance. This, in turn, should also enhance the corporate value of the Company and the common interests of shareholders, thereby contributing to realizing the basic policy.

III. Measures to prevent decisions on the Company's financial matters and business policies from being controlled by a party deemed inappropriate regarding the basic policy

The Company resolved at the meeting of the Board of Directors held on May 8, 2014 to continue a policy for countermeasures to the large-scale acquisitions of the Company's shares and other securities (hereinafter referred to as "This Policy"), and This Policy was approved and passed at the 68th Ordinary General Meeting of Shareholders held on June 27, 2014. This Policy aims to deter an offer to make a large-scale acquisition of the Company's shares that might harm the corporate value of the Company or the common interests of shareholders, to ensure that enough time and the necessary information are provided to allow the shareholders to judge whether the large-scale acquisition is inappropriate or not, or to allow the Company's Board of Directors to discuss and negotiate with the acquirer on behalf of the shareholders.

This Policy applies to any person who conducts or intends to conduct purchase of the Company's shares and other securities (hereinafter referred to as the "Large-Scale Acquirer") that aims to increase the ratio of voting rights of a) a holder of share certificates, etc., issued by the Company and b) a person who conducts the acquisition of share certificates, etc., issued by the Company and persons having a special relationship with such a party, to 20% or more or that would result in increasing the ratio of voting rights to 20% or more (hereinafter referred to as the "Large-Scale Acquisition").

In the event that the Large-Scale Acquirer conducts or intends to conduct the Large-Scale Acquisition, the Company sets out procedures regarding the Large-Scale Acquisition of the Company's shares and other securities (hereinafter referred to as the "Large-Scale-Acquisition Rules") and requests the Large-Scale Acquirer to comply with the Large-Scale Acquisition Rules in order to ensure prior provision of necessary information on the Large-Scale Acquisition and enough time to evaluate and consider the details of the proposed Large-Scale Acquisition.

The Company's Board of Directors shall promptly make available the information provided by the Large-Scale Acquirer to the Independent Committee, an organization independent of the Company's Board of Directors.

In parallel with the Company's Board of Directors' assessment, examination, negotiation, formation of opinion, and planning of an alternative proposal, the Independent Committee shall examine and give recommendations to the

Board of Directors as to whether it is appropriate to implement any countermeasures against the Large-Scale Acquisition, or on any other matters. The Independent Committee may, at the expense of the Company, obtain advice from external experts (including an investment bank, securities company, financial adviser, certified public accountant, lawyer, consultant, and any other experts) who are independent from the management executives engaged in the execution of the Company's business affairs.

If the Large-Scale Acquirer does not comply with the Large-Scale Acquisition Rules or even if the Large-Scale Acquirer observes the Rules, when it is clear that the Large-Scale Acquirer is acting in a way that would significantly damage the corporate value of the Company and the common interests of shareholders, such as in a case where the Company is irrecoverably damaged, the Company's Board of Directors may resolve to implement necessary and appropriate countermeasures as an exception with a view to protecting the corporate value of the Company and the common interests of shareholders.

A countermeasure to be implemented in compliance with This Policy against a Large-Scale Acquisition would be a gratis allotment of subscription rights to shares (hereinafter referred to as the "Subscription Rights to Shares").

The Subscription Rights to Shares shall be allotted without consideration to the shareholders whose names are recorded in the last register of shareholders as of the record date to be separately determined at a ratio of one (1) or more Subscription Rights to Shares for every one (1) Company share held (excluding the Company's common stock held by the Company), which shall be separately fixed by the Company's Board of Directors.

The type of shares subject to the Subscription Rights to Shares shall be the common stock of the Company and the number of shares corresponding to one (1) Subscription Rights to Shares (hereinafter referred to as the "Applicable Number of Shares") shall be one (1) share.

The object to be contributed upon exercise of the Subscription Rights to Shares shall be cash, and the amount of assets to be contributed upon exercise of the Subscription Rights to Shares per each of the Company's common stock shall be one (1) yen or more, which shall be separately fixed by the Company's Board of Directors at a resolution on a gratis allotment of Subscription Rights to Shares.

Non-qualified parties defined by the Company's Board of Directors based on the specific method of acquisition by the Large-Scale Acquirer may not exercise the Subscription Rights to Shares. The Company acquires the Subscription Rights to Shares held by persons other than non-qualified parties on a day separately defined by the Company's Board of Directors and, in exchange for the Subscription Rights to Shares, the Company may deliver as consideration the Company's common stock corresponding to the Applicable Number of Shares as of the acquisition date for every Subscription Rights to Shares.

The effective period of This Policy shall be three (3) years from the close of the Company's 68th Ordinary General Meeting of Shareholders held on June 27, 2014 until the close of the Ordinary General Meeting of Shareholders to be held in June 2017. However, even before the expiration of the effective period, if a resolution to abolish or revise This Policy is made by the Company's General Meeting of Shareholders, or such resolution is made by the Company's Board of Directors, This Policy shall be abolished or revised at that time, and the Company's Board of Directors will immediately disclose such matter.

If the gratis allotment of the Subscription Rights to Shares is not implemented, This Policy shall have no direct or material impact on the legal rights and economic interests of shareholders and investors concerning the Company's overall shares.

If the Company's Board of Directors adopts a resolution on a gratis allotment of the Subscription Rights to Shares, the Subscription Rights to Shares shall be allotted without consideration to the shareholders whose names are recorded in the last register of shareholders as of the record date to be separately determined at a ratio of one (1) or more Subscription Rights to Shares for every one (1) Company share held which shall be separately fixed by the Company's Board of Directors, as of the effective date to be also separately determined. Due to the nature of the mechanism of such countermeasures, the gratis allotment of the Subscription Rights to Shares does not assume any

circumstances where it may cause direct deprivation of legal right or economic interests to the shareholders and investors concerning the Company's overall shares, because neither the dilution in economic values of the Company's overall shares they hold nor the dilution of voting rights per share is incurred, although the per share economic values may be diluted regarding the Company's shares held by the shareholders and investors.

IV. Judgment by the Company's Board of Directors over the above measures and reasons for such judgment

The "Measures to contribute to realizing the basic policy" described in II. above have been formulated as specific measures to enhance the corporate value of the Company and the common interests of shareholders based on the Company's medium- and long-term management strategy, and the Company believes that the Group-wide execution of the measures should serve to improve the Company's business performance and also enhance the corporate value of the Company and the common interests of shareholders, thereby contributing to realizing the basic policy.

