Fuji Electric

Innovating Energy Technology

Fuji Electric Report Financials

2017

Consolidated Financial Highlights

Years ended March 31	2013	2014	2015	2016	2017	2017
	Millions of yen					Thousands of U.S. dollars*1
Operating Results						
Net sales	¥745,781	¥759,911	¥810,678	¥813,550	**¥837,765**	**$7,480,051**
Japan	567,314	582,223	605,763	597,757	**632,723**	**5,649,317**
Overseas	178,466	177,688	204,915	215,793	**205,042**	**1,830,734**
Operating income	21,992	33,136	39,316	45,006	**44,709**	**399,195**
Net income attributable to owners of parent	26,368	19,582	27,978	30,644	**40,978**	**365,884**
R&D and Capital Investment						
R&D expenditures	¥ 31,160	¥ 32,029	¥ 35,023	¥ 35,949	**¥ 34,910**	**$ 311,703**
Plant and equipment investment*2	31,771	26,916	29,041	27,650	**27,149**	**242,409**
Depreciation and amortization*3	31,054	30,849	33,615	29,723	**29,445**	**262,910**
Cash Flows						
Cash flows from operating activities	¥ 55,342	¥ 53,651	¥ 51,459	¥ 48,450	**¥ 58,185**	**$ 519,511**
Cash flows from investing activities	(24,286)	(9,649)	(22,750)	(19,410)	**9,748**	**87,045**
Free cash flow	31,055	44,002	28,708	29,040	**67,934**	**606,555**
Cash flows from financing activities	(56,827)	(50,570)	(33,827)	(31,567)	**(56,082)**	**(500,747)**
Financial Position						
Total assets	¥765,563	¥810,774	¥904,522	¥845,378	**¥886,663**	**$7,916,638**
Total net assets	215,672	251,225	319,636	260,980	**323,863**	**2,891,636**
Shareholders' equity	194,572	227,181	290,339	230,399	**291,216**	**2,600,141**
Net interest-bearing debt	187,029	166,092	159,330	153,905	**109,330**	**976,162**
Interest-bearing debt	226,717	199,504	191,225	184,744	**151,216**	**1,350,150**
Financial Indicators						
Ratio of operating income to net sales (%)	2.9	4.4	4.8	5.5	**5.3**	—
Ratio of overseas sales to net sales (%)	23.9	23.4	25.3	26.5	**24.5**	—
ROE (Return on equity) (%)	14.7	9.3	10.8	11.8	**15.7**	—
ROA (Return on assets) (%)	3.4	2.5	3.3	3.5	**4.7**	—
Equity ratio (%)	25.4	28.0	32.1	27.3	**32.8**	—
Net debt-equity ratio (times)*4	1.0	0.7	0.5	0.7	**0.4**	—
Debt-equity ratio (times)*5	1.2	0.9	0.7	0.8	**0.5**	—
Per Share Data	Yen					U.S. dollars*1
Net income	¥ 36.90	¥ 27.41	¥ 39.16	¥ 42.90	**¥ 57.36**	**$0.512**
Net assets	272.29	317.96	406.39	322.52	**407.68**	**3.640**
Cash dividends	5.00	7.00	9.00	10.00	**11.0**	**0.098**
Others	Headcount					
Employees	24,956	25,524	25,740	26,508	**26,503**	—
Japan	18,271	18,022	17,814	17,635	**17,716**	—
Overseas	6,685	7,502	7,926	8,873	**8,787**	—

*1 The U.S. dollar amounts represent the arithmetic results of translating yen into dollars at ¥112=U.S.$1, the approximate exchange rate at March 31, 2017.
*2 Plant and equipment investment is the total of investment in tangible fixed assets, including acquisition amounts for lease contracts.
*3 Depreciation and amortization expense is the total of the depreciation of tangible fixed assets and amortization of intangible assets.
*4 Net debt-equity ratio: Net interest-bearing debt (interest-bearing debt – cash and cash equivalents) / Net assets
*5 Debt-equity ratio: Interest-bearing debt / Net assets

