

FUJI CORPORATION

Renewed FUJI

2018

ANNUAL REPORT

| Financial Summary |

Fiscal year ended March 31, 2018



CONTENTS

Five-Year Summary	2
Analysis of Operating Results	3
Business and Other Risks	6
Consolidated Balance Sheets	7
Consolidated Statements of Income	9
Consolidated Statements of Comprehensive Income	10
Consolidated Statements of Changes in Net Assets	11
Consolidated Statements of Cash Flows	13
Notes to Consolidated Financial Statements	14
Independent Auditor's Report	43

Five-Year Summary

FUJI CORPORATION and Consolidated Subsidiaries

Years ended March 31

Thousands of
U.S. dollars
(Note)

	Millions of yen					2018
	2014	2015	2016	2017	2018	
For the Year						
Orders	¥ 68,269	¥ 92,019	¥ 82,651	¥ 94,024	¥ 123,540	\$ 1,165,472
Net sales	65,566	85,266	86,642	86,397	120,032	1,132,377
Domestic	7,769	9,903	15,337	11,877	19,515	184,104
Overseas	57,797	75,363	71,305	74,520	100,517	948,273
Operating income	3,028	12,067	11,902	9,794	22,827	215,349
Income before income taxes	3,720	12,797	11,012	9,948	24,148	227,811
Net income attributable to owners of the parent	2,593	8,629	7,237	7,055	17,524	165,321
Capital expenditures	6,937	4,917	5,641	6,175	6,765	63,821
Depreciation	5,002	5,352	4,934	5,158	5,282	49,830
Research and development expenses	6,334	7,491	6,613	6,789	8,349	78,764
Cash flows from operating activities	13,770	9,477	8,086	17,380	16,220	153,019
Cash flows from investing activities	(7,885)	(5,463)	(6,308)	(10,160)	(9,170)	(86,509)
Free cash flows	5,885	4,014	1,778	7,220	7,050	66,510
Cash flows from financing activities	(4,393)	(2,005)	4,273	(10,916)	(3,165)	(29,859)
At Year-End						
Total assets	¥ 135,942	¥ 153,890	¥ 156,958	¥ 158,407	¥ 185,762	\$ 1,752,472
Net assets	120,794	135,044	132,069	130,948	151,413	1,428,425
Cash and cash equivalents at end of year	50,659	54,207	59,357	55,359	58,924	555,887
Number of employees (Persons)	2,027	2,104	2,108	2,117	2,229	
Per Share Data (yen and U.S. dollars)						
Net income						
— Basic	¥ 26.52	¥ 88.27	¥ 74.13	¥ 76.19	¥ 195.04	\$ 1.84
— Diluted	-	-	74.03	70.90	181.87	1.72
Net assets	1,235.64	1,379.19	1,372.18	1,461.63	1,655.29	15.62
Cash dividends	16.00	28.00	28.00	30.00	40.00	0.38
Ratios (%)						
Overseas sales ratio	88.2	88.4	82.3	86.3	83.7	
Operating income ratio	4.6	14.2	13.7	11.3	19.0	
R&D expense ratio to net sales	9.7	8.8	7.6	7.9	7.0	
Return on assets	1.9	6.0	4.7	4.5	10.2	
Return on equity	2.2	6.8	5.4	5.4	12.4	
Equity ratio	88.9	87.6	84.0	82.5	81.4	

Note: U.S. dollar amounts are converted from Japanese yen, for convenience only, at the rate of ¥106 to U.S.\$1.00.

Analysis of Operating Results

Overview

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 a turnaround, sustaining steady capital investment in the manufacturing industry.

In this environment, under the slogan "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 of 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.

Net sales

In both the Robotic Solutions segment and the Machine Tools segment, capital investment continued in Japan and abroad, while efforts were made to strengthen sales through cooperation among the Group companies and expansion of the dealer network. As a result, net sales increased by ¥33,635 million (38.9%) from the previous fiscal year, to ¥120,032 million.

Overseas sales increased by ¥25,997 million (34.9%) from the previous fiscal year, to ¥100,517 million, due to a worldwide increase in sales, particularly in China, the major market for the Company's products, as capital investment continued in fields for such things as related to telecommunication, data servers, and automotive products. The percentage of overseas sales to total net sales was 83.7% (China: 44.6%, United States: 11.2%, Europe: 11.2%, Other Asian countries: 10.2%, Others: 6.5%), representing a decrease of 2.6 percentage points from the previous fiscal year. Meanwhile, domestic sales increased by ¥7,638 million (64.3%) from the previous fiscal year, to ¥19,515 million, due to continued capital investment in fields for such things as automotive products and module parts.

Operating income

Operating income increased by ¥13,033 million (133.1%) from the previous fiscal year, to ¥22,827 million, due to reductions in costs through cost cutting, enhanced operation capacity,

and improved production efficiency, in addition to an increase in the number of units sold, which absorbed the increase in fixed costs.

Net income attributable to owners of the parent

In terms of other income (expenses), income (net) of ¥1,321 million was reported, due mainly to the recognition of gain on sales of investment securities, recording of foreign exchange gains, which were losses in the previous fiscal year, and an increase in interest income, despite the recording of litigation settlement. As a result, income before income taxes increased by ¥14,200 million (142.7%) from the previous fiscal year, to ¥24,148 million.

Net income attributable to owners of the parent increased by ¥10,469 million (148.4%) from the previous fiscal year, to ¥17,524 million.

As a result, net income per share increased by ¥118.85, to ¥195.04, from the ¥76.19 recorded in the previous fiscal year.

Business Results by Segment

Robotic Solutions

Net sales increased by ¥29,898 million (40.3%) from the previous fiscal year, to ¥104,003 million.

Against the backdrop of a robust global economy, capital investment continued in fields for such things as servers for cloud services, for which demand has been growing in conjunction with the increase in social media users, automotive products with its growing market, as a result of the shift to electric vehicles, and module parts, in addition to telecommunication products. Aiming to win new customers and provide services that improve customer satisfaction in an effort to increase its market share, the Company has also focused on market cultivation based on cooperation of the sales and technology divisions, as well as promotion of solution-based sales approaches. As a result, sales of robotic mounters, particularly of the Company's main product NXT III, grew significantly, leading to not only a domestic increase but also a worldwide increase in sales, mainly in China, the major market for our products.

Operating income increased by ¥10,639 million (73.1%) from the previous fiscal year, to ¥25,185 million, due to reductions in costs through enhanced operation capacity and improved production efficiency, in addition to an increase in the number of units sold.

The target of a 30% market share, upheld in "Next Step 30" as a medium-term management target, has mostly been achieved, contributing to the increase in sales.

Segment assets increased by ¥12,471 million (17.0%) from the previous fiscal year, to ¥86,039 million, due mainly to an increase in notes and accounts receivable, net of allowance for doubtful accounts, resulting from the brisk sales

of robotic mounters, particularly of NXT III.

Machine Tools

Net sales increased by ¥2,801 million (25.5%) from the previous fiscal year, to ¥13,798 million.

Capital investment in automotive parts grew steadily both in Japan and abroad. The Company also reinforced its sales and services both in Japan and abroad through a sales strategy based mainly on DLFn, its flagship product, while revising its former sales infrastructure and establishing a new sales infrastructure to expand and strengthen its sales network in the Chinese market, where demand is expected to grow in particular. As a result, sales increased mainly in North America, Japan, and China.

Operating income was ¥1,017 million (operating loss for the previous fiscal year was ¥713 million), due mainly to improved sales prices.

For "Improvement of profitability", upheld as a medium-term management target, the Company solidified its foundation mainly by strengthening the sales infrastructure, which contributed to the return to the black for the fiscal year ended March 31, 2018.

Segment assets increased by ¥1,131 million (8.7%) from the previous fiscal year, to ¥14,162 million, due mainly to an increase in notes and accounts receivable, net of allowance for doubtful accounts, resulting from increased sales.

Research and Development Expenses and Capital Expenditures

Research and development expenses

Following the company motto, "We will endeavor to work hard in research and development to provide excellent techniques to respond to customer confidence," the Group continues to make untiring efforts in the research and development of state-of-the-art automated equipment and systems to meet the needs of the world's most advanced customers.

Research and development expenses increased by ¥1,560 million (23.0%) from the previous fiscal year, to ¥8,349 million.

Major research and development activities included further reinforcement of the functions of robotic mounters, including the mainstay NXT Series in the Robotic Solutions segment, and development to bring the next term's strategic machines to market.

Capital expenditures

Total capital expenditures increased by ¥590 million (9.6%) from the previous fiscal year, to ¥6,765 million.

Major capital expenditures included the acquisition of software for sales in the market, the introduction of machinery and equipment for the development and manufacture of robotic mounters, building of the Okazaki Third Plant, and the construction of the new FUJI EUROPE CORPORATION

GmbH building in the Robotic Solutions segment.

