

FUJI CORPORATION

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

Notice of Convocation of the 72nd Ordinary General Meeting of Shareholders

To Our Shareholders:

You are cordially invited to the 72nd 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 27, 2018.

Meeting Details

- 1. Date & Time:** 10:00 a.m. on Thursday, June 28, 2018 (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 72nd Business Period (from April 1, 2017, to March 31, 2018)
2. Presentation of the Non-consolidated Financial Statements for the 72nd Business Period (from April 1, 2017, to March 31, 2018)

Agenda:

- Proposal 1:** Treatment of Surplus Earnings
- Proposal 2:** Election of Nine Board Members
- Proposal 3:** Election of One Audit & Supervisory Board Member
- Proposal 4:** 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, 2017 to March 31, 2018)

1. Current Condition of the Group

(1) Business condition for the fiscal year ended March 31, 2018

1) Business progress and results

In the fiscal year ended March 31, 2018, the Japanese economy remained on a recovery track maintaining solid capital investment. In terms of the global economy, the European economy continued a moderate recovery, while in North America, capital investment remained on a recovery trend against the backdrop of improved corporate earnings, and China also experienced turnaround sustaining steady capital investment in the manufacturing industry.

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, 2018 were ¥123,539 million (up 31.4% from the previous fiscal year). Net sales increased by ¥33,635 million (38.9%) from the previous fiscal year, to ¥120,032 million. Due to an increase in sales, operating profit increased by ¥13,032 million (133.1%) from the previous fiscal year, to ¥22,827 million, and ordinary profit increased by ¥13,337 million (130.7%) from the previous fiscal year, to ¥23,538 million. Profit attributable to owners of parent increased ¥10,468 million (148.4%) from the previous fiscal year, to ¥17,523 million, due to the gain on sales of investment securities as part of extraordinary income.

Based on the resolution at the 71st Ordinary General Meeting of Shareholders, the Company changed its name from FUJI MACHINE MFG. CO., LTD. to FUJI CORPORATION on April 1, 2018.

Condition of each business is as follows.

Regarding the Robotic Solutions business, sales increased mainly in China, the major market for our products. As investments in capital equipment continued in fields such as servers, automotive equipment, and module parts, in addition to telecommunication equipment, against the backdrop of a robust global economy, sales of robotic mounters, particularly of the Company’s main product NXT III, grew significantly.

As a result, orders were ¥105,733 million (up 30.6% from the previous fiscal year). Net sales increased by ¥29,897 million (40.3%) from the previous fiscal year, to ¥104,002 million, and operating profit increased by ¥10,638 million (73.1%) from the previous fiscal year, to ¥25,184 million, due mainly to an increase in the number of units sold.

Regarding the Machine Tools business, sales increased mainly in North America, Japan and China, thanks to

the steady growth in capital investment in automotive-related equipment both in Japan and abroad, along with the establishment of our sales infrastructure in the Chinese market. As a result, orders were ¥15,388 million (up 30.7% from the previous fiscal year). Net sales increased by ¥2,801 million (25.5%) from the previous fiscal year to ¥13,798 million, and operating profit was ¥1,017 million (operating loss for the previous fiscal year was ¥712 million), due mainly to improved sales prices.

Regarding Others, which includes the manufacture of control equipment and electronic equipment and image processing development, orders were ¥2,417 million (up 91.0% from the previous fiscal year), net sales were ¥2,231 million (up 72.3% from the previous fiscal year), and operating loss was ¥236 million (operating loss for the previous fiscal year was ¥472 million).

(Millions of yen)		
Business	Net sales	Orders
Robotic Solutions	104,002	105,733
Machine Tools	13,798	15,388
Others	2,231	2,417

2) Capital investment

The total amount of capital investment implemented by the Group during the fiscal year ended March 31, 2018 was ¥6,765 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

Category	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Current fiscal year Fiscal year ended March 31, 2018
Net sales (Millions of yen)	85,265	86,642	86,397	120,032
Ordinary profit (Millions of yen)	13,026	11,991	10,200	23,538
Profit attributable to owners of parent (Millions of yen)	8,629	7,237	7,054	17,523
Profit per share (Yen)	88.27	74.13	76.19	195.04
Total assets (Millions of yen)	153,890	156,958	158,406	185,762
Net assets (Millions of yen)	135,044	132,069	130,947	151,412
Net assets per share (Yen)	1,379.19	1,372.18	1,461.63	1,655.29

(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 units related to the Company's products (robotic moulder)
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 peripheral devices for robotic moulder
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.	161,035 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. Fuji Machine Manufacturing (Europe) GmbH changed its name to Fuji Europe Corporation GmbH on April 1, 2018.