Contents

Consolidated Financial Highlights 01
Management's Discussion and Analysis 02
Consolidated Balance Sheets 09
Consolidated Statements of Income 11
Consolidated Statements of Comprehensive Income 12
Consolidated Statements of Changes in Net Assets 13
Consolidated Statements of Cash Flows 14
Notes to the Consolidated Financial Statements 15
Independent Auditor's Report 38

Management's Discussion and Analysis

Overview

During fiscal 2016, the year ended March 31, 2017, an overall trend toward modest recovery was witnessed overseas driven by principal developed countries, including the United States and European countries, despite some uncertainties over economic slowdown in Asia, most apparent in China, and government policy in Europe and the United States. In the domestic economy, the general trend was also moderate despite the rapid foreign exchange rate fluctuations seen over a short time period resulting from the growing sense of uncertainty over the overseas economy.

In this environment, we unveiled the FY2018 Medium-Term Management Plan, Renovation 2018. Acting in accordance with the plan's basic policy of "further renovation of Fuji Electric," we are implementing growth strategies including reforming operating processes in social engineering systems, industrial infrastructure, and power electronics businesses; expanding overseas operations; and creating high-value-added products while also improving profitability.

Financial Performance

Net Sales

Net sales for fiscal 2016 rose 3.0% year on year, to ¥837,765 million. Domestic net sales grew 5.8%, to ¥632,723 million, while overseas net sales decreased 5.0%, to ¥205,042 million.

Cost of Sales, Selling, General and Administrative Expenses and Operating Income

The cost of sales increased 3.5% year on year, to ¥624,371 million, and the ratio of cost of sales to net sales rose 0.4 percentage point, to 74.5%.

Selling, general and administrative expenses increased 2.0%, to ¥168,685 million. The ratio of selling, general and administrative expenses to net sales declined 0.2 percentage point, to 20.1%.

Operating income decreased ¥297 million year on year, to ¥44,709 million, as the impacts of new investments in power electronics and foreign exchange rate fluctuations outweighed the benefits of cost reduction efforts.

Non-Operating Income (Expenses) and Ordinary Income

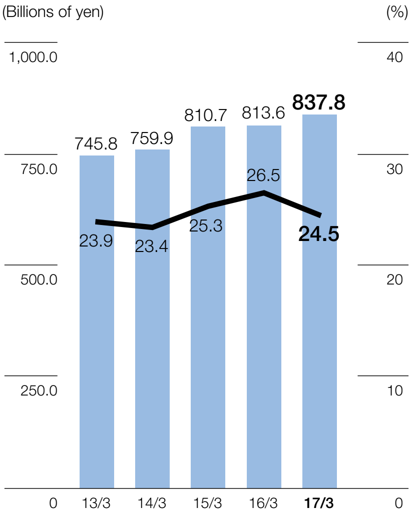
Non-operating income (net) was ¥1,587 million, a ¥979 million increase from a ¥608 million recorded in the previous fiscal year. This included a ¥378 million decrease in dividend income, which was counteracted by a ¥541 million decrease in foreign exchange losses and a ¥163 million increase in interest income.

As a result, ordinary income grew ¥682 million year on year, to ¥46,296 million.

Extraordinary Income (Loss), Income Before Income Taxes and Non-controlling Interests

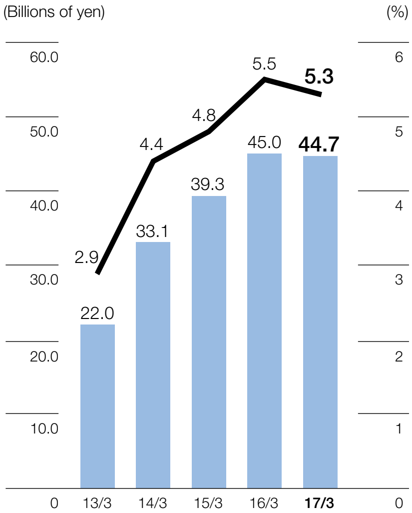
Extraordinary income totaled ¥19,814 million, and included a gain on sales of noncurrent assets, a gain on sales of investment securities, and a gain on insurance adjustment. This represented a ¥16,474 million year-on-year increase primarily due to the gain on sales of investment securities.