With the completion of the Okazaki Third Plant in March 2018 and expansion of the Toyota Plant scheduled for completion in March 2019, the Company will improve and reinforce the production environment with the aim of further strengthening its production systems.

Financial Position and Cash Flows

Analysis of financial position

(Assets)

Current assets at the end of the fiscal year ended March 31, 2018 increased by ¥15,788 million from the end of the previous fiscal year, to ¥127,332 million. This was mainly due to an increase of ¥11,627 million in notes and accounts receivable, net of allowance for doubtful accounts resulted from sales growth, and an increase of ¥3,565 million in cash and cash equivalents. Investments and other assets and property, plant and equipment increased by ¥11,567 million from the end of the previous fiscal year, to ¥58,430 million. This was mainly due to an increase of ¥10,515 million in investment securities resulted from the rise in stock prices.

As a result, total assets increased by ¥27,355 million from the end of the previous fiscal year, to ¥185,762 million.

(Liabilities)

Current liabilities at the end of the fiscal year ended March 31, 2018 increased by ¥8,125 million from the end of the previous fiscal year, to ¥22,139 million. This was mainly due to increases of ¥3,497 million in income taxes payable and ¥1,754 million in notes and accounts payable. Long-term liabilities decreased by ¥1,235 million from the end of the previous fiscal year, to ¥12,210 million. This was mainly due to a decrease of ¥2,798 million in long-term debt.

As a result, total liabilities increased by ¥6,890 million from the end of the previous fiscal year, to ¥34,349 million.

(Net assets)

Total net assets at the end of the fiscal year ended March 31, 2018 increased by ¥20,465 million from the end of the previous fiscal year, to ¥151,413 million. This was mainly due to increases of ¥14,393 million in retained earnings and ¥3,948 million in net unrealized gains on available-for-sale securities.

As a result, equity ratio as of March 31, 2018 was 81.4% (compared to 82.5% at the end of the previous fiscal year). Net assets per share were ¥1,655.29 (compared to ¥1,461.63 at the end of the previous fiscal year).

Analysis of cash flows

Net cash provided by operating activities was ¥16,220 million (¥17,380 million in the previous fiscal year). This was mainly due to income before income taxes of ¥24,148 million and depreciation of ¥5,282 million.

Net cash used in investing activities was ¥9,170 million (¥10,160 million in the previous fiscal year). This was mainly due to purchase of property, plant and equipment and intangible assets of ¥6,373 million, and purchase of investment securities of ¥6,000 million.

Net cash used in financing activities was ¥3,165 million (¥10,916 million in the previous fiscal year). This was mainly due to dividends paid of ¥3,129 million.

As a result of the above, the balance of cash and cash equivalents at the end of the fiscal year ended March 31, 2018 increased by ¥3,565 million (6.4%) from the end of the previous fiscal year, to ¥58,924 million.

Capital resources and fund liquidity

The Group's main working capital needs include funds to purchase raw materials and parts to manufacture products, manufacturing costs, and operating expenses such as selling, general and administrative expenses.

The Group's basic policy is to meet these working capital and capital investment needs mainly by allocating retained earnings, and to procure funds through borrowings, as necessary. Going forward, the Group plans to make capital investments for future growth, such as investment in plant construction, as well as research and development investments, and intends to allocate retained earnings to such investments.

To ensure flexibility and security against capital demands and mitigating financial risks, the Company has concluded specified commitment line contracts of ¥12,000 million in total with the main financial institutions.

Basic Policy for Profit Distribution

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 improving and strengthening the Company's business structure through measures such as development of products that meet market demands, and capital rationalization and investment, and for proactive investments geared to further growth and expansion including the expansion of plants.

Year-end dividends were ¥20.00 per share, based on the basic policy for profit sharing, and together with interim dividends of ¥20.00 per share, the Company decided to pay out total annual dividends of ¥40.00 per share.

Business and Other Risks

The following covers the main risks which would likely have a large impact on the Group's financial position and operating results.

The items in this document relating to possible future events are as determined by the Group as of the end of the consolidated fiscal year.

(1) Impact of changes in the market environment

The demand for robotic solutions, which is the core element of the Group's business, changes based on the influence of market trends for electronics such as smartphones and computer products. The demand for machine tools changes based on the influence of capital investment trends in the automotive industry, who are the primary customers. There is a possibility that these changes in demand may impact financial results.

(2) Impact of pricing competition

There are cases in which the Group may be in a situation where it is difficult to decide upon a profitable cost because of pricing competition with competitors and requirements to lower equipment procurement costs according to drops in market values for the electronics and automotive products manufactured by customers.

While the Group are focused on improving profitability through developing products which are cost competitive, strengthening services, promoting solution-based sales, and pursuing cost reduction through improved production, there may be an impact on financial results in cases where drops in selling prices greatly exceed the Group's expectations and continue for an extended period.

(3) Impact of fluctuating exchange rates

A large proportion of the Group's net sales is from overseas, in accordance with proactive expansion of the Group's manufacturing customers overseas, particularly the manufacturing base centralized to Asian regions such as China. To avoid exchange risks during export activities, the Group's transactions are based in Japanese currency. However, there are cases in which fluctuations in exchange rates may lower the Group's cost competitiveness in comparison to competitors, which may impact financial results. Also, the general rule for transactions with consolidated subsidiary companies overseas (United States, Germany, China) is that those transactions are based in foreign currency and thus it is possible that sudden changes in exchange rates may impact financial results.

(4) Impact of technology development

The Group is continuously in a state of proactive development investment and technology development based on an understanding of customer requirements. However, there is a risk that financial results could be impacted if the developed technology becomes obsolete or if the developed products cannot be sold as planned because of elevated customer requirements or new innovations.

The Group has acquired quality management system standard ISO9001 and we are diligently strengthening our quality assurance system and service support system to contribute to customer satisfaction. However, The Group's products use leading-edge technology, also often using development technology from new fields, and thus unexpected problems can occur, which may impact financial

results.

(5) Impact of business activities in foreign markets

The group has placed sales offices in each region of the world and are engaged in global business expansion. However, changes in the political situations and economies of those countries may impact financial results.

(6) Impact of material procurement

Increased market value of the main materials which are used to build the Group's machines such as metals, castings, and electrical materials may impact financial results. There is also a possibility of supply being stopped because of a shortage in supply caused by a rapid increase and concentration of demand or because of a disaster or accident at the supplier. These could destabilize production, which may impact financial results.

(7) Impact of large-scale disasters

The Group has measures in place to minimize the damage caused by a disaster. However, should there be a disaster which exceeds expectations or if there is a pandemic of an infectious disease such as novel influenza viruses, this may impact financial results. In particular Aichi Prefecture, where the majority of the Group's production is centered, is an area which promotes disaster prevention measures against Nankai Trough earthquakes. If a large scale earthquake occurs in this area, production and delivery activities could stop because of damage to production equipment or suspension of logistics, which may impact financial results.

(8) Impact of intellectual property

The group seeks to protect the products it develops and produces by acquiring patent rights and through trademarks, but it is a possibility that we cannot fully prevent third parties from manufacturing and selling similar products which wrongfully utilize intellectual property held by the Group. The Group is also always careful not to infringe on the intellectual property rights of a third party when developing products. However, there is a possibility that intellectual property may be infringed upon, resulting in a third party instituting legal proceedings against us, which may impact financial results.

(9) Impact of legal restrictions

The Group accepts the various legal restrictions and environmental laws which apply in the countries and territories in which the Group performs business activities, including the permissions needed relating to business investment, export restrictions, and tariffs. We are striving to have continuous compliance. However, it is possible that the Group may be subject to legal proceedings from the regulatory authority, which may impact financial results.

(10) Impact of information security

The group has constructed an information management system and employs thorough security measures and instruction for employees. However, if an impediment which could not have been predicted such as a computer virus, unauthorized access, or cyberattack occurs, it is possible that the Group's trust level could be lowered and customers could require compensation for damages owing to the suspension of production and other business activities, and information leaks. Such occurrences may impact financial results.