(4) Issues to be addressed

Regarding the economic environment surrounding the Group, despite prevailing uncertainty about the future of the global economy due mainly to concerns over the effects of the protectionist policies of the U.S., a moderate recovery is expected to continue as a whole.

The Group focuses on addressing high-priority operational issues, namely, continuous launches of high value-added products, improvement in speed of development, and adaptation to increasing price competition. Development of high value-added products in particular should involve new business proposals that provide customers with solutions to their challenges.

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, 2018)

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

(6) Principal offices and plants (as of March 31, 2018)

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.A.
Fuji Machine America Corporation	Headquarters: Vernon Hills, Illinois, U.S.A.
Fuji Machine Manufacturing (Europe) GmbH	Headquarters: Kelsterbach, 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

Note: Fujioka Factory changed its name to Toyota Factory on April 1, 2018.

(7) Status of employees (as of March 31, 2018)

1) Employees of the Group

Number of employees	Change from the end of the previous fiscal year
2,229	+112

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
1,652	+45	41.6 years old	16.8 years

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

(8) Status of main lenders (as of March 31, 2018)

Not applicable

(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, 2018)

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 11,366

4) Major shareholders (top ten shareholders)

Shareholder name	Number of shares held (Thousand shares)	Shareholding ratio (%)
Daido Life Insurance Co.	6,684	7.3
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,341	4.7
The Master Trust Bank of Japan, Ltd. (Trust account)	3,668	4.0
Japan Trustee Services Bank, Ltd. (Trust account)	3,235	3.5
Fuji customers stock ownership	2,900	3.1
SAKAGAMI Co., Ltd.	2,400	2.6
Japan Trustee Services Bank, Ltd. (Trust account 9)	2,305	2.5
The Bank of Nagoya, Ltd.	1,554	1.7
Mitsubishi UFJ Trust and Banking Corporation	1,483	1.6
STATE STREET BANK AND TRUST COMPANY 505001	1,226	1.3

Notes: 1. Shares held by the Company as treasury shares (6,477,857 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.

3. The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its name to MUFG Bank, Ltd. on April 1, 2018.

(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, 2018

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, 2018

Not applicable

3) Status of other subscription rights to shares, etc. (as of March 31, 2018)

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)	722	4,924,965 common shares of the Company	1,466 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 1,466 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, 2018)

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	Deputy General Manager, Machine Tools Division
Board Member	Nobuyuki Matsui	Outside Board Member, Rinnai Corporation Outside Board Member, Aichi Tokei Denki Co., Ltd.
Board Member	Nobuko Kawai	Representative, Nobuko Kawai Law Office Outside Board Member, IBIDEN Co., Ltd.
Full-time Audit & Supervisory Board Member	Shinsaku Sakagami	
Audit & Supervisory Board Member	Shigeki Matsuda	Representative, Matsuda Certified Public Accountant Office Representative, Aiki Tax Accounting Corporation Outside Audit & Supervisory Board Member, Roland DG Corporation
Audit & Supervisory Board Member	Kayoko Yamashita	Representative, Yamashita Certified Public Accountant Office 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)	299 (16)
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)	339 (31)

- 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 Certified Public Accountant Office and Aiki Tax Accounting Corporation. There is no special interest between Matsuda Certified Public Accountant Office and Aiki Tax Accounting Corporation and the Company.
 - Audit & Supervisory Board Member Kayoko Yamashita concurrently serves as a representative of Yamashita Certified Public Accountant Office. There is no special interest between Yamashita Certified Public Accountant Office 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 Board Member 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.
 - Board Member Nobuko Kawai assumed the office of Outside Board Member of IBIDEN Co., Ltd. in June 2017. There is no special interest between IBIDEN Co., Ltd. and the Company.
 - Audit & Supervisory Board Member Shigeki Matsuda assumed the office of Outside 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, 2018