This Policy satisfies the requirements of the Guidelines Regarding Takeover Defense Measures and has been introduced upon the approval of shareholders at the General Meeting of Shareholders. In addition, the Company has established the Independent Committee, as an organization independent of the Board of Directors, which consists of members appointed among Outside Board Members, Outside Audit & Supervisory Board Members, or outside knowledgeable persons (persons falling under any of experts such as lawyers, certified tax accountants, or certified public accountants, academic experts, persons familiar with investment banking affairs, or outside parties having experience as board members, executive officers or audit & supervisory board members at corporations), based on which the mechanism is ensured that the Independent Committee makes a recommendation to the Board of Directors as to whether any countermeasures should be implemented and the Company's Board of Directors shall make a decision on the implementation of countermeasures by maximally respecting the recommendations of the Independent Committee. This Policy has rationality and objectivity due to some factors that This Policy is designed in a way that the countermeasures against the Large-Scale Acquisitions cannot be implemented unless reasonable and objective requirements are satisfied and the mechanism is ensured to prevent arbitrary implementation by the Company's Board of Directors; the Independent Committee may, at the expense of the Company, obtain advice from external experts who are independent from the management executives engaged in the execution of the Company's business affairs; and This Policy is not a dead-hand or slow-hand takeover defense measure; thereby enabling This Policy to be operated such that it contributes to the corporate value of the Company and the common interests of shareholders, and This Policy does not aim to maintain the positions of Board Members and Audit & Supervisory Board Members of the Company.

(Reference)

The effective period of This Policy will expire at the conclusion of the 71st Ordinary General Meeting of Shareholders to be held on June 29, 2017, and the Company at the meeting of its Board of Directors held on May 11, 2017 resolved to discontinue this Policy upon the expiry of its effective period.

(7) Policy concerning decision on dividends of surplus

With regard to the Company's basic policy for profit sharing, we strive to maintain stable dividends, paying attention to capital demands for future business development as well as considering the continuous return of profits to shareholders as one of the most important management measures.

In addition, retained earnings are used to develop products to meet market demands, to improve and strengthen the Company's business structure, including capital rationalization and investment, and to make strategic investments for future growth.

Year-end dividends are proposed at ¥15 per share, based on the basic policy for profit sharing. This results in a total annual dividend of ¥30 per share, including the interim dividend of ¥15.

Remarks

Amounts described in this Business Report are rounded down to the nearest unit used for presentation.

Consolidated Balance Sheet

(As of March 31, 2017)

(Millions of yen)

Assets		Liabilities	
Current assets	111,544	Current liabilities	14,014
Cash and deposits	53,956	Notes and accounts payable – trade	5,250
Notes and accounts receivable – trade	18,004	Current portion of long-term loans payable	31
Securities	5,570	Income taxes payable	1,691
Merchandise and finished goods	7,463	Accrued expenses	3,859
Work in process	14,158	Provision for product warranties	845
Raw materials and supplies	5,479	Other	2,335
Deferred tax assets	3,044	Non-current liabilities	13,444
Other	3,888	Bonds payable	10,039
Allowance for doubtful accounts	(20)	Deferred tax liabilities	2,502
Non-current assets	46,862	Net defined benefit liability	859
Property, plant and equipment	17,870	Other	43
Building and structures	8,685	Total liabilities	27,458
Machinery, equipment and vehicles	4,115	Net assets	
Tools, furniture and fixtures	883	Shareholders' equity	121,028
Land	4,076	Capital stock	5,878
Construction in progress	109	Capital surplus	5,413
Intangible assets	6,462	Retained earnings	119,790
Software	6,430	Treasury shares	(10,054)
Other	32	Accumulated other comprehensive income	9,715
Investments and other assets	22,529	Valuation difference on available-for-sale securities	7,739
Investment securities	22,057	Foreign currency translation adjustment	1,892
Deferred tax assets	89	Remeasurements of defined benefit plans	83
Other	382	Non-controlling interests	203
		Total net assets	130,947
Total assets	158,406	Total liabilities and net assets	158,406

Consolidated Statement of Income

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

Item	Amount	
Net sales		86,397
Cost of sales		53,004
Gross profit		33,392
Selling, general and administrative expenses		23,598
Operating income		9,794
Non-operating income		
Interest and dividend income	539	
Miscellaneous income	159	698
Non-operating expenses		
Interest expenses	(6)	
Miscellaneous expenses	298	291
Ordinary income		10,200
Extraordinary income		
Gain on disposal of non-current assets	57	
Subsidy income	186	
Other	0	244
Extraordinary losses		
Loss on disposal of non-current assets	188	
Impairment loss	11	
Loss on valuation of investment securities	204	
Loss on step acquisitions	93	497
Profit before income taxes		9,948
Income taxes – current		3,347
Income taxes – deferred		(459)
Profit		7,060
Profit attributable to non-controlling interests		5
Profit attributable to owners of parent		7,054

Consolidated Statement of Changes in Equity

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,878	5,413	115,475	(1,907)	124,860
Changes of items during period					
Dividends of surplus			(2,739)		(2,739)
Profit attributable to owners of parent			7,054		7,054
Purchase of treasury shares				(8,146)	(8,146)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	4,315	(8,146)	(3,831)
Balance at end of current period	5,878	5,413	119,790	(10,054)	121,028

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	5,551	2,148	(659)	7,040	168	132,069
Changes of items during period						
Dividends of surplus						(2,739)
Profit attributable to owners of parent						7,054
Purchase of treasury shares						(8,146)
Net changes of items other than shareholders' equity	2,187	(256)	743	2,674	35	2,709
Total changes of items during period	2,187	(256)	743	2,674	35	(1,121)
Balance at end of current period	7,739	1,892	83	9,715	203	130,947

Notes to Consolidated Financial Statements

1. Significant Accounting Policies for Preparing Consolidated Financial Statements

(1) Scope of consolidation

Consolidated subsidiaries

- Number of consolidated subsidiaries: 9 companies
- Names of consolidated subsidiaries: ADTEK FUJI Co., Ltd.
EDEC LINSEY SYSTEM Co., Ltd.
Fuji America Corporation
Fuji Machine America Corporation
Fuji Machine Manufacturing (Europe) GmbH
Tower-Factory GmbH
Fuji Machine China Co., Ltd.
Kunshan Fuji Machine Mfg. Co., Ltd.
Fuji Do Brasil Maquinas Industriais Ltda.
- Change in scope of consolidation: Tower-Factory GmbH, which had been a non-equity method affiliate in the previous fiscal year, has been included in the scope of consolidation as a consolidated subsidiary starting from the current fiscal year as the Company acquired additional equity in said company.

(2) Application of the equity method

Not applicable

(3) Matter relating to fiscal year, etc., at consolidated subsidiaries

Of the Company's consolidated subsidiaries, the closing date of Tower-Factory GmbH, Fuji Machine China Co., Ltd., Kunshan Fuji Machine Mfg. Co., Ltd., and Fuji Do Brasil Maquinas Industriais Ltda. is on December 31. In preparing consolidated financial statements, as for Fuji Do Brasil Maquinas Industriais Ltda., the Company uses the subsidiary's financial statements as of December 31, and significant transactions arising between the closing date and the consolidation closing date are subject to adjustments necessary for the consolidation. As for Tower-Factory GmbH, Fuji Machine China Co., Ltd., and Kunshan Fuji Machine Mfg. Co., Ltd., the Company uses financial statements based on provisional settlement of accounts carried out as of the consolidated closing date. The closing date of other consolidated subsidiaries is on the last day of consolidated fiscal year.