Consolidated Balance Sheets

FUJI CORPORATION and Consolidated Subsidiaries

March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	¥ 58,924	¥ 55,359	\$ 555,887
Short-term investments (Notes 3 and 6)	3,282	4,168	30,962
Notes and accounts receivable, net of allowance for doubtful accounts (Notes 3 and 4)	33,024	21,397	311,547
Inventories (Note 5)	28,346	27,101	267,415
Deferred tax assets (Note 15)	3,352	3,044	31,623
Other current assets	404	475	3,811
Total current assets	127,332	111,544	1,201,245
Investments and other assets:			
Investment securities (Notes 3 and 6)	32,573	22,058	307,292
Intangible assets (Note 7)	6,331	6,462	59,727
Deferred tax assets (Note 15)	138	89	1,302
Other assets	443	383	4,179
Total investments and other assets	39,485	28,992	372,500
Property, plant and equipment:			
Land	4,050	4,076	38,208
Buildings and structures	23,509	22,949	221,783
Machinery, equipment and vehicles	14,204	14,580	134,000
Tools, furniture and fixtures	7,469	7,369	70,462
Construction in progress	1,203	110	11,349
Total property, plant and equipment	50,435	49,084	475,802
Less accumulated depreciation	(31,490)	(31,213)	(297,075)
Total net property, plant and equipment (Note 17)	18,945	17,871	178,727
Total assets (Note 17)	¥ 185,762	¥ 158,407	\$ 1,752,472

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Liabilities and Net assets			
Current liabilities:			
Current portion of long-term debt (Notes 3 and 9)	¥ -	¥ 31	\$ -
Notes and accounts payable (Notes 3 and 8)	7,513	5,759	70,877
Accrued expenses	4,521	3,860	42,651
Income taxes payable	5,188	1,691	48,943
Provision for product warranties	1,109	845	10,462
Other current liabilities	3,808	1,828	35,925
Total current liabilities	22,139	14,014	208,858
Long-term liabilities:			
Long-term debt (Notes 3 and 9)	7,242	10,040	68,321
Net defined benefit liability (Note 10)	766	859	7,226
Deferred tax liabilities (Note 15)	4,180	2,502	39,434
Other long-term liabilities	22	44	208
Total long-term liabilities	12,210	13,445	115,189
Total liabilities	34,349	27,459	324,047
Net assets (Note 13):			
Shareholders' equity:			
Common stock: 390,000,000 shares authorized and 97,823,748 shares issued	5,879	5,879	55,462
Capital surplus	5,925	5,414	55,896
Retained earnings	134,184	119,791	1,265,887
Less treasury stock, at cost: 6,477,857 shares in 2018 and 8,372,922 shares in 2017	(7,780)	(10,055)	(73,396)
Total shareholders' equity	138,208	121,029	1,303,849
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	11,688	7,740	110,264
Foreign currency translation adjustments	1,343	1,892	12,670
Remeasurements of defined benefit plans (Note 10)	(35)	83	(330)
Total accumulated other comprehensive income	12,996	9,715	122,604
Noncontrolling interests	209	204	1,972
Total net assets	151,413	130,948	1,428,425
Total liabilities and net assets	¥ 185,762	¥ 158,407	\$ 1,752,472

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

FUJI CORPORATION and Consolidated Subsidiaries

For the Years Ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Operating revenue:			
Net sales (Note 17)	¥ 120,032	¥ 86,397	\$ 1,132,377
Operating costs and expenses:			
Costs of goods sold	70,219	53,004	662,443
Selling, general and administrative expenses	26,986	23,599	254,585
	<u>97,205</u>	<u>76,603</u>	<u>917,028</u>
Operating income (Note 17)	<u>22,827</u>	<u>9,794</u>	<u>215,349</u>
Other income (expenses):			
Interest and dividend income	593	539	5,594
Interest expense	(3)	(3)	(28)
Foreign exchange gain (loss)	37	(248)	349
Loss on sales and disposals of property, plant and equipment and intangible assets	(369)	(131)	(3,481)
Impairment loss on fixed assets (Note 14)	-	(11)	-
Gain on sales of investment securities	1,370	0	12,925
Loss on step acquisitions (Note 16)	-	(94)	-
Loss on revaluation of investment securities (Note 6)	-	(204)	-
Litigation settlement	(391)	-	(3,689)
Other, net	84	306	792
	<u>1,321</u>	<u>154</u>	<u>12,462</u>
Income before income taxes	<u>24,148</u>	<u>9,948</u>	<u>227,811</u>
Income taxes (Note 15):			
Current	6,844	3,347	64,566
Deferred	(235)	(459)	(2,217)
Total income taxes	<u>6,609</u>	<u>2,888</u>	<u>62,349</u>
Net income	17,539	7,060	165,462
Less net income attributable to noncontrolling interests	<u>15</u>	<u>5</u>	<u>141</u>
Net income attributable to owners of the parent	<u>¥ 17,524</u>	<u>¥ 7,055</u>	<u>\$ 165,321</u>
	<u>Yen</u>		<u>U.S. dollars</u>
Per share:			
Net income			
-Basic	¥ 195.04	¥ 76.19	\$ 1.84
-Diluted	181.87	70.90	1.72
Cash dividends (Note 13)	40.00	30.00	0.38

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

FUJI CORPORATION and Consolidated Subsidiaries

For the Years Ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Net Income	¥ 17,539	¥ 7,060	\$ 165,462
Other comprehensive income (Note 18):			
Net unrealized gains on available-for-sale securities	3,948	2,188	37,245
Foreign currency translation adjustments	(559)	(226)	(5,273)
Remeasurements of defined benefit plans	(119)	743	(1,123)
Total other comprehensive income	<u>3,270</u>	<u>2,705</u>	<u>30,849</u>
Comprehensive income	<u>¥ 20,809</u>	<u>¥ 9,765</u>	<u>\$ 196,311</u>
Comprehensive income attributable to:			
Owners of the parent	¥ 20,804	¥ 9,729	\$ 196,264
Noncontrolling interests	5	36	47
Total comprehensive income	<u>¥ 20,809</u>	<u>¥ 9,765</u>	<u>\$ 196,311</u>

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

FUJI CORPORATION and Consolidated Subsidiaries

For the Years Ended March 31, 2018 and 2017

	Shareholders' equity						Accumulated other comprehensive income					
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for- sale securities	Foreign currency translation adjustments	Remeasure- ments of defined benefit plans	Total accumulated other comprehensive income	Non- controlling interests	Total net assets
Balance at April 1, 2016	97,823,748	¥ 5,879	¥ 5,414	¥ 115,475	¥ (1,908)	¥ 124,860	¥ 5,552	¥ 2,149	¥ (660)	¥ 7,041	¥ 168	¥ 132,069
Net income for the year attributable to owners of the parent	-	-	-	7,055	-	7,055	-	-	-	-	-	7,055
Cash dividends	-	-	-	(2,739)	-	(2,739)	-	-	-	-	-	(2,739)
Purchases of treasury stock	-	-	-	-	(8,147)	(8,147)	-	-	-	-	-	(8,147)
Disposal of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-	-	2,188	(257)	743	2,674	36	2,710
Balance at March 31, 2017	97,823,748	¥ 5,879	¥ 5,414	¥ 119,791	¥ (10,055)	¥ 121,029	¥ 7,740	¥ 1,892	¥ 83	¥ 9,715	¥ 204	¥ 130,948
Net income for the year attributable to owners of the parent	-	-	-	17,524	-	17,524	-	-	-	-	-	17,524
Cash dividends	-	-	-	(3,131)	-	(3,131)	-	-	-	-	-	(3,131)
Purchases of treasury stock	-	-	-	-	(2)	(2)	-	-	-	-	-	(2)
Disposal of treasury stock	-	-	511	-	2,277	2,788	-	-	-	-	-	2,788
Net changes in items other than shareholders' equity	-	-	-	-	-	-	3,948	(549)	(118)	3,281	5	3,286
Balance at March 31, 2018	97,823,748	¥ 5,879	¥ 5,925	¥ 134,184	¥ (7,780)	¥ 138,208	¥ 11,688	¥ 1,343	¥ (35)	¥ 12,996	¥ 209	¥ 151,413

	Shareholders' equity				Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	Thousands of U.S. dollars (Note 1)										
Balance at March 31, 2017	\$ 55,462	\$ 51,075	\$ 1,130,104	\$ (94,858)	\$ 1,141,783	\$ 73,019	\$ 17,849	\$ 783	\$ 91,651	\$ 1,925	\$ 1,235,359
Net income for the year attributable to owners of the parent	-	-	165,321	-	165,321	-	-	-	-	-	165,321
Cash dividends	-	-	(29,538)	-	(29,538)	-	-	-	-	-	(29,538)
Purchases of treasury stock	-	-	-	(19)	(19)	-	-	-	-	-	(19)
Disposal of treasury stock	-	4,821	-	21,481	26,302	-	-	-	-	-	26,302
Net changes in items other than shareholders' equity	-	-	-	-	-	37,245	(5,179)	(1,113)	30,953	47	31,000
Balance at March 31, 2018	<u>\$ 55,462</u>	<u>\$ 55,896</u>	<u>\$ 1,265,887</u>	<u>\$ (73,396)</u>	<u>\$ 1,303,849</u>	<u>\$ 110,264</u>	<u>\$ 12,670</u>	<u>\$ (330)</u>	<u>\$ 122,604</u>	<u>\$ 1,972</u>	<u>\$ 1,428,425</u>