	Activities
Board Member Nobuyuki Matsui	Attended all 14 meetings of the Board of Directors held in the fiscal year ended March 31, 2018. He mainly provides suggestions and comments based on his experience as a former university professor and president.
Board Member Nobuko Kawai	Attended all 14 meetings of the Board of Directors held in the fiscal year ended March 31, 2018. She mainly provides suggestions and comments from her professional viewpoints as a lawyer.
Audit & Supervisory Board Member Shigeki Matsuda	Attended all 14 meetings of the Board of Directors and all 15 meetings of the Audit & Supervisory Board held in the fiscal year ended March 31, 2018. He mainly provides his opinions as necessary from his professional viewpoints as a certified public accountant.
Audit & Supervisory Board Member Kayoko Yamashita	Attended all 14 meetings of the Board of Directors and all 15 meetings of the Audit & Supervisory Board held in the fiscal year ended March 31, 2018. 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, 2018	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, 2018 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) 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 for the development of products that meet market demands and capital investment for rationalization to improve and strengthen the Company's business structure, along with proactive investments for further growth and expansion such as extension of factories.

Year-end dividends are proposed at ¥20 per share, based on the basic policy for profit sharing. This results in a total annual dividend of ¥40 per share, including the interim dividend of ¥20.

Remarks

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

Consolidated Balance Sheet

(As of March 31, 2018)

(Millions of yen)

Assets		Liabilities	
Current assets	127,332	Current liabilities	22,139
Cash and deposits	57,767	Notes and accounts payable – trade	6,535
Notes and accounts receivable – trade	28,919	Income taxes payable	5,188
Securities	4,438	Accrued expenses	4,521
Merchandise and finished goods	7,063	Provision for product warranties	1,109
Work in process	15,153	Other	4,785
Raw materials and supplies	6,128	Non-current liabilities	12,210
Deferred tax assets	3,352	Bonds payable	7,241
Other	4,540	Deferred tax liabilities	4,180
Allowance for doubtful accounts	(32)	Net defined benefit liability	766
Non-current assets	58,430	Other	22
Property, plant and equipment	18,944	Total liabilities	34,349
Building and structures	9,039	Net assets	
Machinery, equipment and vehicles	3,699	Shareholders' equity	138,207
Tools, furniture and fixtures	953	Capital stock	5,878
Land	4,050	Capital surplus	5,924
Construction in progress	1,202	Retained earnings	134,183
Intangible assets	6,330	Treasury shares	(7,779)
Software	6,303	Accumulated other comprehensive income	12,995
Other	26	Valuation difference on available-for-sale securities	11,688
Investments and other assets	33,154	Foreign currency translation adjustment	1,343
Investment securities	32,572	Remeasurements of defined benefit plans	(35)
Deferred tax assets	138	Non-controlling interests	208
Other	443	Total net assets	151,412
Total assets	185,762	Total liabilities and net assets	185,762

Consolidated Statement of Income

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

Item	Amount	
Net sales		120,032
Cost of sales		70,219
Gross profit		49,813
Selling, general and administrative expenses		26,985
Operating profit		22,827
Non-operating income		
Interest and dividend income	592	
Miscellaneous income	183	775
Non-operating expenses		
Interest expenses	(6)	
Miscellaneous expenses	71	64
Ordinary profit		23,538
Extraordinary income		
Gain on disposal of non-current assets	77	
Gain on sales of investment securities	1,370	1,448
Extraordinary losses		
Loss on disposal of non-current assets	446	
Litigation settlement	391	838
Profit before income taxes		24,148
Income taxes – current		6,844
Income taxes – deferred		(235)
Profit		17,538
Profit attributable to non-controlling interests		15
Profit attributable to owners of parent		17,523

Consolidated Statement of Changes in Equity

(From April 1, 2017 to March 31, 2018)

(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	119,790	(10,054)	121,028
Changes of items during period					
Dividends of surplus			(3,130)		(3,130)
Profit attributable to owners of parent			17,523		17,523
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		511		2,277	2,788
Net changes of items other than shareholders' equity					
Total changes of items during period	—	511	14,392	2,274	17,179
Balance at end of current period	5,878	5,924	134,183	(7,779)	138,207

	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	7,739	1,892	83	9,715	203	130,947
Changes of items during period						
Dividends of surplus						(3,130)
Profit attributable to owners of parent						17,523
Purchase of treasury shares						(2)
Disposal of treasury shares						2,788
Net changes of items other than shareholders' equity	3,948	(549)	(118)	3,280	5	3,285
Total changes of items during period	3,948	(549)	(118)	3,280	5	20,465
Balance at end of current period	11,688	1,343	(35)	12,995	208	151,412

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.
Fuji Machine Manufacturing (Europe) GmbH changed its name to Fuji Europe Corporation GmbH on April 1, 2018.

