



2016

ANNUAL REPORT

Fiscal year ended March 31, 2016
Business Summary

innovative spirit

FUJI MACHINE MFG. CO., LTD. (hereinafter the "Company") would like to present its Annual Report for the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016). The Company and its subsidiaries (hereinafter the "Group") are mainly involved in two businesses, the core Electronics Assembly Equipment business and the Machine Tools business that they have been engaged in since their establishment. Recently, the Group has made practical applications of robotics technology that support both businesses, responded appropriately to new needs in the welfare service and logistics industry, and also focused on the development of new products. The Group has set forth "Next Step 30" as the medium-term management targets for the Electronics Assembly Equipment business. Based on this, it is working to launch the next generation of strategic models to the market, and develop this market and strengthen services to improve market share. In the Machine Tools business, the Group has set forth "Challenge 200," and based on this initiative, will strengthen sales and service capabilities to increase sales. In new businesses, the Group will further explore technologies that have been put into practice in-house, and focus on the creation of new technologies in order to establish its business.

The Group aims to achieve its Corporate Vision, "We have a vision to fulfill the future dreams of the people of the world, to constantly strive for new value and have the best products in the world, and to live up to its name and become ¥100 billion company."

Board Members and Audit & Supervisory Board Members



1	President & CEO	Nobuyuki Soga
2	Board Member	Shinsuke Suhara
3	Board Member	Seigo Kodama
4	Board Member	Takayoshi Kawai
5	Board Member	Mitsuji Tatsumi
6	Board Member	Hajime Ezaki
7	Outside Board Member	Nobuyuki Matsui
8	Outside Board Member	Nobuko Kawai
9	Full-time Audit & Supervisory Board Member	Shinsaku Sakagami
10	Outside Audit & Supervisory Board Member	Shigeki Matsuda
11	Outside Audit & Supervisory Board Member	Kayoko Yamashita



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Editorial Policy

The aim of this report is to make the Group's management strategies and financial information easy to understand for stakeholders (including shareholders, customers, business partners, employees, and local communities that have a diversity of interests in the Company).

Period Covered

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

Pursuing continuous improvements in corporate value through swifter management



President & CEO
Nobuyuki Soga

In the fiscal year ended March 31, 2016, the Japanese economy experienced sluggish growth in capital investment, due to uncertainties regarding overseas demand, despite firm business conditions. In terms of the global economy, although the European economy continued a moderate recovery and there were signs of recovery in the manufacturing industry in North America, the economic slowdown continued in China. Under these economic conditions, the Company managed to perform nearly in line with its plans. In the fiscal year ending March 31, 2017, developments can be expected in tariff elimination, including TPP, and trade liberalization. Meanwhile, there is no way of knowing at all what kind of impact the U.K.'s vote to leave the EU will have on the global economy, and it is beginning to cast a blight on the United States, which has been a driver for economic growth, and on the European economy, which was expected to grow gradually. While the outlook is unclear in a similar manner for the other regions, Asia, in particular, is an area marked by significant advances in technology over the medium- to long-term. While China does have geopolitical risks associated with Japan, it accounts for a large share of the Group's sales, and thereby we intend to pursue closer ties with them as an important neighboring country. In addition to the countries in Southeast Asia, we are focusing on India, as a market that can be expected to drive global economic growth over the medium term. As for Latin America, we will target the Mexican market where economic and industrial measures are being pursued actively.

As the basic management policy for the fiscal year ending March 31, 2017, one of the Company's new policies is to strengthen organizational

strength. The Company believes that furthering its organizational strength as a business entity is indispensable for keeping up with trends in the global economy. To enhance its organizational strength, the Company will implement a growth strategy whereby each business unit serves as the vertical axis and the strategies that defy the boundaries of each business unit serve as the horizontal axis. The basis of the growth strategy is to pave the way for the future through robotics technology. We will create new value and advance into new markets with our robotic mounters, machine tools utilizing robotic material handling, and robotics technology. We hope to offer highly original products to markets in a timely manner by responding to the needs of changing generations and pursuing the challenge of reforming. We will overcome global competition by achieving manufacturing heights, and make great strides as a robot manufacturer.

In addition, we will create positive work environments that enable the enthusiastic participation of our employees through means such as expanded nursing care and childcare systems, and improved working conditions.

The section of the Corporate Vision stating "To live up to its name and become ¥100 billion company" refers to not only becoming a company with ¥100 billion in net sales, but also to sharing profits with all of the Company's stakeholders (including shareholders, customers, business partners, employees, and local communities) and to creating a promising future together.