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

FUJI CORPORATION and Consolidated Subsidiaries

For the Years Ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Cash flows from operating activities:			
Income before income taxes	¥ 24,148	¥ 9,948	\$ 227,811
Adjustments for:			
Depreciation	5,282	5,158	49,830
Impairment loss on fixed assets	-	11	-
Loss on sales and disposals of property, plant and equipment and intangible assets	369	131	3,481
Gain on sales of investment securities	(1,370)	(0)	(12,925)
Increase (decrease) in provision for product warranties	264	(20)	2,491
(Decrease) increase in net defined benefit liability	(264)	823	(2,490)
(Increase) decrease in trade receivables	(11,055)	2,038	(104,292)
(Increase) decrease in inventories	(1,308)	107	(12,340)
Increase in trade payables	1,293	943	12,198
Other, net	1,663	387	15,689
Subtotal	19,022	19,526	179,453
Interest and dividends received	595	541	5,613
Interest paid	(3)	(3)	(28)
Income taxes paid	(3,394)	(2,684)	(32,019)
Net cash provided by operating activities	16,220	17,380	153,019
Cash flows from investing activities:			
Net decrease (increase) in short-term investments	867	(2,865)	8,179
Purchases of property, plant and equipment and intangible assets	(6,373)	(6,490)	(60,122)
Proceeds from sales of property, plant and equipment and intangible assets	107	192	1,010
Purchases of investment securities	(6,000)	(999)	(56,604)
Proceeds from sales of investment securities	2,371	0	22,368
Proceeds from investments in capital of subsidiaries resulting in change in scope of consolidation (Note 19)	-	16	-
Other, net	(142)	(14)	(1,340)
Net cash used in investing activities	(9,170)	(10,160)	(86,509)
Cash flows from financing activities:			
Repayments of long-term debt	(34)	-	(321)
Dividends paid	(3,129)	(2,739)	(29,519)
Purchase of treasury stock	(2)	(8,147)	(19)
Other, net	-	(30)	-
Net cash used in financing activities	(3,165)	(10,916)	(29,859)
Effect of exchange rate changes on cash and cash equivalents	(320)	(302)	(3,019)
Net increase (decrease) in cash and cash equivalents	3,565	(3,998)	33,632
Cash and cash equivalents at beginning of year	55,359	59,357	522,255
Cash and cash equivalents at end of year	¥ 58,924	¥ 55,359	\$ 555,887

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

FUJI CORPORATION and Consolidated Subsidiaries

1. Basis of Consolidated Financial Statements

The accompanying consolidated financial statements of FUJI CORPORATION (the "Company") and its consolidated subsidiaries (together with the Company, the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instrument and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS").

The accompanying consolidated financial statements have been reformatted and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instrument and Exchange Act. In preparing these consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of the Japanese yen amounts into U.S. dollar amounts has been included solely for the convenience of readers outside Japan, using the approximate rate prevailing at March 31, 2018, which was ¥106 to U.S. \$1.00. The translation should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Certain comparative figures have been reclassified to conform to the current year's presentation.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. Investments in affiliated companies not accounted for using the equity method are stated at cost. If the equity method of accounting had been applied to investments in these companies, the effect on the accompanying consolidated financial statements would have been immaterial. All significant intercompany accounts and transactions have been eliminated on consolidation. All material unrealized profits included in assets resulting from transactions within the Group have also been eliminated.

The number of consolidated subsidiaries and affiliated companies for the years ended March 31, 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Consolidated subsidiaries:		
Domestic	2	2
Overseas	7	7

From the year ended March 31, 2017, an overseas subsidiary, which was an affiliated company stated at cost, has been included in the scope of consolidation due to the acquisition of additional investments in capital.

Three overseas subsidiaries close their books on December 31, three months earlier than the Company and the other consolidated subsidiaries. The Company uses the financial statements of one of the subsidiaries as of its year-end date because the difference between its fiscal year-end date and that of the Company was not more than three months. Significant transactions for the period between the subsidiary's fiscal year-end date and the Company's year-end date have been adjusted for on consolidation. For the other two subsidiaries, the Company uses the financial statements which are compiled by temporary closings of their accounts as of March 31.

One overseas subsidiary changed its closing date from December 31 to March 31 from the fiscal year ended March 31, 2018. This change had no impact on the consolidated financial statements as the Company had been conducting provisional settlements at the end of each consolidated fiscal year.

(Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements)

The Company has adopted ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements." PITF No. 18 requires that the accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using its foreign subsidiaries' financial statements prepared in accordance with either IFRS or U.S. generally accepted accounting principles ("U.S. GAAP"). In this case, adjustments for the following four items are required in the consolidation process so that the impact on net income is accounted for in accordance with Japanese GAAP, unless the impact is not material.

- (a) Goodwill not subject to amortization
- (b) Actuarial gains and losses of defined benefit retirement plans recognized outside profit or loss
- (c) Capitalized expenditures for research and development activities
- (d) Fair value measurement of investment properties and revaluation of property, plant and equipment and intangible assets

(b) Cash equivalents

The Group considers cash equivalents to be short-term, highly liquid instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value purchased with an original maturity of three months or less.

(c) Investments and marketable securities

The Group classifies certain investments in debt and equity securities as “held-to-maturity,” “trading” or “available-for-sale” securities. The classification determines the respective accounting method to be applied under the accounting standards for financial instruments. According to the investment policy of the Group, its securities portfolio consists of held-to-maturity and available-for-sale securities. The accounting standard requires that held-to-maturity securities be stated at amortized cost and available-for-sale securities for which fair value is available be stated at fair value and that net unrealized gains and losses on such securities be recorded as a component of accumulated other comprehensive income, net of applicable income taxes. Gains and losses on the disposition of available-for-sale securities are computed using the moving average method. Available-for-sale securities without available fair values are carried at cost determined using the moving average method. Adjustments in the carrying value of individual investment securities are charged to income through write-downs when a decline in value is deemed to be other than temporary.

(d) Inventories

In accordance with the accounting standard for measurement of inventories, inventories held for sale in the ordinary course of business are stated at the lower of cost or net realizable value. If the net realizable value falls below the cost at the end of the period, the cost basis is reduced to net realizable value and regarded as decreased profitability of inventories. Merchandise, finished goods and work-in-process are measured principally using the specific identification method. Raw materials and supplies are measured principally using the moving average method.

(e) Allowance for doubtful accounts

An allowance for doubtful accounts has been provided at the aggregate amount of estimated credit loss based on individual reviews of certain doubtful or troubled receivables. A general reserve for other receivables is also provided based on the historical loss experience for certain past periods.

(f) Property, plant and equipment and depreciation

Property, plant and equipment, including significant renewals and additions, are stated at cost and depreciated principally by the declining balance method based on the estimated useful life of the asset.

(Changes in accounting policies for depreciation)

In line with the revisions to the Japanese Corporation Tax Act, the Company and its domestic subsidiaries adopted the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (PITF No. 32, June 17, 2016) from the fiscal year ended March 31, 2017. Accordingly, the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016 has been changed from the declining balance method to the straight-line method. The effect on income was not material.

(g) Intangible assets

Intangible assets are amortized using the straight-line method. Software for sales is amortized using the straight-line method over the estimated economic life. Software for internal use is amortized using the straight-line method over the estimated useful life.

(h) Impairment of fixed assets

The Company and its domestic consolidated subsidiaries have adopted the "Accounting Standard for Impairment of Fixed Assets" and the related practical guidance. The standard requires fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized in the income statement by reducing the carrying amount of the impaired asset or group of assets to the recoverable amount, measured by the higher of the asset's net selling price or value in use. Fixed assets include land, buildings and other forms of property, including intangible assets, and are to be grouped at the lowest levels for which there are identifiable cash flows separate from other groups of assets. For the purpose of recognition and measurement of an impairment loss, fixed assets of the Company and its domestic consolidated subsidiaries, other than idle or unused property, are grouped into cash generating units based on the managerial accounting classifications.

(i) Employee retirement benefits

The difference between retirement benefit obligations and plan assets has been recognized as net defined benefit liability. To calculate the retirement benefit obligations, the benefit formula basis is used to allocate estimated retirement benefits. Actuarial differences that are yet to be recognized are recognized in the year following the year in which they arise. A net defined benefit liability and retirement benefit costs of certain consolidated subsidiaries are calculated using the simplified method as permitted by the accounting standard for retirement benefits.

(j) Provision for product warranties

A provision for product warranties is calculated based on the actual historical ratio of repair costs per corresponding product sales to provide for future repairs during free of charge product warranty periods.

(k) Translation of foreign currency accounts

Receivables, payables and securities, other than stocks of subsidiaries and certain other securities, are translated into Japanese yen at the exchange rate prevailing at the fiscal year-end. For financial statement items of overseas consolidated subsidiaries, all asset and liability accounts are translated into Japanese yen by applying the exchange rate in effect at the respective fiscal year-end. All income and expense accounts are translated at the average rate of exchange for the fiscal year. Translation differences, after allocating portions attributable to noncontrolling interests, have been reported in foreign currency translation adjustments as a component of accumulated other comprehensive income in the accompanying consolidated balance sheets.