(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 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 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.

Tower-Factory GmbH changed its closing date from December 31 to March 31 from the fiscal year ended March 31, 2018. This change bears no impact on the consolidated financial statements as the company has hitherto been conducting provisional settlement at the end of each 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:

- Merchandise and 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 Group'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 and others: Tax-exclusion method is adopted.

2. Notes to Changes in Presentation Methods
(Consolidated Statement of Income)

“Gain on sales of investment securities,” which had been included in “other” under “extraordinary income” until the previous fiscal year, is presented separately from the fiscal year ended March 31, 2018 since significance of the amount increased.

“Gain on sales of investment securities” in the previous fiscal year was ¥0 million.

3. Notes to Consolidated Balance Sheet

Accumulated depreciation of property, plant and equipment ¥31,489 million

4. Notes to Consolidated Statement of Changes in Equity

(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	8,372	1	1,896	6,477

Notes: 1. The increase of one thousand shares is due to purchase of fractional shares.

2. The decrease of 1,896 thousand shares is due to exercise of subscription rights to shares attached to zero coupon convertible bonds.

(3) Matters relating to dividends of surplus

1) Dividends paid and others

Resolution	Type of share	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 29, 2017 Ordinary General Meeting of Shareholders	Common stock	1,341	15.00	March 31, 2017	June 30, 2017
November 9, 2017 Board of Directors' meeting	Common stock	1,789	20.00	September 30, 2017	December 8, 2017

2) Of the dividends whose record date falls during the fiscal year ended March 31, 2018, those of which will become effective in the fiscal year ending March 31, 2019

Planned resolution	Type of shares	Total dividends (Millions of yen)	Dividend resource	Dividend per share (Yen)	Record date	Effective date
June 28, 2018 Ordinary General Meeting of Shareholders	Common stock	1,826	Retained earnings	20.00	March 31, 2018	June 29, 2018

5. Notes on Financial Instruments

(1) Matters relating to status of financial instruments

The Group restricts its investment of funds to deposits and held-to-maturity bonds, 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, 2018 (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	57,767	57,767	—
(2) Notes and accounts receivable – trade	28,919	28,919	—
(3) Securities and investment securities			
Held-to-maturity bonds	8,000	7,990	(9)
Available-for-sale securities	28,931	28,931	—
(4) Notes and accounts payable – trade	6,535	6,535	—
(5) Bonds payable	7,241	10,378	3,137

(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

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

(5) 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 ¥79 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 ¥1,655.29

(2) Profit per share ¥195.04

7. Notes to Significant Subsequent Events

Not applicable

Non-consolidated Balance Sheet

(As of March 31, 2018)

(Millions of yen)

Assets		Liabilities	
Current assets	100,726	Current liabilities	17,622
Cash and deposits	40,296	Accounts payable – trade	5,678
Notes receivable – trade	777	Accounts payable – other	348
Accounts receivable – trade	28,373	Income taxes payable	4,785
Securities	4,000	Accrued expenses	3,191
Merchandise and finished goods	1,631	Provision for product warranties	982
Work in process	14,184	Other	2,637
Raw materials and supplies	5,056	Non-current liabilities	12,078
Deferred tax assets	1,791	Bonds payable	7,241
Other	4,616	Deferred tax liabilities	4,143
Non-current assets	55,354	Provision for retirement benefits	669
Property, plant and equipment	14,274	Other	24
Buildings	5,511	Total liabilities	29,701
Structures	585	Net assets	
Machinery and equipment	3,243	Shareholders' equity	114,943
Vehicles	13	Capital stock	5,878
Tools, furniture and fixtures	659	Capital surplus	5,924
Land	3,087	Legal capital surplus	5,413
Construction in progress	1,172	Other capital surplus	511
Intangible assets	6,086	Retained earnings	110,919
Software	6,066	Legal retained earnings	1,450
Other	20	Other retained earnings	109,469
Investments and other assets	34,993	General reserve	54,900
Investment securities	31,465	Retained earnings brought forward	54,569
Shares of subsidiaries and associates	1,115	Treasury shares	(7,779)
Investments in capital	4	Valuation and translation adjustments	11,436
Investments in capital of subsidiaries and associates	1,745	Valuation difference on available-for-sale securities	11,436
Other	661	Total net assets	126,379
Total assets	156,081	Total liabilities and net assets	156,081