■ Medium-term Management Targets (from April, 2015 to March, 2018)

Create new value and achieve ¥100 billion in net sales

Electronics Assembly Equipment

Next Step 30

- Launch next generation of strategic models
- Develop the market and strengthen services

Machine Tools

Challenge 200

- Lead DLFn into flagship product
- Strengthen sales and services capabilities

New Product Development

Create New Business

- Create advanced robot innovation
- Create new technologies and deepen core technologies

Contribute towards evolution of electronics through world's finest technology

Currently, the Group views speeding up new product development to be one of the most important issues in its business. Among others, we are working to enhance our "Nexim" integrated manufacturing system, in response to Industry 4.0 and IoT, and focusing on improving its presence in the growth markets of smart devices and automotive mounted equipment, etc. Furthermore, we will promote automation and labor-saving in the front-end and back-end processes for robotic mounters as we endeavor to meet the needs of customers. In addition, we will strengthen our versatile production systems and strive to provide products with the highest quality in the industry as quickly as possible. Going forward, we will leverage our strengths as the leading company in the industry as we work to further expand our earnings base.



Senior Managing Executive Officer,
Electronics Assembly Equipment Div.
General Manager

Shinsuke Suhara

● **Robotic moulder**

NXT

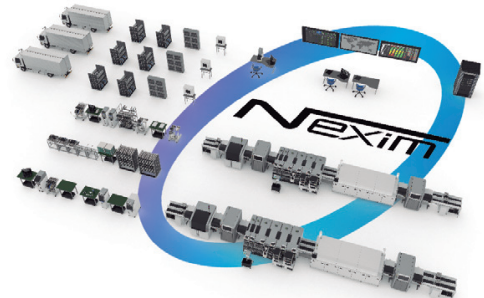


● **Multi-purpose assembly equipment**

Smart FAB



● **Integrated manufacturing system**



Business Strategy

Creating demand based on our customer-first policy

Sales

- Acquire users in growth markets (automotive mounted equipment, smart devices)
- Capture shares of SMT front-end and back-end processing markets
- Strengthen highly rated proposal-based sales capabilities and improve service capabilities

R&D

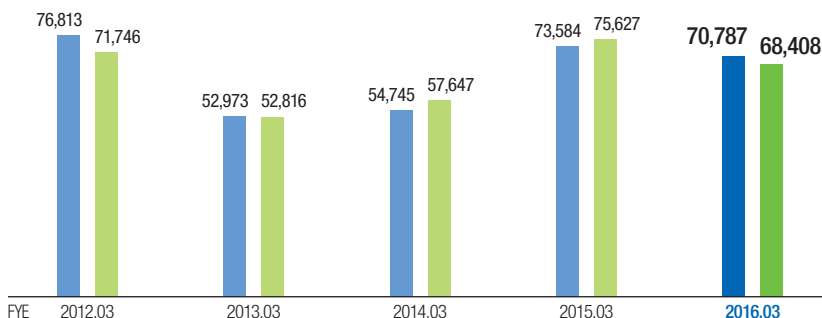
- Develop new products swiftly and strengthen software
- Achieve high-value-added mounting and promote automation and labor-saving
- Enhance responses to Industry 4.0 and IoT

Manufacturing

- Create fully versatile production systems
- Upgrade QCD through improved supply chains

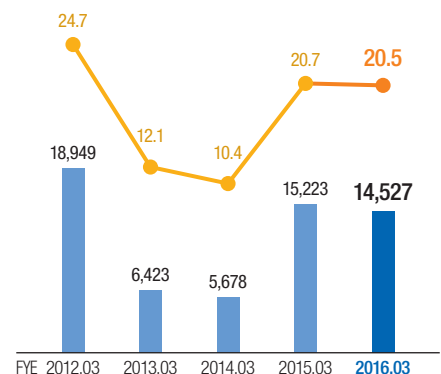
Net sales/Orders (millions of yen)

■ Net sales ■ Orders



Operating income/Operating income ratio

■ Operating income (millions of yen) ● Operating income ratio (%)



Support global manufacturing through advanced technological capabilities

The Group is currently working to strengthen its product lineup by improving the competitiveness of its existing products and pursuing the development of the “DLFn Series” modular production equipment. Going forward, the Company will expand its core Fujioka Factory to speed up delivery and improve productivity. Through the “DLFn Series,” we will work to contribute to various production sites by pursuing further automation of robotic material handling and achieving space-saving miniature factories in line with the needs of customers. While sales networks have been established in Japan and North America, we will focus on strengthening partnerships with retailers and trading companies in the future in order to expand sales in Asia, including China, as well as Europe.