(l) Research and development expenses

Expenses related to research and development activities are charged to income as incurred. Research and development expenses for the years ended March 31, 2018 and 2017 were included in selling, general and administrative expenses in the accompanying consolidated statements of income in the amount of ¥8,349 million (\$78,764 thousand) and ¥6,789 million, respectively.

(m) Enterprise taxes

The Group calculates and records enterprise taxes based on the “added value” and “capital” amounts when levied as sizebased corporate taxes for local government enterprise taxes. Such taxes are included in selling, general and administrative expenses.

(n) Income taxes

Income taxes are accounted for using the asset-liability method. Deferred tax assets and liabilities are recognized as the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date and the promulgation date for the years ended March 31, 2018 and 2017, respectively.

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

(o) Appropriation of retained earnings

Cash dividends are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Board of Directors or the general meeting of stockholders.

(p) Per share data

Basic net income per share is based on the weighted average number of shares of common stock outstanding during the year. Unless there is an antidilutive effect, diluted net income per share is calculated to reflect the potential dilution assuming that all convertible bonds are converted at the time of issue.

Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of income represent dividends declared by the Company as applicable to the respective year.

(q) New standards and interpretations not yet adopted by the Company

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018, Accounting Standards Board of Japan)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018, Accounting Standards Board of Japan)

(1) Outline

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly developed a comprehensive accounting standard for revenue recognition, and in May 2014 issued “Revenue from Contracts with Customers” (IFRS 15 by IASB, Topic 606 by FASB). In light of the fact that IFRS 15 and Topic 606 are effective from the fiscal year commencing on or after January 1, 2018 and the fiscal year commencing after December 15, 2017, respectively, the Accounting Standards Board of Japan developed a comprehensive accounting standard for revenue recognition and issued it with the implementation guidance.

The basic policy of the Accounting Standards Board of Japan in developing the accounting standard for revenue recognition was to employ the basic principle of IFRS 15 as to comparability between financial statements, which was one of the benefits of maintaining consistency with IFRS 15. If there is any item that requires additional consideration of circumstances such as conventional accounting practices in Japan, alternate treatment will be added, to the extent that comparability is not compromised.

(2) Effective date

From the beginning of the fiscal year ending March 31, 2022

(3) Impact of adoption of these accounting standards, etc.

The impact of the application of “Accounting Standard for Revenue Recognition,” etc., on consolidated financial statements is currently under evaluation.

3. Financial Instruments

(1) Qualitative information on financial instruments

(a) Policies for financial instruments

The Group does not permit the investment of surplus funds in transactions other than short-term bank deposits, held-to-maturity debt securities and uses financing from banks and other financial institutions.

Derivative transactions are used for the purpose of hedging against the risk of fluctuations in interest rates on borrowings. The Group does not enter into derivative transactions for speculative purpose.

(b) Financial instruments and risk management

The Group is exposed to credit risk primarily with respect to trade receivables. In order to reduce the credit risk of these receivables, the Group manages settlement dates and amounts due for counterparties according to internal rules and reviews the credit capacity of principal customers on a regular basis.

Securities and investment securities are chiefly held-to-maturity debt securities and shares of companies with which the Group has business relationships. While these securities are exposed to risks of market price fluctuations, market prices obtained on a regular basis are reported to the Board of Directors.

Trade payables are generally due within one year.

The Group acquires funds for its business plans from bank borrowings and the issuance of bonds. Borrowings with floating interest rates expose the Group to risks associated with fluctuations in interest rates. In connection with some long term borrowings, the Group enters into interest rate swaps to avoid the risk of interest rate fluctuations and to fix interest payments.

The Group is a party to derivative financial instruments such as interest rate swaps in the normal course of business. Pursuant to the Group's internal rules for risk management, contract balances for derivatives are limited to certain anticipated transactions and credit risk is reduced by limiting counterparties to highly creditworthy financial institutions. Payables are exposed to liquidity risk that the Group manages in ways such as preparing monthly cash management plans.

(2) Fair values of financial instruments

The fair value and carrying value of financial statements other than unlisted equity securities for which the fair value was extremely difficult to determine at March 31, 2018 and 2017 were as follows.

	<u>Carrying value</u>	<u>Fair value</u>	<u>Differences</u>
	Millions of yen		
At March 31, 2018:			
Financial assets:			
Cash and cash equivalents	¥ 58,924	¥ 58,924	¥ -
Short-term investments	3,282	3,280	(2)
Trade notes and accounts receivable	28,920	28,920	-
Investment securities:			
Held-to-maturity debt securities	5,800	5,793	(7)
Available-for-sale securities	26,693	26,693	-
Total	<u>¥ 123,619</u>	<u>¥ 123,610</u>	<u>¥ (9)</u>
Financial liabilities:			
Trade notes and accounts payable	¥ 6,535	¥ 6,535	¥ -
Current portion of long-term debt	-	-	-
Bonds	7,242	10,379	3,137
Total	<u>¥ 13,777</u>	<u>¥ 16,914</u>	<u>¥ 3,137</u>

	<u>Carrying value</u>	<u>Fair value</u>	<u>Differences</u>
	Millions of yen		
At March 31, 2017			
Financial assets:			
Cash and cash equivalents	¥ 55,359	¥ 55,359	¥ -
Short-term investments	4,168	4,165	(3)
Trade notes and accounts receivable	18,004	18,004	-
Investment securities:			
Held-to-maturity debt securities	-	-	-
Available-for-sale securities	21,978	21,978	-
Total	<u>¥ 99,509</u>	<u>¥ 99,506</u>	<u>¥ (3)</u>
Financial liabilities:			
Trade notes and accounts payable	¥ 5,251	¥ 5,251	¥ -
Current portion of long-term debt	31	31	-
Bonds	10,040	11,465	1,425
Total	<u>¥ 15,322</u>	<u>¥ 16,747</u>	<u>¥ 1,425</u>

	<u>Thousands of U.S. dollars</u>		
At March 31, 2018:			
Financial assets:			
Cash and cash equivalents	\$ 555,887	\$ 555,887	\$ -
Short-term investments	30,962	30,943	(19)
Trade notes and accounts receivable	272,830	272,830	-
Investment securities:			
Held-to-maturity debt securities	54,717	54,651	(66)
Available-for-sale securities	251,821	251,821	-
Total	<u>\$ 1,166,217</u>	<u>\$ 1,166,132</u>	<u>\$ (85)</u>
Financial liabilities:			
Trade notes and accounts payable	\$ 61,651	\$ 61,651	\$ -
Current portion of long-term debt	-	-	-
Bonds	68,321	97,915	29,594
Total	<u>\$ 129,972</u>	<u>\$ 159,566</u>	<u>\$ 29,594</u>

Notes:

- (1) Details of the methods and assumptions used to estimate the fair value of financial instruments are summarized below:
- (i) Cash and cash equivalents and trade notes and accounts receivable
The fair value is approximately equal to the carrying value due to their short-term maturities.
 - (ii) Short-term investments and investment securities
The fair value of investment equity securities is based on quoted market prices. The fair value of debt securities is based on prices provided by corresponding financial institutions. The fair value of short-term investment is approximately equal to the carrying value due to their short-term maturities.
 - (iii) Trade notes and accounts payable and current portion of long-term debt
The fair value is approximately equal to the carrying value due to their short-term maturities.
 - (iv) Bonds
The fair value of convertible bonds is principally based on prices provided by correspondent financial institutions.
- (2) The following securities were not included in the table above because their fair values were extremely difficult to determine.