Non-consolidated Statement of Income

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

Item	Amount	
Net sales		109,154
Cost of sales		67,735
Gross profit		41,419
Selling, general and administrative expenses		21,236
Operating profit		20,182
Non-operating income		
Interest and dividend income	501	
Miscellaneous income	146	648
Non-operating expenses		
Interest expenses	(9)	
Miscellaneous expenses	245	236
Ordinary profit		20,594
Extraordinary income		
Gain on disposal of non-current assets	38	
Gain on sales of investment securities	1,369	1,407
Extraordinary losses		
Loss on disposal of non-current assets	330	
Loss on valuation of investments in capital of subsidiaries and associates	92	
Litigation settlement	194	617
Income before income taxes		21,385
Income taxes – current		5,860
Income taxes – deferred		(176)
Profit		15,701

Non-consolidated Statement of Changes in Equity

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings				Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		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	41,997	98,347	(10,054)	99,585
Changes of items during period										
Dividends of surplus							(3,130)	(3,130)		(3,130)
Profit							15,701	15,701		15,701
Purchase of treasury shares									(2)	(2)
Disposal of treasury shares			511	511					2,277	2,788
Net changes of items other than shareholders' equity										
Total changes of items during period	—	—	511	511	—	—	12,571	12,571	2,274	15,357
Balance at end of current period	5,878	5,413	511	5,924	1,450	54,900	54,569	110,919	(7,779)	114,943

	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	7,572	7,572	107,158
Changes of items during period			
Dividends of surplus			(3,130)
Profit			15,701
Purchase of treasury shares			(2)
Disposal of treasury shares			2,788
Net changes of items other than shareholders' equity	3,863	3,863	3,863
Total changes of items during period	3,863	3,863	19,220
Balance at end of current period	11,436	11,436	126,379

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 | |
| • Merchandise and 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 Presentation Methods

(Non-consolidated Statement of Income)

“Gain on sales of investment securities,” which had been included in “other” under “extraordinary income” until the previous fiscal year, is presented separately from the fiscal year ended March 31, 2018 since significance of the amount increased.

“Gain on sales of investment securities” in the previous fiscal year was ¥0 million.

3. Notes to Non-consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment ¥28,033 million

(2) Monetary claims and debts to subsidiaries and associates

Short-term monetary claims:	¥6,311 million
Long-term monetary claims:	¥531 million
Short-term monetary debts:	¥1,083 million
Long-term monetary debts:	¥9 million

4. Notes to Non-consolidated Statement of Income

Amount of transactions with subsidiaries and associates

Net sales:	¥23,134 million
Purchase of goods:	¥621 million
Other operating expenses:	¥12,197 million
Amount of transactions other than operating transactions:	¥120 million

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

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	8,372	1	1,896	6,477

Notes: 1. The increase of one thousand shares is due to purchase of fractional shares.

2. The decrease of 1,896 thousand shares is due to exercise of subscription rights to shares attached to zero coupon convertible bonds.

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	741
Loss on valuation of investment securities	529
Loss on valuation of investments in capital of subsidiaries and associates	507
Loss on valuation of inventories	474
Provision for product warranties	300
Enterprise tax payable	273
Impairment loss	207
Provision for retirement benefits	204
Other	56
Deferred tax assets subtotal	3,295
Valuation reserve	(1,278)

Deferred tax assets total	2,016
(Deferred tax liabilities)	
Valuation difference on available-for-sale securities	<u>(4,368)</u>
Deferred tax liabilities total	<u>(4,368)</u>
Deferred tax assets (liabilities), net	<u>(2,352)</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)	10,260	Accounts receivable – trade	1,938
Subsidiary	Fuji Machine Manufacturing (Europe) GmbH (Note 2)	Owning 100% directly	Sales of the Company's products	Sales of robotic moulder (Note 1)	8,879	Accounts receivable – trade	2,456

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. Fuji Machine Manufacturing (Europe) GmbH changed its name to Fuji Europe Corporation GmbH on April 1, 2018.