Managing Executive Officer,
Machine Tools Div. General Manager,
Fujioka Factory Manager

Takayoshi Kawai

● Horizontal CNC lathe

TN SERIES



● Front facing twin spindle lathe

CS SERIES



● Modular production equipment

DLFn



Business Strategy

Construct profit constitution by structural reform

Sales

- Strengthen sales networks in Japan and overseas
- Expand global service support system
- Expand sales of DLFn

R&D

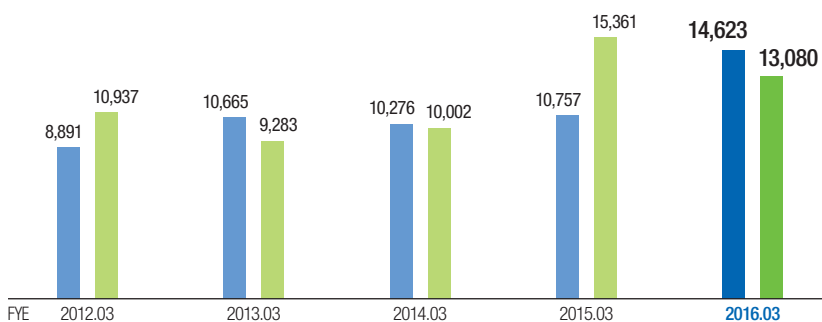
- Develop new DLFn module
- Plan thorough VA and cost-reduction measures
- Enhance responses to IoT

Manufacturing

- Improve quality and speed up delivery
- Shorten lead time by one half

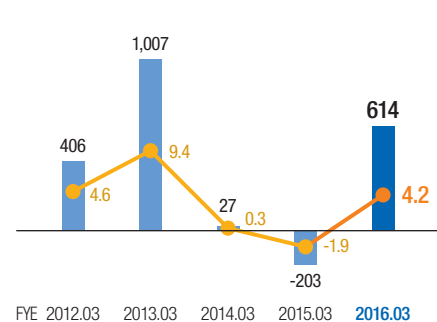
Net sales/Orders (millions of yen)

■ Net sales ■ Orders



Operating income/Operating income ratio

■ Operating income (millions of yen) ● Operating income ratio (%)



Advance into new fields through developed robotics technology

The Group is working to create new businesses centered on robotics innovation. We will be releasing a compact articulated robot in the following fiscal year. We plan to contribute to automation and labor-saving with robots that do not require the burden of teaching and that can handle large quantities on production lines. In addition, we released a mobility support robot that functions similar to that of humans and reduces the burden of helpers and people with physical disabilities.

While these robots may not appear to have much in common at first, these are new products based on robotics technology developed and fostered by the Company. Going forward, we will create new technologies by further pursuing the elemental technologies and core technologies that have been put into practice in-house. Furthermore, we will also utilize methods such as open innovation and work towards quicker development.

● Compact articulated robot “SmartWing”

One of the characteristics of the compact articulated robot under development is its slim structure, which enables a condensed arrangement that has not been possible up until now. Multiple robots can be linked to automate various processes. Furthermore, we aim to establish innovative systems that achieve vertical startup and mass customization in automated factories.



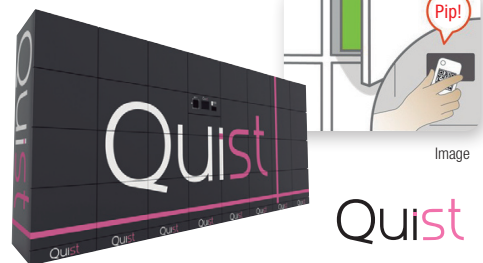
● Mobility support robot “Hug”

It assists movements to and from a sitting position such as from a bed to a wheelchair or from a wheelchair to the toilet, as well as in maintaining a standing position in the changing room. The robot uses the leg strength of the person receiving care while supporting movement by providing minimal assistance.



● Public stocker system “Quist”

We are involved in establishing a new shopping system in which groceries or daily necessities ordered through online supermarkets or other shopping sites are received in an exclusive box. We are focusing on developing products that will reduce the burden of day-to-day shopping and support the daily lives of busy people.



Managing Executive Officer,
Development Center Head
Seigo Kodama

I intellectual property strategy

Strengthen global development through balanced strategies

Since the Company was established in 1959, continuous and constant innovations in technological development, including numerous first-time technologies in the industry, have been the source of its product strength and competitiveness. The large number of patent applications and registrations proves that the leaders of its technology teams are also industry-leading innovators. Young engineers of the Company are also focusing on the development of new technologies as they pursue high goals day to day.