(4) Accounting policies

1) Valuation standard and valuation method for significant assets

a. Securities:

Held-to-maturity bonds

Amortized cost method (Straight-line method)

Available-for-sale securities

- With fair market values: Fair value method based on market prices at the end of the fiscal year (valuation differences are directly included in net assets, and costs of securities sold are calculated by the moving-average method)
- Without fair market values: Measured at cost using the moving-average method

b. Inventories:

- Finished goods and work in process: Mainly measured at cost using the specific identification method (calculated by the method to write down book value due to a decline in profitability)
- Raw materials and supplies: Mainly measured at cost using the moving-average method (calculated by the method to write down book value due to a decline in profitability)

2) Method of depreciation of significant depreciable assets

- a. Property, plant and equipment: Mainly measured at the declining-balance method

However, buildings (excluding facilities attached to buildings) acquired on and after April 1, 1998, and facilities attached to buildings and structures acquired on and after April 1, 2016 are measured using the straight-line method.

b. Intangible assets:

- Software for commercial purpose: Straight-line method over the estimated useful life
- Software for internal use: Straight-line method over the estimated usable period
- Other intangible assets: Straight-line method

3) Standards for recording significant allowances

- a. Allowance for doubtful accounts: To provide for loss associated with default of receivables held as at the end of fiscal year, estimated uncollectible amount is set aside in consideration of historical credit loss ratio for general receivables, while in consideration of individual collectability for doubtful receivables.
- b. Provision for product warranties: To provide for expenditure associated with costs arising from the Company's product defects during the product warranty period, an amount calculated by multiplying net sales by the historical defect rate, which is calculated based on historical amounts, is set aside.

4) Other important matters for the preparation of consolidated financial statements

a. Basis for recording net defined benefit liability:

As for net defined benefit liability, retirement benefit obligations less plan assets are recorded, based on the estimated amount as at the end of the fiscal year, in order to provide for retirement benefits for the employees.

Actuarial differences are charged to expenses collectively in the fiscal year following the year in which they arise.

Unrecognized actuarial differences are recorded as remeasurements of defined benefit plans in accumulated other comprehensive income under net assets after tax effect adjustments.

In the calculation of retirement benefit obligations, estimated retirement benefits are attributed to the period up to the end of the fiscal year by using a benefit formula basis.

- b. Accounting method for consumption tax: Tax-exclusion method is adopted.

2. Notes to Changes in Accounting Policies

(Adoption of the Practical Solution on a change in depreciation method due to Tax Reform 2016)

In line with the revisions to the Corporation Tax Act, the Company adopted the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (PITF No. 32, June 17, 2016) from the fiscal year ended March 31, 2017. Accordingly, the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

The impact of this change on profit or loss is minimal.

(Additional Information)

(Adoption of the Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from the fiscal year ended March 31, 2017, the Company adopted the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

3. Notes to Consolidated Balance Sheet

Accumulated depreciation of property, plant and equipment ¥31,213 million

4. Notes to Consolidated Statement of Changes in Equity, etc.

(1) Matter relating to the total number of shares issued

(Thousand shares)

Type of share	Number of shares at beginning of current period	Increased shares during period	Decreased shares during period	Number of shares at the end of current period
Common stock	97,823	—	—	97,823

(2) Matter relating to the number of treasury shares

(Thousand shares)

Type of share	Number of shares at beginning of current period	Increased shares during period	Decreased shares during period	Number of shares at the end of current period
Common stock	1,698	6,674	—	8,372

Note: The increase in the number of treasury shares was due to the purchase of 6,673 thousand shares of treasury shares, based on the resolution of the Board of Directors and the purchase of one thousand shares of fractional shares.

(3) Matters relating to dividends of surplus

1) Dividends paid and others

a. Matters relating to cash dividends based on the resolution at the 70th Ordinary General Meeting of Shareholders held on June 29, 2016

- Total dividends ¥1,345 million
- Dividend per share ¥14
- Record date March 31, 2016
- Effective date June 30, 2016

b. Matters relating to cash dividends based on the resolution at the Board of Directors' meeting held on November 10, 2016

- Total dividends ¥1,393 million
- Dividend per share ¥15
- Record date September 30, 2016
- Effective date December 9, 2016

2) Of the dividends whose record date falls during the fiscal year ended March 31, 2017, those of which will become effective in the fiscal year ending March 31, 2018

The following shall be deliberated at the 71st Ordinary General Meeting of Shareholders scheduled to be held on June 29, 2017

- Total dividends ¥1,341 million
- Dividend per share ¥15
- Record date March 31, 2017
- Effective date June 30, 2017

5. Notes on Financial Instruments

(1) Matters relating to status of financial instruments

The Group restricts its investment of funds to short-term deposits, etc., while raises funds through borrowings from financial institutions including banks.

The Group is striving to mitigate customers' credit risk associated with notes and accounts receivable – trade in accordance with the Credit Management Rules. Securities and investment securities largely comprise held-to-maturity bonds and shares, which are marked to market on a regular basis.

Loans payable and bonds payable are used for funding based on business plan, and interest rate swap transactions are used to fix interest expenses for the interest rate risks of long-term loans payable. Derivative transactions are carried out within the scope of actual demand in accordance with the Internal Control Rules.

(2) Matters relating to the fair values of financial instruments

Amounts recorded on the consolidated balance sheet, fair values and the differences between them as of March 31, 2017 (consolidated closing date of the fiscal year under review) are as follows.

(Millions of yen)

	Amounts recorded on the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	53,956	53,956	—
(2) Notes and accounts receivable – trade	18,004	18,004	—
(3) Securities and investment securities			
Held-to-maturity bonds	2,400	2,397	(2)
Available-for-sale securities	25,147	25,147	—
(4) Notes and accounts payable – trade	5,250	5,250	—
(5) Current portion of long-term loans payable	31	31	—
(6) Bonds payable	10,039	11,465	1,425

(Note 1) Matters relating to the method for calculating fair values of financial instruments, as well as matters relating to securities

(1) Cash and deposits and (2) Notes and accounts receivable – trade

They are measured at book values, because their fair values approximate book values as they are settled on a short-term basis.

(3) Securities and investment securities

Fair values of securities and investment securities are based on the prices quoted on stock exchanges. Fair values of debt securities are based on prices quoted by underwriting financial institutions. In addition, fair values of negotiable certificates are measured at book values, because their fair values approximate book values as they are settled on a short-term basis.