8. Notes to Per Share Information

(1) Net assets per share	¥1,383.53
(2) Profit per share	¥174.76

9. Notes to Significant Subsequent Events

Not applicable

Independent Auditors' Audit Report

May 10, 2018

To the Board of Directors, FUJI CORPORATION

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 CORPORATION (former company name: FUJI MACHINE MFG. CO., LTD.), and its subsidiaries as of March 31, 2018 and for the fiscal year from April 1, 2017 to March 31, 2018.

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, 2018, 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 10, 2018

To the Board of Directors, FUJI CORPORATION

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 CORPORATION (former company name: FUJI MACHINE MFG. CO., LTD.), as of March 31, 2018 and for the 72nd business period from April 1, 2017 to March 31, 2018.

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, 2018, 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 72nd business period (from April 1, 2017 to March 31, 2018), 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 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.

(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 10, 2018

Audit & Supervisory Board of FUJI CORPORATION

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 for the development of products that meet market demands and capital investment for rationalization to improve and strengthen the Company's business structure, along with proactive investments for further growth and expansion such as extension of factories.

Based on the basic policy for profit sharing, we would like to announce the proposed treatment of surplus earnings for the 72nd 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: ¥20 per share of the Company's common stock.

Please note that the total of the dividends will amount to ¥1,826,917,820.

As a result, the annual dividend for the current fiscal year is ¥40 per share, including the interim dividend of ¥20.

- (3) Effective date of dividend distribution from surplus earnings: Friday, June 29, 2018

Proposal 2: Election of Nine 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 nine Board Members including two Outside Board Members, by increasing the number of Board Members by one, in order to reinforce its management structure.

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)	23,751
(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 2013 Board Member, Managing Executive Officer, General Manager, Electronics Assembly Equipment Division 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.	4,260
(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 (Currently 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>	10,260
<p>(Reason for nomination as a candidate for Board Member)</p> <p>Seigo Kodama has served as Manager of Software Development Department, Head of 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.</p>			
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 (Currently Toyota Factory) (To present)</p>	9,460
<p>(Reason for nomination as a candidate for Board Member)</p> <p>Takayoshi Kawai has served as Manager of Control Technology Development Department, President & CEO of a subsidiary, 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.</p>			

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.)	8,891
		December 2009 Entered the Company April 2010 Manager, Accounting Department, Management Division July 2012 Executive Officer; Manager, Accounting Department June 2014 Board Member, Executive Officer; General Manager, Accounting Department (To present)	
<p>(Reason for nomination as a candidate for Board Member)</p> <p>Mitsuji Tatsumi has served as 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.</p>			
6	Hajime Ezaki (October 5, 1957)	April 1980 Joined Nichimen Co., Ltd (Currently Sojitz Corporation)	1,630
		November 2003 Entered the Company April 2007 Manager, International Sales Department 2, Electronics Assembly Equipment Division June 2011 Executive Officer; Manager, Planning and Management Office March 2014 Executive Officer; Manager, Marketing and Strategic Planning Department June 2015 Board Member, Executive Officer; Manager, Marketing and Strategic Planning Department January 2018 Board Member, Executive Officer; Deputy General Manager, Machine Tools Division (To present)	
<p>[Representation of Other Companies] Chairman, Fuji Machine America Corporation</p> <p>(Reason for nomination as a candidate for Board Member)</p> <p>Hajime Ezaki has served as Manager of International Sales Department, Manager of Planning and Management Office, Manager of Marketing and Strategic Planning Department, etc., and has extensive job experience in sales 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.</p>			