The Company has submitted approximately 300 patent applications every year since the fiscal year ended March 31, 2013, approximately 70% of which are international (PCT) applications, to protect the new technologies it has developed. Furthermore, approximately 30% to 50% of these PCT applications are transferred and made effective in regions such as China, Europe, and the United States. For patents related to its unique differentiation technologies, the Company has a policy of not licensing them anywhere, and through leveraging its strengths in intellectual property, the Company is working to eliminate imitations and invalid patents.



Compact modular electronic mounters, invented by Mr. Suhara, Senior Managing Executive Officer, and Mr. Kodama, Managing Executive Officer, received “The Prize of the Minister of Education, Culture, Sports, Science and Technology” in the National Commendation for Invention in fiscal 2016.

Implement robotic strategies to improve corporate value

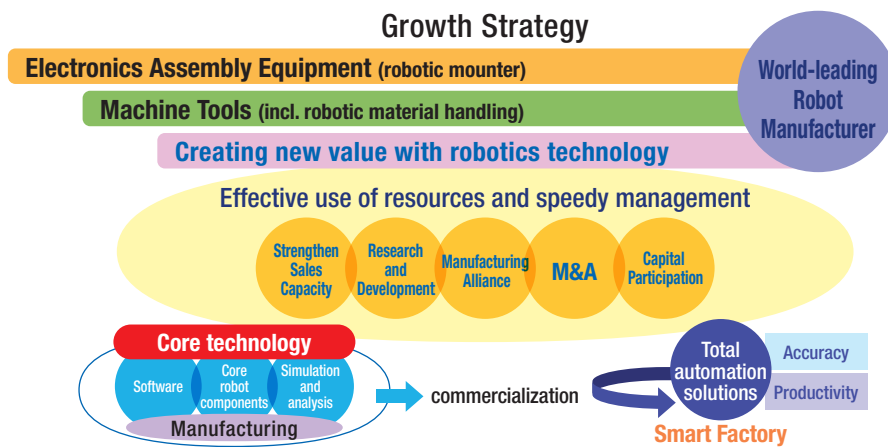
The Company has offered highly trusted, competitive products with high-technological capabilities to markets and has achieved extremely organic growth. Based on its position as a robot manufacturer, the Company will work to grow existing businesses and create new businesses in an effort to develop markets by applying robotics technology in many ways.

The Company aims to accelerate growth by not only enhancing the corporate competencies of its development, sales and production, but also strengthening alliances, including business partnerships, and conducting M&As, etc., for the purpose of complementing development, and will implement a strategy to improve corporate value.



Executive Officer,
Marketing and Strategic Planning Dept.
General Manager

Hajime Ezaki



Execute agile measures to improve capital efficiency in addition to stable dividends

The Company aims to maximize corporate value by continuing its high levels of research and development and capital investment to maintain the competitiveness of its products through provision of advanced technologies to customers, and by aggressively pursuing strategic investments in new fields with an eye to future growth.

In addition, from the perspective of improving shareholder value, the Company views working to improve capital efficiency while maintaining the continuous return of profits to shareholders to be one of the most important management measures.

Its core business is very susceptible to global economic trends which can lead to significant fluctuations in the Company's performance. Even in face of this environment, the Company strives to maintain to a maximum extent stable dividends that are not influenced by fluctuations in performance. At the same time, based on its stance that the flexible acquisition of treasury stock is also an effective measure for improving capital efficiency, the Company resolved for the first time to acquire a total of ¥10,000 million of treasury stock in March 2016, and this acquisition is currently under way.

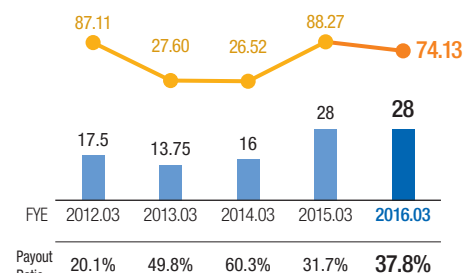


Executive Officer,
Accounting Dept. General Manager

Mitsuji Tatsumi

Net income and Cash dividends per share

● Net income per share (yen) ■ Cash dividends per share (yen)



Notes: As of January 1, 2013, a 2-for-1 split of common stock was carried out. Net income per share is calculated on the assumption that the relevant stock split was carried out at the beginning of the fiscal year ended March 31, 2012.