	Millions of yen		Thousands of U.S. dollars	
	2018	2017	2018	
Unlisted equity securities	¥ 80	¥ 80	\$	754

(3) Expected maturities of financial assets at March 31, 2018 and 2017 were as follows:

	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Millions of yen				
At March 31, 2018:				
Financial assets:				
Cash and cash equivalents	¥ 58,924	¥ -	¥ -	¥ -
Short-term investments	3,282	-	-	-
Trade notes and accounts receivable	28,920	-	-	-
Investment securities				
Bonds	-	5,800	-	-
Other securities with maturity	-	-	500	-
Total	<u>¥ 91,126</u>	<u>¥ 5,800</u>	<u>¥ 500</u>	<u>¥ -</u>

	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Millions of yen				
At March 31, 2017:				
Financial assets:				
Cash and cash equivalents	¥ 55,359	¥ -	¥ -	¥ -
Short-term investments	4,168	-	-	-
Trade notes and accounts receivable	18,004	-	-	-
Investment securities				
Bonds	-	-	-	-
Other securities with maturity	-	-	500	-
Total	<u>¥ 77,531</u>	<u>¥ -</u>	<u>¥ 500</u>	<u>¥ -</u>

	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Thousands of U.S. dollars				
At March 31, 2018:				
Financial assets:				
Cash and cash equivalents	\$ 555,887	\$ -	\$ -	\$ -
Short-term investments	30,962	-	-	-
Trade notes and accounts receivable	272,830	-	-	-
Investment securities				
Bonds	-	54,717	-	-
Other securities with maturity	-	-	4,717	-
Total	<u>\$ 859,679</u>	<u>\$ 54,717</u>	<u>\$ 4,717</u>	<u>\$ -</u>

(4) Contractual maturities of bonds and long-term debt at March 31, 2018 and 2017 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Year ending March 31, Bonds		
2021	¥ 7,220	\$ 68,113

	Millions of yen
	2017
Year ending March 31, Bonds	
2021	¥ 10,000
Long-term debt	
2017	31
Total	¥ 10,031

4. Notes and Accounts Receivable

At March 31, 2018 and 2017, notes and accounts receivable consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Trade	¥ 28,920	¥ 18,004	\$ 272,830
Other	4,137	3,413	39,028
Less allowance for doubtful accounts	(33)	(20)	(311)
Total	¥ 33,024	¥ 21,397	\$ 311,547

5. Inventories

At March 31, 2018 and 2017, inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Merchandise and finished goods	¥ 7,064	¥ 7,463	\$ 66,641
Work-in-process	15,153	14,158	142,953
Raw materials and supplies	6,129	5,480	57,821
Total	¥ 28,346	¥ 27,101	\$ 267,415

Loss on the write-down of ¥242 million (\$2,283 thousand) and ¥389 million were recognized as costs of goods sold for the years ended March 31, 2018 and 2017, respectively.

6. Investment Securities

(1) At March 31, 2018 and 2017, short-term investments consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Securities with fair value:			
Held-to-maturity debt securities			
Bonds	¥ 2,200	¥ 2,400	\$ 20,755
Other	1,000	-	9,434
Time deposits with an original maturity of more than three months	82	1,768	773
Total	¥ 3,282	¥ 4,168	\$ 30,962

(2) At March 31, 2018 and 2017, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Securities with fair value:			
Held-to-maturity debt securities			
Bonds	¥ 5,800	¥ -	\$ 54,717
Available-for-sale-securities			
Equity securities	26,176	21,460	246,944
Bonds	517	518	4,877
Total securities with fair value	32,493	21,978	306,538
Unlisted securities without fair value	80	80	754
Total	¥ 32,573	¥ 22,058	\$ 307,292

At March 31, 2018 and 2017, the carrying value and fair value of held-to-maturity debt securities were as follows:

	Carrying value	Gross unrealized gains	Gross unrealized losses	Fair value
	Millions of yen			
At March 31, 2018:				
Bonds	¥ 8,000	¥ -	¥ (9)	¥ 7,991
At March 31, 2017:				
Bonds	¥ 2,400	¥ -	¥ (3)	¥ 2,397
	Thousands of U.S. dollars			
At March 31, 2018:				
Bonds	\$ 75,472	\$ -	\$ (85)	\$ 75,387

At March 31, 2018 and 2017, the cost and fair value of available-for-sale securities were as follows:

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Millions of yen				
At March 31, 2018:				
Equity securities	¥ 10,040	¥ 16,141	¥ (5)	¥ 26,176
Bonds	521	1	(5)	517
Total	<u>¥ 10,561</u>	<u>¥ 16,142</u>	<u>¥ (10)</u>	<u>¥ 26,693</u>
At March 31, 2017:				
Equity securities	¥ 10,842	¥ 10,650	¥ (32)	¥ 21,460
Bonds	522	-	(4)	518
Total	<u>¥ 11,364</u>	<u>¥ 10,650</u>	<u>¥ (36)</u>	<u>¥ 21,978</u>
Thousands of U.S. dollars				
At March 31, 2018:				
Equity securities	\$ 94,717	\$ 152,274	\$ (47)	\$ 246,944
Bonds	4,915	9	(47)	4,877
Total	<u>\$ 99,632</u>	<u>\$ 152,283</u>	<u>\$ (94)</u>	<u>\$ 251,821</u>

(3) At March 31, 2018 and 2017, sales of available-for-sale securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Sales proceeds:			
Equity securities	¥ 2,371	¥ 0	\$ 22,368
Aggregate gains:			
Equity securities	¥ 1,370	¥ 0	\$ 12,925

(4) At March 31, 2018 and 2017, loss on revaluation of available-for-sale securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Securities with fair value	¥ -	¥ 129	\$ -
Unlisted securities without fair value	-	75	-
Total	<u>¥ -</u>	<u>¥ 204</u>	<u>\$ -</u>

For available-for-sale securities with fair values that have declined by 30% or more of the acquisition costs and are deemed to be unrecoverable, losses on devaluation are recognized. For available-for-sale securities without fair values that have declined by more than 50% of the acquisition costs, losses on devaluation are generally recognized.

7. Intangible Assets

At March 31, 2018 and 2017, intangible assets consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Software	¥ 6,304	¥ 6,430	\$ 59,472
Other intangible assets	27	32	255
Total	¥ 6,331	¥ 6,462	\$ 59,727

8. Notes and Accounts Payable

At March 31, 2018 and 2017, notes and accounts payable consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Trade	¥ 6,535	¥ 5,251	\$ 61,651
Other	978	508	9,226
Total	¥ 7,513	¥ 5,759	\$ 70,877

9. Long-term Debt

At March 31, 2018 and 2017, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Zero coupon unsecured convertible bonds, due March 2021	¥ 7,242	¥ 10,040	\$ 68,321
2.7% unsecured bank loans, due June 2017	-	31	-
Total	7,242	10,071	68,321
Less current portion	-	(31)	-
Total	¥ 7,242	¥ 10,040	\$ 68,321

Since a year-end dividend of ¥20.00 per share was approved and resolved at the 72nd ordinary general shareholders' meeting held on June 28, 2018 which resulted in an annual dividend of ¥40.00 per share for the fiscal year ended March 31, 2018, the conversion price was retroactively adjusted to ¥1,458 from ¥1,466 as of April 1, 2018 in accordance with provisions on conversion price adjustments set forth in the terms and conditions of the zero coupon convertible bonds due March 2021.

For the period from November 26, 2020, the Company may, at its call option, redeem all, but not only some, of the zero coupon convertible bonds due March 2021, at 100% of the principal amount, subject to certain conditions.

At March 31, 2018 and 2017, the number of shares of common stock necessary for conversion of all convertible bonds outstanding were approximately 5 million and 7 million.

To ensure flexibility and security against capital demands and mitigating financial risks, the Company has concluded specified commitment line contracts of ¥12,000 million in total with the main seven financial institutions as of March 31, 2018. The status of such agreements as of March 31, 2018 is summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Committed lines of credit in total	¥ 12,000	\$ 113,208
Loans utilized	-	-
Available credit	¥ 12,000	\$ 113,208

10. Employee Retirement Benefits

The Company has adopted defined contribution retirement plans, employees' pension fund plans and defined benefit pension plans.

The employees' pension fund plan under a multi-employer plan, in which the Company participates, has been dissolved as of November 1, 2016 when having obtained approval of dissolution by the Minister of Health, Labour and Welfare. The effect on income was not material. As information that would allow a determination of whether the value of the pension plan assets has been reasonably calculated in proportion to the contributions made by the Company is not available, the contributions required were accounted for using the accounting treatment similar to that used for defined contribution plans.

A domestic consolidated subsidiary participates in a small- and medium- sized enterprise mutual aid plan. Net defined benefit liability and retirement benefit expense of the consolidated subsidiary are calculated using the simplified method as permitted by the accounting standard for employee retirement benefits. The other consolidated subsidiaries have adopted defined contribution plans.