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	Masaaki Sugiura (August 10, 1961) New candidate	<p>April 1986 Entered the Company</p> <p>April 1993 Manager, European Representative Office</p> <p>April 2004 President, Fuji Machine Manufacturing (Europe) GmbH</p> <p>April 2011 Manager, Sales Department 3, Electronics Assembly Equipment Division</p> <p>April 2015 Executive Officer; Manager, Sales Department 1, Electronics Assembly Equipment Division (Currently Robotic Solutions Division) (To present)</p> <p>[Representation of Other Companies] Chairman, Fuji Machine China Co., Ltd.</p>	1,086
	<p>(Reason for nomination as a candidate for Board Member)</p> <p>Masaaki Sugiura has served as president of a subsidiary, Manager of Sales Department, etc. and has extensive job experience in sales. 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 nominated as a candidate for Board Member.</p>		
8	Nobuko Kawai (December 5, 1961) Outside Board Member Independent Director	<p>April 1992 Registered as a lawyer</p> <p>April 1998 Joined Nishimura & Sanada Law Office Established Nobuko Kawai Law Office (Representative) (To present)</p> <p>April 2002 Contract lawyer, The Japan Center for Settlement of Traffic Accident Disputes (To present)</p> <p>April 2009 Vice Chairman, Aichi Bar Association</p> <p>October 2009 Chairman, Kasugai City Equity Commission (To present)</p> <p>April 2012 Professor, Nagoya University Graduate School of Law</p> <p>June 2015 Outside Board Member of the Company (To present)</p> <p>[Representation of Other Companies] Outside Board Member, IBIDEN Co., Ltd.</p>	630
	<p>(Reason for nomination as a candidate for Outside Board Member)</p> <p>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 the Company's operations, taking advantage of her expertise and experience as a lawyer. Thereby, she is re-nominated as a candidate for Outside Board Member.</p>		

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
9	Gen Sasaki (September 17, 1951) New candidate Outside Board Member Independent Director	April 1975 May 1981 April 2000 May 2006 November 2016	Joined Business Consultants, Inc. Joined Central Japan Industries Association Part-time Lecturer, Meijo University Graduate School of Business (To present) Visiting professor, College of Management and Economics, Tianjin University (To present) Established Japan Processware-based Management Research, Inc. (Representative Director) (To present)	—
(Reason for nomination as a candidate for Outside Board Member) Gen Sasaki has a wealth of experience in providing guidance to corporate enterprises as a business consultant. The Company believes that he will be able to adequately serve as a decision maker for management issues and as a supervisor for the performance of the Company's operations, taking advantage of his experience. Thereby, he is nominated as a candidate for Outside Board Member.				

Notes:

1. These candidates have no particular interests in the Company.
2. Matters on candidates for Outside Board Members
 - (1) Nobuko Kawai and Gen Sasaki are candidates for Outside Board Members.
 - (2) Nobuko Kawai is an incumbent Outside Board Member of the Company. The length of service of Ms. Kawai as an Outside Board Member will be three 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 Nobuko Kawai. When Ms. Kawai is reappointed, the Company intends to continue the agreement with her. In addition, when Gen Sasaki is appointed, the Company intends to conclude 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 Nobuko Kawai as an Independent Director according to the regulations of the Tokyo Stock Exchange and the Nagoya Stock Exchange, and has notified said Exchanges of that. In addition, when Gen Sasaki is appointed, the Company will designate him as an Independent Director according to the regulations of the Tokyo Stock Exchange and the Nagoya Stock Exchange, and will notify 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, 2018). In addition, the number presented includes the equities of the candidate in the Company's officer stock ownership or employee stock ownership.

Proposal 3: Election of One Audit & Supervisory Board Member

Audit & Supervisory Board Member, Shinsaku Sakagami resigns 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
Yoshiaki Kuroyanagi (August 21, 1959) New candidate	January 1983 Joined Kojima Sangyo Co., Ltd. August 1989 Entered the Company April 2007 Manager, Business Planning Office, Electronics Assembly Equipment Division April 2010 Manager, Production Management Department, Electronics Assembly Equipment Division June 2011 Director, EDEC LINSEY SYSTEM Co., Ltd. April 2015 Manager, Audit Department (To present)	2,800
(Reason for nomination as a candidate for Audit & Supervisory Board Member) After having served as Manager of Business Planning Office, Manager of Production Management Department, director at a subsidiary, etc., Yoshiaki Kuroyanagi is engaged in auditing of business operations and improvement in operational efficiency as Manager of Audit Department. The Company believes that he will be able to play an adequate role in effective auditing of the Group, taking advantage of his experience and knowledge cultivated through his career; thereby, he is nominated as a candidate for Audit & Supervisory Board Member.		

Notes:

1. This candidate has no particular interests in the Company.
2. The number of the Company's shares owned by this candidate indicates the number of shares as of the end of the current fiscal year (March 31, 2018).

Proposal 4: 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) 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.