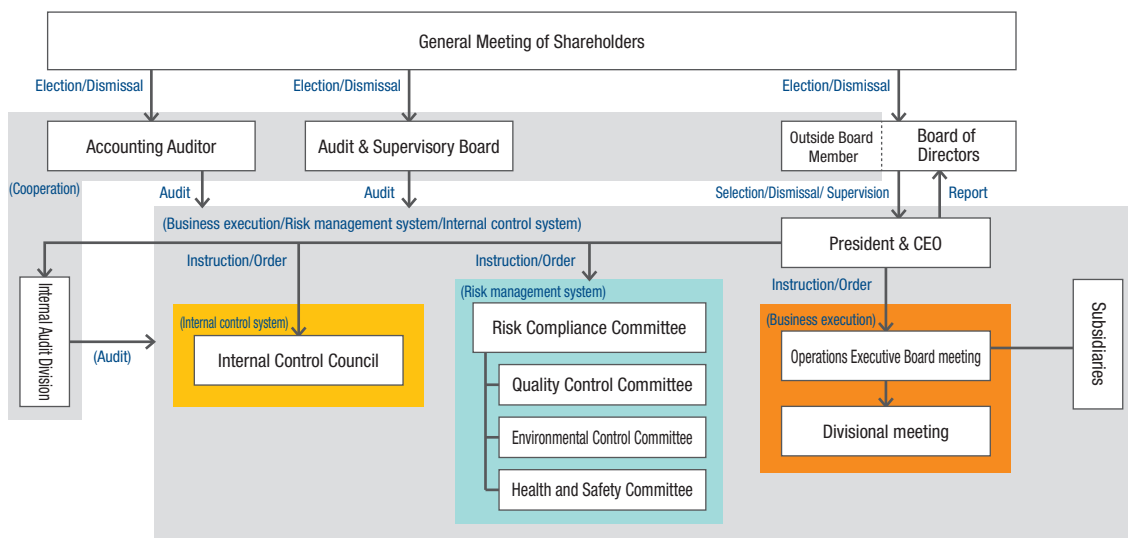
Basic Concept

The Group views working to create higher corporate value for shareholders, customers, business partners, and employees to be the most important issue. Accordingly, the Group is working to establish and enhance fair and transparent management systems and its organizational structure that can respond to changes in the management environment promptly and accurately, and to strengthen its risk and compliance system.

Corporate Governance System (as of June 29, 2016)

- Number of Board Members: 8
(including 2 Outside Board Members)
- Number of Audit & Supervisory Board Members: 3
(including 2 Outside Audit & Supervisory Board Members)
- Number of Independent Directors/Auditors: 4
- Number of Board of Directors' meetings held in a year: 14
- Term of office of Board Members: 1 year
- Adoption of an executive officer system: Yes
- Number of Executive Officers: 11

Composition of Corporate Governance System



Outside Board Member



Outside Board Member
Nobuyuki Matsui

It is a big misunderstanding to think of the word “innovation” as meaning mere technological innovation, as it actually means to transform social frameworks or the foundations of our lives overall through things that are created. I would like to fulfill my responsibility as an Outside Board Member through comments from an academic perspective by leveraging my experience in academic research and industry-academia collaboration so that the Company can make further technological progress going forward as the leader of true innovation.



Outside Board Member
Nobuko Kawai

Corporate management is no simple task, and risks must be assessed correctly while implementing aggressive strategies. I would like to play the role as an Outside Board Member by making full use of my knowledge, experience, and sensibilities as a legal specialist so that the Company, which has achieved repeated technological innovations and brought high-quality products into the world, can continue its sound growth.

Audit & Supervisory Board Member



Full-time Audit & Supervisory Board Member
Shinsaku Sakagami



Outside Audit & Supervisory Board Member
Shigeki Matsuda



Outside Audit & Supervisory Board Member
Kayoko Yamashita

Audit & Supervisory Board Members attend the Board of Directors' meetings, Operations Executive Board meetings, and other important meetings, and audit the execution of duties by Board Members by attending regular meetings with the President and CEO and surveys on business operations and financial conditions at major business locations. In addition, Audit & Supervisory Board Members endeavor to improve the quality of audits by maintaining cooperation and collaboration and actively exchanging opinions and information with the accounting auditor and the internal audit division.