(4) Notes and accounts payable – trade and (5) Current portion of long-term loans payable

They are measured at book values, because their fair values approximate book values as they are settled on a short-term basis.

(6) Bonds payable

Fair values of the bonds payable are measured via a calculation method based on market prices.

(Note 2) Unlisted shares (amount recorded on the consolidated balance sheet of ¥80 million) are not included in “(3) Securities and investment securities, Available-for-sale securities,” since there are no market prices and future cash flows cannot be estimated, and it is extremely difficult to determine their fair values.

6. Notes to Per Share Information

(1) Net assets per share ¥1,461.63

(2) Profit per share ¥76.19

7. Notes to Significant Subsequent Events
Not applicable

Non-consolidated Balance Sheet

(As of March 31, 2017)

(Millions of yen)

Assets		Liabilities	
Current assets	88,920	Current liabilities	11,875
Cash and deposits	37,458	Accounts payable – trade	5,244
Notes receivable – trade	999	Accounts payable – other	457
Accounts receivable – trade	17,814	Income taxes payable	1,686
Securities	5,400	Accrued expenses	2,709
Finished goods	2,518	Provision for product warranties	733
Work in process	13,506	Other	1,044
Raw materials and supplies	4,701	Non-current liabilities	13,464
Deferred tax assets	1,532	Bonds payable	10,039
Other	4,992	Deferred tax liabilities	2,465
Allowance for doubtful accounts	(2)	Provision for retirement benefits	936
Non-current assets	43,577	Other	22
Property, plant and equipment	13,870		
Buildings	5,771	Total liabilities	25,339
Structures	658	Net assets	
Machinery and equipment	3,567	Shareholders' equity	99,585
Vehicles	4	Capital stock	5,878
Tools, furniture and fixtures	654	Capital surplus	5,413
Land	3,118	Legal capital surplus	5,413
Construction in progress	94	Retained earnings	98,347
Intangible assets	6,179	Legal retained earnings	1,450
Software	6,160	Other retained earnings	96,897
Other	19	General reserve	54,900
Investments and other assets	23,527	Retained earnings brought forward	41,997
Investment securities	21,206	Treasury shares	(10,054)
Shares of subsidiaries and associates	1,115	Valuation and translation adjustments	7,572
Investments in capital	4	Valuation difference on available-for-sale securities	7,572
Investments in capital of subsidiaries and associates	599		
Other	634	Total net assets	107,158
Allowance for doubtful accounts	(33)		
Total assets	132,498	Total liabilities and net assets	132,498

Non-consolidated Statement of Income

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

Item	Amount	
Net sales		78,860
Cost of sales		51,438
Gross profit		27,422
Selling, general and administrative expenses		18,499
Operating income		8,922
Non-operating income		
Interest and dividend income	505	
Miscellaneous income	104	609
Non-operating expenses		
Interest expenses	(9)	
Miscellaneous expenses	327	317
Ordinary income		9,215
Extraordinary income		
Gain on disposal of non-current assets	46	
Other	0	46
Extraordinary losses		
Loss on disposal of non-current assets	168	
Loss on valuation of investment securities	202	
Loss on valuation of investments in capital of subsidiaries and associates	187	557
Income before income taxes		8,703
Income taxes – current		2,650
Income taxes – deferred		(376)
Profit		6,430

Non-consolidated Statement of Changes in Equity

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus		Other retained earning		Total retained earnings		
					General reserve	Retained earnings brought forward			
Balance at beginning of current period	5,878	5,413	5,413	1,450	54,900	38,307	94,657	(1,907)	104,042
Changes of items during period									
Dividends of surplus						(2,739)	(2,739)		(2,739)
Profit						6,430	6,430		6,430
Purchase of treasury shares								(8,146)	(8,146)
Net changes of items other than shareholders' equity									
Total changes of items during period	—	—	—	—	—	3,690	3,690	(8,146)	(4,456)
Balance at end of current period	5,878	5,413	5,413	1,450	54,900	41,997	98,347	(10,054)	99,585

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	5,490	5,490	109,532
Changes of items during period			
Dividends of surplus			(2,739)
Profit			6,430
Purchase of treasury shares			(8,146)
Net changes of items other than shareholders' equity	2,082	2,082	2,082
Total changes of items during period	2,082	2,082	(2,373)
Balance at end of current period	7,572	7,572	107,158

Notes to Non-consolidated Financial Statements

1. Matters Relating to Significant Accounting Policies

(1) Valuation standard and valuation method for assets

- 1) Shares of subsidiaries and affiliates Measured at cost using the moving-average method
- 2) Held-to-maturity bonds Amortized cost method (Straight-line method)
- 3) Available-for-sale securities
 - With fair market values: Fair value method based on market prices at the end of the fiscal year (valuation differences are directly included in net assets, and costs of securities sold are calculated by the moving-average method)
 - Without fair market values: Measured at cost using the moving-average method

4) Inventories

- Finished goods and work in process: Measured at cost using the specific identification method (calculated by the method to write down book value due to a decline in profitability)
- Raw materials and supplies: Measured at cost using the moving-average method (calculated by the method to write down book value due to a decline in profitability)

(2) Method of depreciation of non-current assets

- 1) Property, plant and equipment: Declining-balance method
However, buildings (excluding facilities attached to buildings) acquired on and after April 1, 1998, and facilities attached to buildings and structures acquired on and after April 1, 2016 are measured using the straight-line method.

2) Intangible assets

- Software for commercial purpose: Straight-line method over the estimated useful life
- Software for internal use: Straight-line method over the estimated usable period
- Other intangible assets: Straight-line method

(3) Standards for recording allowances

- 1) Allowance for doubtful accounts: To provide for loss associated with default of receivables held as at the end of fiscal year, estimated uncollectible amount is set aside in consideration of historical credit loss ratio for general receivables, while in consideration of individual collectability for doubtful receivables.
- 2) Provision for product warranties: To provide for expenditure associated with costs arising from the Company's product defects during the product warranty period, an amount calculated by multiplying net sales by the historical defect rate, which is calculated based on historical amounts, is set aside.
- 3) Provision for retirement benefits: To provide for retirement benefits for the employees, provision for retirement benefits is recorded based on the estimated amounts of retirement benefit obligations and plan assets at the end of fiscal year. Actuarial differences are charged to expenses collectively in the fiscal year following the year in which they arise.

(4) Other important matters for the preparation of non-consolidated financial statements

- 1) Accounting method for retirement benefits: Accounting method for unrecognized actuarial differences related to retirement benefits is different from the accounting method for those in the consolidated financial statements.
- 2) Accounting method for consumption tax and others: Tax-exclusion method is adopted.