Net Sales / Ratio of Overseas Sales to Net Sales



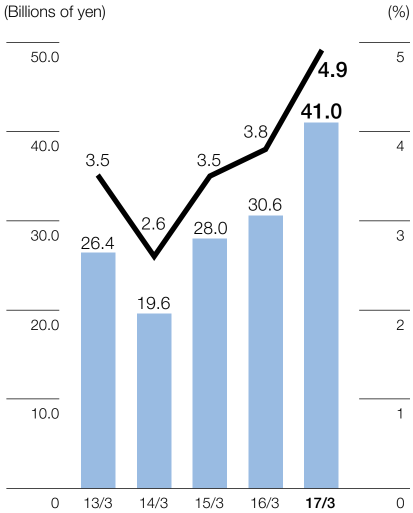
■ Net Sales (left)
— Ratio of Overseas Sales to Net Sales (right)

Operating Income / Ratio of Operating Income to Net Sales



■ Operating Income (left)
— Ratio of Operating Income to Net Sales (right)

Net Income Attributable to Owners of Parent / Ratio of Net Income Attributable to Owners of Parent to Net Sales



■ Net Income Attributable to Owners of Parent (left)
— Ratio of Net Income Attributable to Owners of Parent to Net Sales (right)

Extraordinary loss totaled ¥2,168 million, and included a loss on disposal of noncurrent assets, a loss on valuation of investment securities, and an impairment loss. This represented a ¥220 million year-on-year decrease due in part to the absence of the settlement package and the loss on liquidation of subsidiaries recorded in the previous fiscal year.

Net Income

Income before income taxes grew ¥17,377 million year on year, to ¥63,943 million. After subtracting ¥18,924 million in income taxes (the net of income taxes-current and income taxes-deferred) and ¥4,041 million in net income attributable to non-controlling interests, net income attributable to owners of parent increased ¥10,334 million from the previous fiscal year, to ¥40,978 million.

Results by Business Segment

Power and Social Infrastructure

Net sales increased 11% year on year, to ¥194,795 million, and operating income rose ¥2,187 million, to ¥11,923 million.

Orders received in fiscal 2016 (Power and Social Infrastructure segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥101.1 billion.

In the power plant business, net sales were up and operating results improved year on year due to an increase in large-scale orders for hydraulic power generation facilities. In the social engineering systems business, net sales were up and operating results improved as a result of higher sales of smart meters. In the social information business, net sales were up and operating results improved year on year following a rise in large-scale orders from the public sector and an increase in projects in the academic sector.

Industrial Infrastructure

Net sales rose 5% year on year, to ¥209,117 million, and operating income increased ¥3.4 billion, to ¥14,572 million.

Orders in fiscal 2016 (Industrial Infrastructure segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥158.7 billion.

In the transmission and distribution business, net sales were up and operating results improved year on year due to contributions from large-scale orders from domestic industries. In the industrial plant business, net sales were up and operating results improved as a result of strong demand for energy saving and facility replacement in Japan as well as increased sales in new solutions businesses targeting data centers. In the industrial and instrumentation equipment business, net sales were up and operating results improved due to the robust replacement demand in Japan. In the equipment construction business, net sales were relatively unchanged year on year while operating results improved due to the benefits of cost reduction efforts.

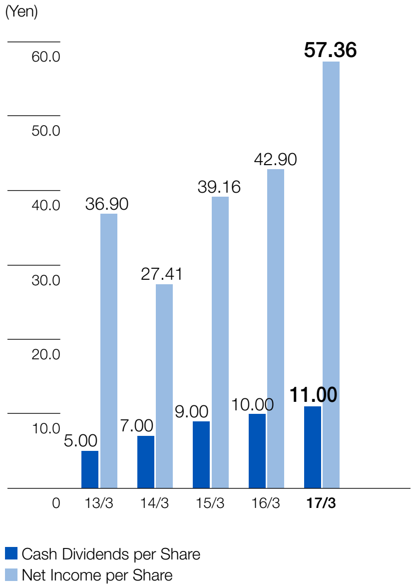
Power Electronics

Net sales decreased 1% year on year, to ¥205,855 million, and operating income was down ¥791 million, to ¥8,640 billion.