C Consolidated financial highlights

The point

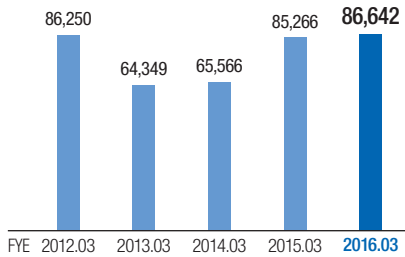
Net sales

Net sales increased by ¥1,300 million overall from the previous fiscal year.

Operating income

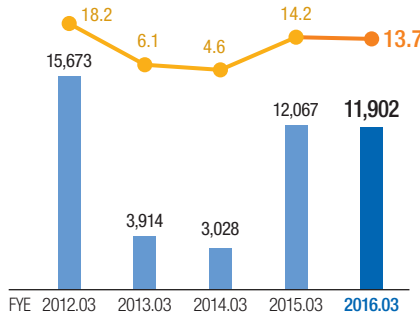
Operating income decreased by ¥100 million from the previous fiscal year due to a drop in sales prices and an increase in variable costs.

Net sales (millions of yen)



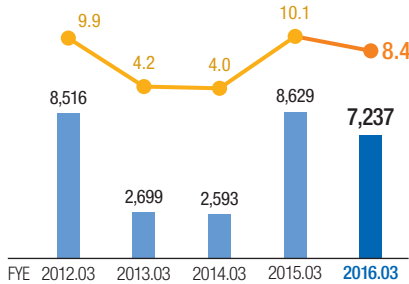
Operating income/Operating income ratio

■ Operating income (millions of yen) ● Operating income ratio (%)

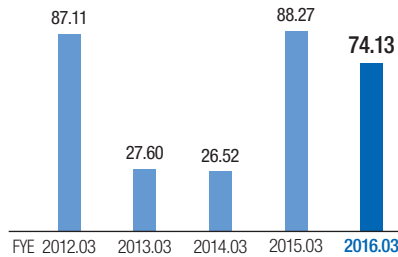


Net income attributable to owners of the parent
Net income ratio

■ Net income attributable to owners of the parent (millions of yen)
● Net income ratio (%)

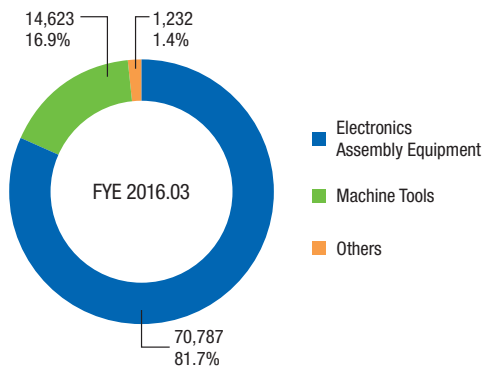


Net income per share (yen)

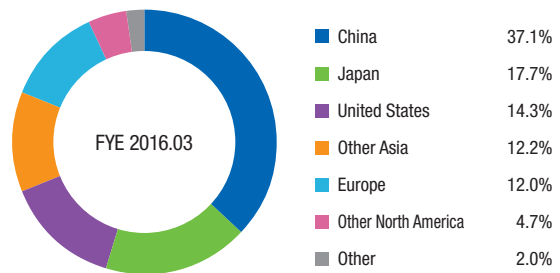


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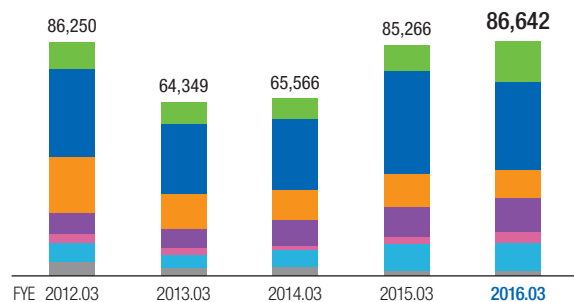
Net sales by segment (millions of yen)



Net sales ratio by geographic region



Net sales by geographic region (millions of yen)