2. Notes to Changes in Accounting Policies

(Adoption of the Practical Solution on a change in depreciation method due to Tax Reform 2016)

In line with the revisions to the Corporation Tax Act, the Company adopted the "Practical Solution on a change in

depreciation method due to Tax Reform 2016” (PITF No. 32, June 17, 2016) from the fiscal year ended March 31, 2017. Accordingly, the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

The impact of this change on profit or loss is minimal.

(Additional Information)

(Adoption of the Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from the fiscal year ended March 31, 2017, the Company adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

3. Notes to Non-consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment ¥27,824 million

(2) Monetary claims and debts to subsidiaries and associates

Short-term monetary claims: ¥7,155 million

Long-term monetary claims: ¥560 million

Short-term monetary debts: ¥1,114 million

Long-term monetary debts: ¥7 million

4. Notes to Non-consolidated Statement of Income

Amount of transactions with subsidiaries and associates

Net sales: ¥17,041 million

Purchase of goods: ¥571 million

Other operating expenses: ¥8,843 million

Amount of transactions other than operating transactions: ¥119 million

5. Notes to Non-consolidated Statement of Changes in Equity

Matter relating to the number of shares issued

(Thousand shares)

Type of share	Number of shares at beginning of current period	Increased shares during period	Decreased shares during period	Number of shares at the end of current period
Common stock	1,698	6,674	—	8,372

Note: The increase in the number of treasury shares was due to the purchase of 6,673 thousand shares of treasury shares, based on the resolution of the Board of Directors and the purchase of one thousand shares of fractional shares.

6. Notes to Tax Effect Accounting

Breakdown of deferred tax assets and deferred tax liabilities by main cause

(Deferred tax assets)	(Millions of yen)
Accrued expenses	599
Loss on valuation of inventories	586
Loss on valuation of investment securities	529
Loss on valuation of investments in capital of subsidiaries and associates	478
Provision for retirement benefits	286
Impairment loss	274
Provision for product warranties	226
Enterprise tax payable	105
Other	83
Deferred tax assets subtotal	<u>3,170</u>
Valuation reserve	<u>(1,330)</u>
Deferred tax assets total	1,839
(Deferred tax liabilities)	
Valuation difference on available-for-sale securities	<u>(2,772)</u>
Deferred tax liabilities total	<u>(2,772)</u>
Deferred tax assets (liabilities), net	<u>(933)</u>

7. Notes to Transactions with Related Parties
Subsidiaries, etc.

Type	Name of companies, etc.	Owning (owned) ratio of voting rights, etc.	Relationship with related parties	Description of transactions	Amount of transactions (Millions of yen)	Account	Year-end balance (Millions of yen)
Subsidiary	Fuji America Corporation	Owning 100% directly	Sales of the Company's products	Sales of robotic moulder (Note 1)	8,113	Accounts receivable – trade	2,984
Subsidiary	Fuji Machine Manufacturing (Europe) GmbH	Owning 100% directly	Sales of the Company's products	Sales of robotic moulder (Note 1)	6,078	Accounts receivable – trade	1,706
Subsidiary	Kunshan Fuji Machine Mfg. Co., Ltd.	Owning 100% directly	Manufacturing and sales of the Company's products	Provision of loans (Note 2)	—	Current assets, other (Short-term loans receivable) Investments and other assets, other (Long-term loans receivable)	2,243

Terms of transactions and the policy for determining such terms

Notes: 1. Terms of transactions including prices are determined based on market prices, the same way as general terms of transactions.

2. Interest rates on loans are determined based on market interest rates, etc.

8. Notes to Per Share Information

(1) Net assets per share ¥1,197.96

(2) Profit per share ¥69.45

9. Notes to Significant Subsequent Events

Not applicable

Independent Auditors' Audit Report

May 11, 2017

To the Board of Directors, FUJI MACHINE MFG. CO., LTD.

KPMG AZSA LLC
Chika Matsumoto
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant
Hideki Saito
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

In accordance with Article 444, Paragraph 4, of the Companies Act, we have audited the consolidated financial statements, comprising the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to consolidated financial statements of FUJI MACHINE MFG. CO., LTD., and its subsidiaries as of March 31, 2017 and for the fiscal year from April 1, 2016 to March 31, 2017.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan; this includes the implementation and maintenance of internal control deemed necessary by management for the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements referred to above present fairly, in all material aspects, the financial position and results of operations of the Company and its consolidated subsidiaries, applicable to the consolidated fiscal year ended March 31, 2017, in accordance with accounting principles generally accepted in Japan.

Interest

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Independent Auditors' Audit Report

May 11, 2017

To the Board of Directors, FUJI MACHINE MFG. CO., LTD.

KPMG AZSA LLC
Chika Matsumoto
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant
Hideki Saito
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

In accordance with Article 436, Paragraph 2, Item 1, of the Companies Act, we have audited the non-consolidated financial statements, comprising the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity and notes to non-consolidated financial statements and supplementary schedules of FUJI MACHINE MFG. CO., LTD., as of March 31, 2017 and for the 71st business period from April 1, 2016 to March 31, 2017.

Management's Responsibility for the Non-consolidated Financial Statements and Others

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and supplementary schedules in accordance with accounting principles generally accepted in Japan; this includes the implementation and maintenance of internal control deemed necessary by management for the preparation and fair presentation of the non-consolidated financial statements and supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the non-consolidated financial statements and supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and supplementary schedules. The procedures selected and applied depend on our judgement, including the assessment of the risks of material misstatement of the non-consolidated financial statements and supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall

presentation of the non-consolidated financial statements and supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these non-consolidated financial statements and supplementary schedules referred to above present fairly, in all material aspects, the financial position and results of operation of the Company, applicable to the business period ended March 31, 2017, in accordance with accounting principles generally accepted in Japan.

Interest

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Audit Report

With respect to Board Members' performance of their duties during the 71st business period (from April 1, 2016 to March 31, 2017), the Audit & Supervisory Board has prepared this audit report after deliberations, as unanimous opinion of all Audit & Supervisory Board Members based on the audit reports prepared by each Audit & Supervisory Board Member, and hereby report as follows:

1. Method and Contents of Audit by Audit & Supervisory Board Members and the Audit & Supervisory Board

- (1) The Audit & Supervisory Board has established the audit policies and the division of duties of each Audit & Supervisory Board Member, etc., and received a report from each Audit & Supervisory Board Member regarding the status of implementation of their audits and results thereof. In addition, the Audit & Supervisory Board has received reports from Board Members, etc., and accounting auditors regarding the status of performance of their duties, and requested explanations as necessary.
- (2) In conformity with the Audit & Supervisory Board Members auditing standards established by the Audit & Supervisory Board, and in accordance with the audit policies and division of duties, etc., each Audit & Supervisory Board Member endeavored to facilitate mutual understanding with Board Members, the internal audit division and other employees, etc., endeavored to collect information and maintain and improve the audit environment, and conducted audits in the following manner.
 - 1) Each Audit & Supervisory Board Member attended Board of Directors' meetings, Operations Executive Board meetings and other important meetings, received reports on the status of performance of duties from Board Members and other employees and requested explanations as necessary, examined requests for approval and other important documents, and inspected the status of corporate affairs and assets at head office and other principal business locations. With respect to the subsidiaries, each Audit & Supervisory Board Member endeavored to facilitate a mutual understanding and exchanged information with the Board Members and Audit & Supervisory Board Members, etc., of each subsidiary and received from subsidiaries reports on their respective business as necessary.
 - 2) Each Audit & Supervisory Board Member regularly received reports on the status of the system and performance from Board Members and other employees and, as necessary, requested explanations for and expressed opinions on the status of the contents of the Board of Directors' resolutions regarding the development and maintenance of the system to ensure that Board Members' performance of their duties described in the business report complied with all laws, regulations and the Articles of Incorporation of the Company and other systems that are set forth in Article 100, Paragraphs 1 and 3, of the Ordinance for Enforcement of the Companies Act as being necessary for ensuring the appropriateness of the corporate affairs of the corporate group comprising the Company and its subsidiaries, and the systems (internal control systems) based on such resolutions.
 - 3) Each Audit & Supervisory Board Member also examined the contents of the respective measures of basic policies regarding the control of a company as described in the business report, in light of the circumstances, etc., of deliberations by the Board of Directors and other bodies.

- 4) Each Audit & Supervisory Board Member monitored and verified whether the accounting auditor maintained its independence and properly conducted its audit, received a report from the accounting auditor on the status of its performance of duties, and requested explanations as necessary. In addition, each Supervisory & Audit Board Member received a report from the accounting auditor to the effect that the “system to ensure that the performance of the duties of the accounting auditor was properly conducted” (matters stipulated in the items of Article 131 of the Ordinance on Company Accounting) had been developed and maintained in accordance with “Quality Control Standards for audit” (Business Accounting Council, October 28, 2005), etc., and requested explanations as necessary.

Based on the above-described methods, each Audit & Supervisory Board Member examined the business report and the supplementary schedules thereto, non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and notes to non-consolidated financial statements) and the supplementary schedules thereto, as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and notes to consolidated financial statements), for the business period under consideration.

2. Results of Audit

(1) Results of Audit of Business Report, etc.

- 1) We acknowledge that the business report and the supplementary schedules thereto fairly present the status of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation of the Company.
- 2) We acknowledge that no misconduct or material fact constituting a violation of any law or regulation or the Articles of Incorporation of the Company was found with respect to the Board Members’ performance of their duties.
- 3) We acknowledge that the Board of Directors’ resolutions with respect to the internal control systems are appropriate. We did not find any matter to be mentioned with respect to the contents of the business report concerning the internal control systems and the Board Members’ performance of their duties.
- 4) We did not find any matter to be mentioned with respect to the basic policy regarding those who control decisions on the Company’s financial matters and business policies described in the Business Report. Also, measures for those are in line with the basic policies, they do not impair the common interests of the Company’s shareholders, and they are not directed to the purpose of maintaining the positions of the Company’s Board Members and Audit & Supervisory Board Members.

(2) Results of Audit of the Non-consolidated Financial Statements and their Supplementary Schedules

We acknowledge that the methods and results of audit performed by the accounting auditor, KPMG AZSA LLC, are appropriate.

(3) Results of Audit of the Consolidated Financial Statements

We acknowledge that the methods and results of audit performed by the accounting auditor, KPMG AZSA LLC, are appropriate.

May 11, 2017

Audit & Supervisory Board of FUJI MACHINE MFG. CO., LTD.

Full-time Audit & Supervisory Board Member

Shinsaku Sakagami

Outside Audit & Supervisory Board Member

Shigeki Matsuda

Outside Audit & Supervisory Board Member

Kayoko Yamashita

Reference Material for the General Meeting of Shareholders

Proposal 1: Treatment of Surplus Earnings

With regard to the Company's basic policy for profit sharing, we strive to maintain stable dividends, paying attention to capital demands for future business development as well as considering the continuous return of profits to shareholders as one of the most important management measures. In addition, retained earnings are used to develop products to meet market demands, to improve and strengthen the Company's business structure, including capital rationalization and investment, and to make strategic investments for future growth.

Based on the basic policy for profit sharing, we would like to announce the proposed treatment of surplus earnings for the 71st business period as follows.

Details of the year-end dividends

- (1) Type of assets distributed as dividends: Cash
- (2) Allocation of assets distributed as dividends and the total amount thereof: ¥15 per share of the Company's common stock.

Please note that the total of the dividends will amount to ¥1,341,762,390.

As a result, the annual dividend for the current fiscal year is ¥30 per share, including the interim dividend of ¥15.

- (3) Effective date of dividend distribution from surplus earnings: Friday, June 30, 2017

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the proposal

For the purpose of strengthening and establishing the Company’s global brand as a company which supports global manufacturing, and with an aim to expand its business domain through deep cultivation and development of robot technology, the Company would like to change its trade name for the fiscal year 2018, at which point the Company will have been operating for a time of 60 years. Accordingly, the Company proposes to amend Article 1 (Company name) of the current Articles of Incorporation.

The effective date of the amendments to the Articles of Incorporation shall be on April 1, 2018 supplemented with the supplementary provision, which shall be deleted on the effective date.

2. Details of the amendments

Details of the proposed amendments are as shown below.

(The proposed amendments are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p>(Company name)</p> <p>Article 1. The Company will be called <u>Fuji Kikai Seizo Kabushiki Gaisha</u>, and in English, <u>FUJI MACHINE MFG. CO., LTD.</u></p> <p>(Newly established)</p>	<p>(Company name)</p> <p>Article 1. The Company will be called <u>Kabushiki Gaisha Fuji</u>, and in English, <u>FUJI CORPORATION.</u></p> <p><u>Supplementary provision</u> <u>The amendments to Article 1 (Company name) of the Articles of Incorporation will take effect on April 1, 2018. This supplementary provision will be removed on the date the amendments take effect.</u></p>

Proposal 3: Election of Eight Board Members

The term of office of all eight Board Members expires at the close of this ordinary general meeting of shareholders. Accordingly, the Company proposes the election of eight Board Members including two Outside Board Members.

Candidates for Board Members are as follows.