Information about employee retirement benefits for the years ended March 31, 2018 and 2017 was as follows:

Defined benefit plan

(1) Movement in retirement benefit obligations:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at April 1	¥ 8,444	¥ 8,083	\$ 79,660
Service cost	693	684	6,538
Interest cost	17	8	160
Actuarial differences	103	(105)	972
Benefits paid	(238)	(226)	(2,245)
Balance at March 31	¥ 9,019	¥ 8,444	\$ 85,085

(2) Movements in plan assets:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at April 1	¥ 7,585	¥ 6,976	\$ 71,557
Expected return on plan assets	208	191	1,962
Actuarial differences	52	15	491
Contributions paid by the employer	625	607	5,896
Benefits paid	(223)	(206)	(2,104)
Other	5	2	47
Balance at March 31	¥ 8,252	¥ 7,585	\$ 77,849

(3) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Retirement benefit obligations	¥ 9,018	¥ 8,444	\$ 85,075
Plan assets	(8,252)	(7,585)	(77,849)
Total net defined benefit liability at March 31	766	859	7,226
Net defined benefit liability	766	859	7,226
Total net defined benefit liability at March 31	¥ 766	¥ 859	\$ 7,226

(4) Retirement benefit costs:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Service cost	¥ 693	¥ 684	\$ 6,538
Interest cost	17	8	160
Expected return on plan assets	(208)	(191)	(1,962)
Amortization of actuarial differences	(121)	951	(1,142)
Total retirement benefit costs for the fiscal year	¥ 381	¥ 1,452	\$ 3,594

(5) Remeasurements of defined benefit plans included in other comprehensive income before adjustment for tax effects:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Actuarial differences	¥ 171	¥ (1,071)	\$ 1,613

(6) Remeasurements of defined benefit plans included in accumulated other comprehensive income before adjustment for tax effects:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrealized actuarial differences	¥ 51	¥ (120)	\$ 481

(7) Plan assets:

(i) Plan assets comprise:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Bonds	¥ 3,595	¥ 3,346	\$ 33,915
Equity securities	2,821	2,540	26,613
Short-term funds	224	230	2,113
General accounts of life insurance	777	734	7,330
Other	835	735	7,878
Total	¥ 8,252	¥ 7,585	\$ 77,849

(ii) Long-term expected rate of return

Current and target asset allocations and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Actuarial assumptions

The principal actuarial assumptions at March 31, 2018 and 2017 were as follows:

	2018	2017
Discount rate	0.1%	0.2%
Long-term expected rate of return	2.8%	2.8%

The index for increase in salary by age at March 31, 2013 was used as the rate of increase in salary.

Defined contribution plan

The amounts of required contributions to defined contribution plans of the consolidated subsidiaries were ¥210 million (\$1,981 thousand) and ¥159 million for the years ended March 31, 2018 and 2017, respectively.

Multi-employer pension plans

The amount of required contribution to multi-employer pension plans was ¥140 million for the year ended March 31, 2017. Since these employees' pension fund were dissolved as of November 1, 2016, there were no required contributions for the year ended March 31, 2018.

11. Lease Commitments

At March 31, 2018 and 2017, the Group had commitments under noncancelable operating leases as lessee. The aggregate future minimum payments under these leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Operating leases:			
Due within one year	¥ 7	¥ 6	\$ 66
Due after one year	27	30	255
	<u>¥ 34</u>	<u>¥ 36</u>	<u>\$ 321</u>

12. Contingent Liabilities

There were no contingent liabilities at March 31, 2018 and 2017.

13. Net Assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of the additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. The additional paid-in capital and legal earnings reserve have been included in capital surplus and retained earnings, respectively, in the accompanying consolidated balance sheets. Under the Law, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. All additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

At March 31, 2018 and 2017, capital surplus consisted principally of additional paid-in capital. In addition, retained earnings included legal earnings reserve of the Company in the amount of ¥1,450 million (\$13,679 thousand) and ¥1,450 million at March 31, 2018 and 2017 respectively.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations. During the year ended March 31, 2018, the Company paid interim dividends of ¥20.00 per share, amounting to ¥1,789 million (\$16,877 thousand). In addition, on June 28, 2018, the annual meeting of stockholders of the Company approved cash dividends as an appropriation of retained earnings also in the amount of ¥20.00 per share, amounting to ¥1,827 million (\$17,236 thousand) to the shareholders of record at March 31, 2018.

14. Impairment Loss on Fixed Assets

Impairment loss recognized on the fixed assets for the year ended March 31, 2017 was as follows:

<u>Location</u>	<u>Usage</u>	<u>Assets</u>	<u>Millions of yen</u>	
			<u>2017</u>	
Aichi, Japan	Factory	Furniture and fixtures, etc.	¥	11

In principle, business assets are classified into groups on which separate financial information is reported for management accounting purpose, and idle assets are grouped by individual asset.

The Group recognized impairment loss on fixed assets for the year ended March 31, 2017 because production facilities for the Others segment of EDEC LINSEY SYSTEM Co., Ltd. continued to generate losses or negative cash flows from operating activities and it is unlikely that the situation will improve in the future.

The recoverable amounts were measured by value in use, and because the future cash flows are negative, the recoverable amounts are determined to be memorandum value.

There was no impairment loss on fixed assets for the year ended March 31, 2018.

15. Income Taxes

The tax effects of temporary differences that gave rise to a significant portion of deferred tax assets and liabilities at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of
	2018	2017	U.S. dollars
Deferred tax assets:			
Intercompany unrealized gains on inventories	¥ 998	¥ 804	\$ 9,415
Loss on the write-down of inventories	951	1,239	8,972
Accrued expenses	833	702	7,859
Loss on the write-down of investment securities	530	530	5,000
Provision for product warranties	327	258	3,085
Accrued enterprise taxes	291	106	2,745
Impairment loss on fixed assets	249	317	2,349
Net defined benefit liability	236	264	2,226
Other	195	302	1,840
Subtotal of deferred tax assets	4,610	4,522	43,491
Less valuation allowance	(831)	(1,002)	(7,840)
Total deferred tax assets	3,779	3,520	35,651
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(4,456)	(2,884)	(42,038)
Other	(13)	(5)	(122)
Total deferred tax liabilities	(4,469)	(2,889)	(42,160)
Net deferred tax assets	¥ (690)	¥ 631	\$ (6,509)

In assessing the realizability of deferred tax assets, management of the Group considers whether some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. At March 31, 2018 and 2017, a valuation allowance was provided to reduce deferred tax assets to the amount the management believed would be realizable.

Reconciliation of differences between the Japanese statutory tax rate and the effective income tax rate on pretax income reflected in the accompanying consolidated statements of income for the years ended March 31, 2018 and 2017 were as follows:

	Percentage of pretax income	
	2018	2017
Japanese statutory income tax rate	30.8 %	30.8 %
Increase (decrease) due to:		
Tax exempt income	(0.3)	(0.4)
Changes in valuation allowances	(0.9)	0.8
Tax credit	(3.3)	(4.8)
Effect on income tax rate changes (U.S.)	1.1	-
Differences in tax rates of subsidiaries	0.4	1.0
Other	(0.4)	1.6
Effective income tax rate	27.4 %	29.0 %

The U.S. tax reform act, Tax Cuts and Jobs Act of 2017, was enacted on December 22, 2017 in the U.S. and reduced the federal corporate income tax rate applied to the subsidiaries in the U.S. from 35% to 21% beginning January 1, 2018. The effect of this change was to decrease deferred tax assets net of deferred tax liabilities by ¥191 million (\$1,802 thousand) and increase net unrealized gains on available-for-sale securities by ¥41 million (\$387 thousand) in the consolidated balance sheet as of March 31, 2018 and to increase income taxes - deferred in the consolidated statement of income for the year then ended by ¥242 million (\$2,283 thousand).

16. Business Combinations

Business combinations due to acquisition

1. Outline of business combination

(1) Name and business description of the acquired company

Name: Tower-Factory GmbH (hereinafter, "TF")

Business description: Manufacturing and sales of Robotic Solutions peripheral devices

(2) Principal reasons for carrying out the business combination

The Company acquired TF, which has shown promising results in Germany, where high-mix, low volume production of variable items and volume are common, in order to provide the best solutions for smart factories.

(3) Date of business combination

March 29, 2017

(4) Legal form of business combination

Share acquisition with cash compensation

(5) Name of company after the business combination

No change

(6) Share of the voting rights acquired

Voting rights before the business combination: 34%

Voting rights additionally acquired on the business combination: 66%

Voting rights after the business combinations: 100%

(7) Main reason for determining the acquiring company

The shares were acquired by the Company using cash consideration.

2. Period of operations of the acquired company included in the consolidated financial statements

Not applicable.

3. Acquisition cost and breakdown of the acquired company

		<u>Millions of yen</u>
Consideration for acquisition	Fair value of the shares held immediately before the additional acquisition as of the date of business combination	¥ -
	Fair value of the shares acquired as of the date of business combination	<u>0</u>
Acquisition cost		<u>¥ 0</u>

4. Description and amount of main cost related to acquisition

Legal fees, etc.: ¥11 million

5. Difference between the acquisition cost of the acquired company and the total amount of the acquisition cost arising from transactions

Loss on step acquisitions: ¥94 million

6. Amount of goodwill, reason for recognition and amortization method and period

(1) Amount of goodwill

¥3 million

(2) Reason for recognition

The acquisition cost exceeded the fair value of the net assets of the acquired company at the time of the business combination.

(3) Amortization method and period

As the impact was not material, goodwill was fully amortized in the year ended March 31, 2017.

7. The major assets and liabilities of the acquired company as of the date of the business combination

	<u>Millions of yen</u>
Current assets	¥ 22
Noncurrent assets	<u>46</u>
Total assets	<u>68</u>
Current liabilities	<u>71</u>
Total liabilities	<u>71</u>

17. Segment Information

(a) Outline of reportable segments:

Of the units that comprise the Group, financial information is available for each segment and is subject to periodic reviews by the Company's Board of Directors for determination of the allocation of management resources and for evaluation of operating performance.