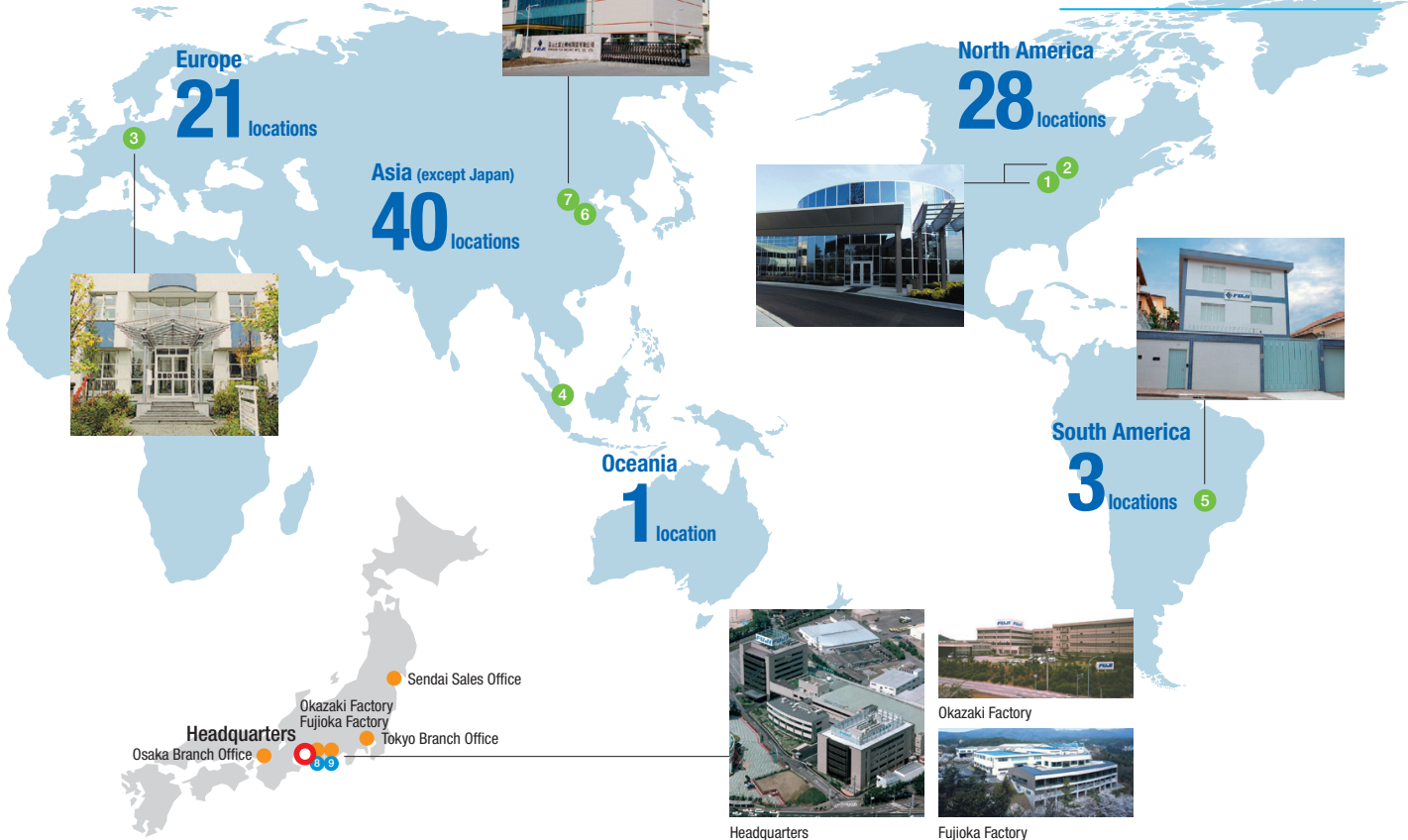
	FYE	2012.03	2013.03	2014.03	2015.03	2016.03
Japan		9,834	8,467	7,770	9,903	15,337
China		32,639	25,711	26,010	37,856	32,166
Other Asia		20,642	12,904	11,271	12,083	10,559
United States		7,667	7,060	9,368	11,100	12,383
Other North America		3,553	2,451	1,731	2,695	4,042
Europe		6,898	5,134	6,428	9,954	10,438
Other		5,017	2,622	2,988	1,675	1,717

Expanding sales and service support locations around the world to ensure secure use of products by all customers

Number of service support staffs around the world

Approx. **880** persons

- ... Local corporation
- ... Domestic subsidiary
- Blue number ... Number of distributors and agents