Candidate number	Name (Date of birth)	Career summary, position and responsibility in the Company (Position and representation of other companies)	Number of the Company's shares owned
1	Nobuyuki Soga (February 26, 1952)	April 1975 Entered the Company April 1997 Manager, Planning and Management Office April 2006 Manager, Business Planning Office, Electronics Assembly Equipment Division June 2007 Board Member, Executive Officer June 2008 Board Member, Managing Executive Officer June 2009 President & CEO (To present)	22,981
(Reason for nomination as a candidate for Board Member) Nobuyuki Soga has properly supervised management and made decisions on important matters as President & CEO and has contributed to the expansion of business since 2009. In addition, he is currently working on enhancing corporate value by formulating and promoting the medium-term management plan; thereby he is re-nominated as a candidate for Board Member.			
2	Shinsuke Suhara (October 3, 1957)	April 1981 Entered the Company April 2004 Manager, Development Department 1, Electronics Assembly Equipment Division June 2008 Executive Officer; Deputy General Manager, Electronics Assembly Equipment Division; Manager, General Engineering Department 1 June 2010 Board Member, Executive Officer June 2012 Board Member, Managing Executive Officer June 2015 Board Member, Senior Managing Executive Officer; General Manager, Electronics Assembly Equipment Division (Currently Robotic Solutions Division) (To present) [Representation of Other Companies] Chairman, Kunshan Fuji Machine Mfg. Co., Ltd.	3,690
(Reason for nomination as a candidate for Board Member) Shinsuke Suhara has served as Manager of Development Department, Manager of General Engineering Department, General Manager of Robotic Solutions Division, etc., and has extensive job experience in design and development. The Company believes that he will be able to utilize his experience and knowledge cultivated through his career in management of the Company; thereby he is re-nominated as a candidate for Board Member.			

Candidate number	Name (Date of birth)	Career summary, position and responsibility in the Company (Position and representation of other companies)	Number of the Company's shares owned
3	Seigo Kodama (March 12, 1954)	<p>April 1979 Entered the Company</p> <p>April 2004 Manager, Software Development Department, Electronics Assembly Equipment Division</p> <p>June 2008 Executive Officer; Head, Technology Development Center</p> <p>June 2012 Board Member, Executive Officer</p> <p>June 2015 Board Member, Managing Executive Officer; Head, Development Center (To present)</p> <p>[Representation of Other Companies] President & CEO, ADTEK FUJI Co., Ltd.</p>	9,690
(Reason for nomination as a candidate for Board Member) Seigo Kodama has served as Manager of Software Development Department, Head of Technology Development Center, etc. and has extensive job experience in design and development. The Company believes that he will be able to utilize his experience and knowledge cultivated through his career in management of the Company; thereby he is re-nominated as a candidate for Board Member.			
4	Takayoshi Kawai (July 14, 1954)	<p>April 1978 Entered the Company</p> <p>April 2004 Manager, Control Technology Development Department, Electronics Assembly Equipment Division</p> <p>June 2008 Executive Officer; Deputy General Manager, Electronics Assembly Equipment Division; Manager, General Engineering Department 2</p> <p>May 2010 President & CEO, Edec Linsey System Co., Ltd.</p> <p>June 2013 Board Member, Executive Officer</p> <p>June 2015 Board Member, Managing Executive Officer; General Manager, Machine Tools Division; Factory Manager, Fujioka Factory (To present)</p>	8,890
(Reason for nomination as a candidate for Board Member) Takayoshi Kawai has served as Manager of Control Technology Development Department, General Manager of Machine Tools Division, etc. and has extensive job experience in design and development. The Company believes that he will be able to utilize his experience and knowledge cultivated through his career in management of the Company; thereby he is re-nominated as a candidate for Board Member.			

Candidate number	Name (Date of birth)	Career summary, position and responsibility in the Company (Position and representation of other companies)		Number of the Company's shares owned
5	Mitsuji Tatsumi (April 12, 1958)	April 1982	Joined Dainippon Screen Mfg. Co., Ltd. (Currently SCREEN Holdings Co., Ltd.)	8,036
		December 2009	Entered the Company	
		April 2010	General Manager, Accounting Department, Management Division	
		July 2012	Executive Officer; General Manager, Accounting Department	
		June 2014	Board Member, Executive Officer; General Manager, Accounting Department (To present)	
(Reason for nomination as a candidate for Board Member)				
Mitsuji Tatsumi has served as General Manager of Accounting Department, etc. and based on his extensive job experience, he is engaged in management as a supervisor of finance and accounting departments. The Company believes that he will be able to utilize his experience and knowledge, especially accounting expertise cultivated through his career in management of the Company; thereby he is re-nominated as a candidate for Board Member.				
6	Hajime Ezaki (October 5, 1957)	April 1980	Joined Nichimen Co., Ltd (Currently Sojitz Corporation)	1,345
		November 2003	Entered the Company	
		April 2007	General Manager, International Sales Department No. 2, Electronics Assembly Equipment Division	
		June 2011	Executive Officer; Manager, Planning and Management Office	
		March 2014	Executive Officer; General Manager, Marketing and Strategic Planning Department	
		June 2015	Board Member, Executive Officer; General Manager, Marketing and Strategic Planning Department (To present)	
(Reason for nomination as a candidate for Board Member)				
Hajime Ezaki has served as General Manager of International Sales Department, Manager of Planning and Management Office, etc. and based on his extensive job experience, he is engaged in management as an officer in charge of marketing and strategic planning and public relations. The Company believes that he will be able to utilize his experience and knowledge cultivated through his career in management of the Company; thereby he is re-nominated as a candidate for Board Member.				

Candidate number	Name (Date of birth)	Career summary, position and responsibility in the Company (Position and representation of other companies)		Number of the Company's shares owned
7	Nobuyuki Matsui (May 7, 1943) Outside Board Member Independent Director	April 1985 January 2004 June 2010 April 2012	Professor, Department of Electrical and Computer Engineering, Nagoya Institute of Technology President, Nagoya Institute of Technology Outside Board Member of the Company (To present) Part-time Specially Appointed Professor to the Chairman of the Board of Trustees, Chubu University [Representation of Other Companies] Outside Director, Rinnai Corporation Outside Director, Aichi Tokei Denki Co., Ltd.	345
(Reason for nomination as a candidate for Outside Board Member) The Company believes that Nobuyuki Matsui will be able to adequately serve as a decision maker for management issues and as a supervisor for the performance of Company operations, taking advantage of his experience as a former university professor and president. Thereby, he is re-nominated as Outside Board Member.				
8	Nobuko Kawai (December 5, 1961) Outside Board Member Independent Director	April 1992 January 1995 April 1998 April 2002 January 2004 April 2009 October 2009 April 2012 June 2015	Registered as a lawyer Joined Nishimura & Sanada Law Office (Currently NISHIMURA & ASAHI) Joined Chujo Law Office Established Nobuko Kawai Law Office (Representative) (To present) Contract lawyer, The Japan Center for Settlement of Traffic Accident Disputes (To present) Civil Conciliator, Nagoya Summary Court Vice Chairman, Aichi Bar Association Chairman, Kasugai City Equity Commission (To present) Professor of the Law School, Nagoya University Outside Board Member of the Company (To present) [Representation of Other Companies] Outside Director, IBIDEN CO., LTD. (To assume office on June 16, 2017)	345
(Reason for nomination as a candidate for Outside Board Member) The Company believes that Nobuko Kawai will be able to adequately serve as a decision maker for management issues and as a supervisor for the performance of Company operations, taking advantage of her expertise and experience as a lawyer. Thereby, she is re-nominated as Outside Board Member.				