The Group operates separate divisions based on the type of product and service provided, and each of the divisions plans comprehensive domestic and international strategies for its products and services and is engaged in developing its respective business activities. Thus, the Group has two reportable segments based on the two main types of products and services offered: Robotic Solutions and Machine Tools business. In the Robotic Solutions business, we mainly produce robotic moulder. For the Machine Tools business, we are focused on producing machine tools.

(b) Methods used to calculate the value of net sales, income or loss, assets, liabilities and other items by reportable segment:

The accounting methods used for the reported business segments were the same as those described in Note 2, "Summary of Significant Accounting Policies." Income in reportable segments is based on operating income. Intersegment sales and transfers are based on current market prices.

(c) Information about reportable segments:

Information about reportable segment net sales, profit or loss, assets and other items for the years ended March 31, 2018 and 2017 was as follows:

	Reportable segments				Total	Adjustments	Consolidated financial statements
	Robotic Solutions	Machine Tools	Total	Others (*1)			
Millions of yen							
For the year 2018:							
Net sales:							
External customers	¥ 104,003	¥ 13,798	¥ 117,801	¥ 2,231	¥ 120,032	¥ -	¥ 120,032
Intersegment sales/transfers	29	3	32	10	42	(42)	-
Total	¥ 104,032	¥ 13,801	¥ 117,833	¥ 2,241	¥ 120,074	¥ (42)	¥ 120,032
Segment income (loss) (*2)	25,185	1,017	26,202	(237)	25,965	(3,138)	22,827
Segment assets (*3)	86,039	14,162	100,201	2,684	102,885	82,877	185,762
Other items:							
Depreciation (*4)	4,623	359	4,982	103	5,085	197	5,282
Increase in property, plant and equipment and intangible assets (*4)	¥ 5,664	¥ 879	¥ 6,543	¥ 159	¥ 6,702	¥ 63	¥ 6,765
For the year 2017:							
	Reportable segments				Total	Adjustments	Consolidated financial statements
	Robotic Solutions	Machine Tools	Total	Others (*1)			
Millions of yen							
Net sales:							
External customers	¥ 74,105	¥ 10,997	¥ 85,102	¥ 1,295	¥ 86,397	¥ -	¥ 86,397
Intersegment sales/transfers	5	1	6	16	22	(22)	-
Total	¥ 74,110	¥ 10,998	¥ 85,108	¥ 1,311	¥ 86,419	¥ (22)	¥ 86,397
Segment income (loss) (*2)	14,546	(713)	13,833	(473)	13,360	(3,566)	9,794
Segment assets (*3)	73,568	13,031	86,599	1,445	88,044	70,363	158,407
Other items:							
Depreciation (*4)	4,387	462	4,849	68	4,917	241	5,158
Increase in property, plant and equipment and intangible assets (*4)	¥ 5,172	¥ 385	¥ 5,557	¥ 184	¥ 5,741	¥ 434	¥ 6,175

	Reportable segments					Adjustments	Consolidated financial statements
	Robotic Solutions	Machine Tools	Total	Others (*1)	Total		
	Thousands of U.S. dollars						
For the year 2018:							
Net sales:							
External customers	\$ 981,160	\$ 130,170	\$ 1,111,330	\$ 21,047	\$ 1,132,377	\$ -	\$ 1,132,377
Intersegment sales/transfers	274	28	302	94	396	(396)	-
Total	\$ 981,434	\$ 130,198	\$ 1,111,632	\$ 21,141	\$ 1,132,773	\$ (396)	\$ 1,132,377
Segment income (loss) (*2)	237,595	9,594	247,189	(2,236)	244,953	(29,604)	215,349
Segment assets (*3)	811,688	133,604	945,292	25,321	970,613	781,859	1,752,472
Other items:							
Depreciation (*4)	43,613	3,387	47,000	972	47,972	1,858	49,830
Increase in property, plant and equipment and intangible assets (*4)	\$ 53,434	\$ 8,293	\$ 61,727	\$ 1,500	\$ 63,227	\$ 594	\$ 63,821

*1) "Others" is a business segment that is not considered a reportable segment. It includes the manufacture of control equipment and electronic equipment, and Image processing development for the years ended March 31, 2018 and 2017.

*2) Segment income adjustment consisted of corporate expenses amounting to ¥(3,147) million (\$(29,689) thousand) and ¥(3,574) million, net of intersegment elimination of ¥9 million (\$85 thousand) and ¥8 million, respectively, for the years ended March 31, 2018 and 2017. Such corporate expenses consist mainly of general and administrative expenses and technical research expenses not attributable to the reportable segments.

*3) Segment assets adjustment consisted of corporate assets amounting to ¥82,905 million (\$782,123 thousand) and ¥70,372 million, net of intersegment elimination of ¥(28) million (\$(264) thousand) and ¥ (9) million, respectively, at March 31, 2018 and 2017. Such corporate assets consist mainly of surplus funds (cash and deposits), long-term investments (investment securities), assets related to technological research and administration divisions and other assets not attributable to the reportable segments.

*4) Adjustments were attributable to technological research and administration divisions related items.

For the year ended March 31, 2017

(1) Information about products and services:

As this information has been presented under the segment information above, such information has been omitted.

(2) Information about geographic areas:

As of and for the years ended March 31, 2017, net sales and property, plant and equipment by geographic area were as follows:

	Japan	China	Other Asia	United States	Other North America	Europe	Other	Total
	Millions of yen							
Net sales	¥ 11,877	¥ 38,947	¥ 10,378	¥ 10,791	¥ 3,606	¥ 9,871	¥ 927	¥ 86,397
Ratio	13.7%	45.1%	12.0%	12.5%	4.2%	11.4%	1.1%	100.0%
	Japan	China	United States	Europe	Other	Total		
	Millions of yen							
Property, plant and equipment	¥ 15,404	¥ 817	¥ 1,174	¥ 367	¥ 109	¥ 17,871		
Ratio	86.2%	4.6%	6.6%	2.0%	0.6%	100.0%		

(3) Information about major customers:

For the years ended March 31, 2017, information about major customers was as follows:

Name of customer	Net sales	Segment
	Millions of yen	
American Tec Co., Ltd. (China)	¥ 13,791	Robotic Solutions
First Technology China Ltd. (China)	9,065	Robotic Solutions

(e) Information about impairment loss on fixed assets in reportable segments:

Impairment loss on fixed assets for the year ended March 31, 2017 was recognized in the amount of ¥11 million. However, as reportable segment income is based on operating income, the impairment loss was not allocated to each reportable segment. There was no impairment loss on fixed assets for the year ended March 31, 2018.

(f) Information about goodwill in reportable segments:

As this information was not material, it has been omitted.

18. Other Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Net unrealized gains on available-for-sale securities			
Increase during the year	¥ 6,891	¥ 2,721	\$ 65,009
Reclassification adjustments	(1,370)	129	(12,924)
Subtotal, before tax	5,521	2,850	52,085
Tax effect	(1,573)	(662)	(14,840)
Subtotal, net of tax	3,948	2,188	37,245
Foreign currency translation adjustments			
Increase during the year	(559)	(226)	(5,273)
Remeasurements of defined benefit plans			
Increase during the year	(51)	120	(481)
Reclassification adjustments	(120)	951	(1,132)
Subtotal, before tax	(171)	1,071	(1,613)
Tax effect	52	(328)	490
Subtotal, net of tax	(119)	743	(1,123)
Total other comprehensive income	¥ 3,270	¥ 2,705	\$ 30,849

19. Cash Flow Information

Assets and liabilities of newly consolidated subsidiaries through acquisition of shares:

The assets and liabilities of TF, a newly consolidated subsidiary acquired through the purchase of investments in capital, and the net cash inflow for such acquisition, which were included in "Proceeds from investments in capital of subsidiaries resulting in change in scope of consolidation," for the year ended March 31, 2017 were as follows:

	Millions of yen
Current assets	¥ 22
Noncurrent assets	46
Current liabilities	(71)
Goodwill	3
Subtotal	0
Purchase cost of shares before acquisition of control	(94)
Loss on step acquisitions	94
Additional purchase cost of shares	0
Cash and cash equivalents of the newly consolidated subsidiary	(16)
Difference: Proceeds from investments in capital of subsidiaries resulting in change in scope of consolidation	¥ 16

Independent Auditor's Report



Independent Auditor's Report

To the Board of Directors of FUJI CORPORATION:

We have audited the accompanying consolidated financial statements of FUJI CORPORATION (the "Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2018 and 2017, the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan and for such internal control as management determines is necessary to enable the preparation of 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 these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and 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 depend on our judgement, 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 financial statement 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 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, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2018 and 2017 and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 of the Notes to Consolidated Financial Statements.

KPMG AZSA LLC

July 6, 2018
Nagoya, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