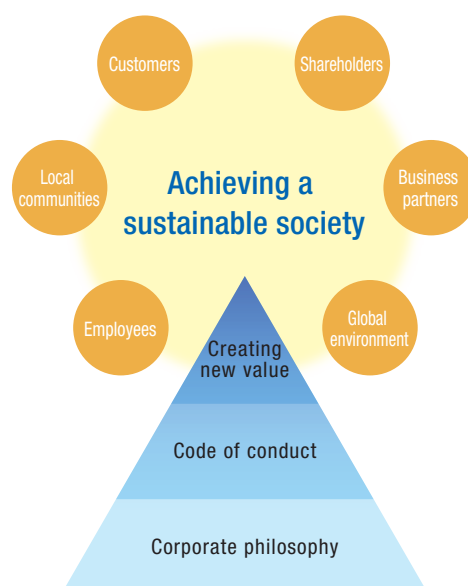


Company name	Location	Established	Main business	Number of employees
1 Fuji America Corporation	Vernon Hills, Illinois, U.S.	April 1970	Sales of the Company's products (electronics assembly equipment)	53
2 Fuji Machine America Corporation	Vernon Hills, Illinois, U.S.	November 1994	Sales of the Company's products (machine tools)	36
3 Fuji Machine Manufacturing (Europe) GmbH	Mainz-Kastel, Germany	November 1991	Sales of the Company's products (electronics assembly equipment)	53
4 Fuji Machine Asia Pte. Ltd.	Singapore	March 2001	Sales of the Company's products (electronics assembly equipment)	109
5 Fuji Do Brasil Maquinas Industriais Ltda.	São Paulo, São Paulo, Brazil	November 1995	Sales of the Company's products (electronics assembly equipment)	42
6 Fuji Machine China Co., Ltd.	Shanghai, China	November 2007	Maintenance and after-sale service of the Company's products (electronics assembly equipment)	23
7 Kunshan Fuji Machine Mfg. Co., Ltd.	Kunshan, China	January 2012	Manufacturing and sales of the Company's products	68
8 ADTEK FUJI Co., Ltd.	Okazaki, Aichi	April 1977	Assembly, remodeling and repair of the Company's products	128
9 EDEC LINSEY SYSTEM Co., Ltd.	Toyohashi, Aichi	November 1992	Manufacturing of automatic control equipment PCB designing and manufacturing Software development	101

Continuing to contribute toward a wealthy society through devoted manufacturing based on utmost efforts

As a manufacturing company, the Group has established a corporate 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 Group approaches its day-to-day corporate activities based on strong bonds with shareholders, customers, business partners, employees, and local communities. As one of the world's leading robot manufacturers, the Group will constantly create new value and markets including robotic mounters as industrial robots and machine tools equipped with robotic material handling. Through these corporate activities, the Group will fulfill its corporate social responsibility with an eye toward sustainable development together with society.



Company profile

(as of March 31, 2016)

Overview

Name	FUJI MACHINE MFG. CO., LTD.	Common Stock	5,879 million yen
Headquarters	19 Chausuyama, Yamamachi, Chiryu, Aichi, Japan	Branch Office	Tokyo, Osaka
Established	April 1959	Main Business	Manufacturing and sales of electronics assembly equipment and machine tools
		Number of Employees	Consolidated 2,108 Nonconsolidated 1,604

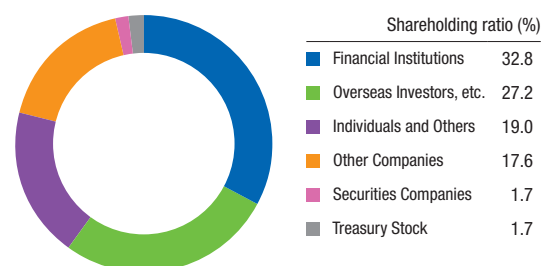
Status of Shares

Total number of shares authorized to be issued	390,000,000
Total number of shares issued	97,823,748
Number of shareholders	7,413

Major shareholders (Top10)

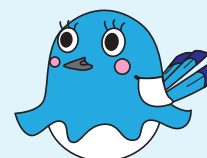
Name	Number of shares held (thousands of shares)	Shareholding ratio (%)
Daido Life Insurance Co.	6,684	6.9
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,341	4.5
Japan Trustee Services Bank, Ltd. (Trust account)	3,936	4.0
NORTHERN TRUST CO.(AVFC) RE THE KILTEARN GLOBAL EQUITY FUND	3,932	4.0
Japan Trustee Services Bank, Ltd. (Trust account 9)	2,895	3.0
Fuji customers stock ownership	2,795	2.9
The Master Trust Bank of Japan, Ltd. (Trust account)	2,468	2.5
SAKAGAMI CO., LTD.	2,400	2.4
The Bank of Nagoya, Ltd.	1,554	1.6
J. P. MORGAN BANK LUXEMBOURG S. A.	1,490	1.5

Classification of shareholders



Mascot Character

FUJILALA is the Company's mascot character, created as part of its aim to be a company that is well received by everyone. Nice to meet you!



Notes: 1. Shares held by the Company as treasury stock (1,698,068 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 stock.