Notes:

1. These candidates have no particular interests in the Company.
2. Matters on candidates for Outside Board Members
 - (1) Nobuyuki Matsui and Nobuko Kawai are candidates for Outside Board Members.
 - (2) Nobuyuki Matsui and Nobuko Kawai are incumbent Outside Board Members of the Company. The length of service of Mr. Matsui and Ms. Kawai as Outside Board Members will be seven years and two years, respectively, at the close of this ordinary general meeting of shareholders.
 - (3) Pursuant to Article 427, Paragraph 1, of the Companies Act, an agreement to limit the liability for damages set forth in, Article 423, Paragraph 1, of the said act is entered into between the Company and Nobuyuki Matsui and Nobuko Kawai. When Mr. Matsui and Ms. Kawai are reappointed, the Company

- intends to continue the agreement with them. The limit of the liability for damages under the agreement will be the amount stipulated in applicable laws.
- (4) The Company has designated Nobuyuki Matsui and Nobuko Kawai as Independent Directors according to the regulations of the Tokyo Stock Exchange and the Nagoya Stock Exchange, and has notified said Exchanges of that.
3. The number of the Company's shares owned by each candidate indicates the number of shares as of the end of the current fiscal year (March 31, 2017). In addition, the number presented includes the equities of the candidate in the Company's officer stock ownership.

Proposal 4: Election of One Audit & Supervisory Board Member

The term of office of Audit & Supervisory Board Member, Shigeki Matsuda expires at the close of this ordinary general meeting of shareholders. Accordingly, the Company proposes the election of one Audit & Supervisory Board Member.

This proposal has been approved by the Audit & Supervisory Board.

The candidate for Audit & Supervisory Board Member is as follows.

Name (Date of birth)	Career summary, position in the Company (Position and representation of other companies)	Number of the Company's shares owned
<p>Shigeki Matsuda (May 21, 1961)</p> <p>Outside Audit & Supervisory Board Member Independent Auditor</p>	<p>October 1986 Joined Marunouchi & Co. (Currently Deloitte Touche Tohmatsu LLC)</p> <p>March 1990 Registered as a Certified Public Accountant</p> <p>December 1993 Registered as a Certified Tax Accountant</p> <p>January 1994 Established Matsuda Public Accounting Firm (Representative) (To present)</p> <p>January 2004 Established Aiki Tax Accounting Corporation (Representative) (To present)</p> <p>April 2012 Auditor, Nagoya Institute of Technology</p> <p>June 2013 Outside Audit & Supervisory Board Member of the Company (To present)</p> <p>[Representation of Other Companies] External Audit & Supervisory Board Member, Roland DG Corporation</p>	<p>6,381</p>
<p>(Reason for nomination as a candidate for Outside Audit & Supervisory Board Member)</p> <p>The Company believes that Shigeki Matsuda will be able to utilize his expertise and experience as a Certified Public Accountant and Certified Tax Accountant to reinforce the auditing system of the Company; thereby he is re-nominated as Outside Audit & Supervisory Board Member.</p>		

Notes:

1. This candidate has no particular interests in the Company.
2. Matters on the candidate for Outside Audit & Supervisory Board Member
 - (1) Shigeki Matsuda is a candidate for Outside Audit & Supervisory Board Member.
 - (2) Shigeki Matsuda is an incumbent Outside Audit & Supervisory Board Member of the Company. The length of service of Mr. Matsuda as Outside Audit & Supervisory Board Member will be four years, at the close of this ordinary general meeting of shareholders.
 - (3) Pursuant to Article 427, Paragraph 1, of the Companies Act, an agreement to limit the liability for damages set forth in, Article 423, Paragraph 1, of the said act is entered into between the Company and Shigeki Matsuda. When Mr. Matsuda is reappointed, the Company intends to continue the agreement with him. The limit of the liability for damages under the agreement will be the amount stipulated in applicable laws.
 - (4) The Company has designated Shigeki Matsuda as Independent Auditor according to the regulations of the Tokyo Stock Exchange and the Nagoya Stock Exchange, and has notified said Exchanges of that.
3. The number of the Company's shares owned by the candidate indicates the number of shares as of the end of the current fiscal year (March 31, 2017). In addition, the number presented includes the equities of the candidate in the Company's officer stock ownership.

Proposal 5: Election of One Substitute Audit & Supervisory Board Member

The Company proposes that one Substitute Audit & Supervisory Board Member be elected in case of a vacancy in the statutory number of Audit & Supervisory Board Members.

As long as it occurs before he assumes office, the election of this Substitute Audit & Supervisory Board Member can be nullified by a resolution of the Board of Directors, with the consent of the Audit & Supervisory Board.

This proposal has been approved by the Audit & Supervisory Board.

The candidate for Substitute Audit & Supervisory Board Member is as follows.

Name (Date of birth)	Career summary, position in the Company (Position and representation of other companies)	Number of the Company's shares owned
Masaaki Abe (October 31, 1960) Substitute Outside Audit & Supervisory Board Member Independent Auditor	April 1990 Registered as a Certified Public Accountant April 1992 Established Masaaki Abe Certified Public Accountant Office (Representative) (To present) November 1992 Registered as a Certified Tax Accountant Established Masaaki Abe Certified Tax Accountant Office (Representative) December 2011 Established Abe Certified Tax Accounting Corporation (Representative) (To present)	—
(Reason for nomination as a candidate for Substitute Outside Audit & Supervisory Board Member) The Company believes that Masaaki Abe will be able to utilize his expertise and experience as a Certified Public Accountant and Certified Tax Accountant to reinforce the auditing system of the Company; thereby he is re-nominated as Substitute Audit & Supervisory Board Member.		

Notes:

1. This candidate has no particular interests in the Company.
2. Matters on the candidate for Substitute Outside Audit & Supervisory Board Member
 - (1) Masaaki Abe is a candidate for Substitute Outside Audit & Supervisory Board Member.
 - (2) Pursuant to Article 427, Paragraph 1, of the Companies Act, the Company will conclude an agreement to limit the liability for damages set forth in Article 423, Paragraph 1, of the said act with Masaaki Abe if he assumes the office of Audit & Supervisory Board Member. The limit of the liability for damages under the agreement will be the amount stipulated in applicable laws.
 - (3) Masaaki Abe satisfies the qualifications for Independent Auditor according to the regulations of the Tokyo Stock Exchange and the Nagoya Stock Exchange.