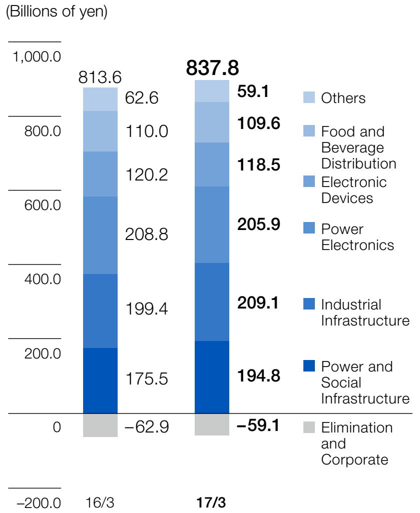
Orders in fiscal 2016 (Power Electronics segment of Fuji Electric Co., Ltd., and Fuji Electric FA Components & Systems Co., Ltd., non-consolidated-basis) totaled ¥152.7 billion.

In the drive business, net sales increased year on year as the strong performance of inverters and servos counteracted the impacts of unfavorable foreign exchange rates and a decline in large-scale overseas orders for electrical equipment for rail-cars. However, operating results worsened as a result of new investments in overseas production bases. In the power supply business, net sales were down due to weak demand for power conditioning sub-systems for mega-solar power generation

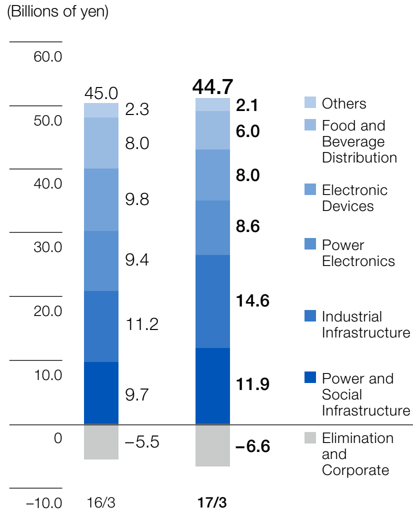
Cash Dividends per Share / Net Income per Share



Net Sales by Segment



Operating Income (Loss) by Segment



systems and the impacts of unfavorable foreign exchange rates. Regardless, operating results improved due to the benefits of cost reduction efforts. In the ED&C components business, net sales decreased and operating results worsened following weak demand from machine tool and other machinery manufacturers as well as from distribution board manufacturers.

Electronic Devices

Net sales declined 1% year on year, to ¥118,462 million, and operating income was down ¥1,749 million year on year, to ¥8,030 million.

Orders in fiscal 2016 (Electronic Devices segment of Fuji Electric Co., Ltd., and Fuji Electric (Malaysia) Sdn. Bhd., non-consolidated-basis) totaled ¥97.7 billion.

In the semiconductors business, net sales increased and operating results improved year on year, despite the unfavorable impacts of foreign exchange fluctuations, due to the recovery of demand in the industrial and power supply application fields as well as the continuation of strong performance in the automotive field. In the magnetic disks business, net sales were down and operating results worsened because of the weak demand following deteriorating market conditions.

Food and Beverage Distribution

Net sales declined slightly year on year, to ¥109,557 million, and operating income decreased ¥1,998 million year on year, to ¥6,029 million.

Orders in fiscal 2016 (Food and Beverage Distribution segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥99.8 billion.

In the vending machine business, net sales decreased and operating results worsened year on year. Demand was down in the Japanese market due to industry reorganizations and limited investment among domestic beverage manufacturers. In addition, performance in the Chinese market was negatively impacted by the revision of installation plans, which offset the benefits of our progress in acquiring new customers. In the store distribution business, net sales increased due to strong demand for store equipment and automatic change dispensers for convenience stores, but operating results worsened as a result of unfavorable sales mix.

Others

Net sales fell 6% year on year, to ¥59,100 million, and operating income was down ¥271 million year on year, to ¥2,066 million.

Note: As a result of organizational changes, the businesses included under the Industrial Infrastructure, Power Electronics, Electronic Devices, and Food and Beverage Distribution segments changed effective from fiscal 2016. Figures for each segment from the previous fiscal year was restated to conform to the new classifications.

R&D Investment and Plant and Equipment Investment

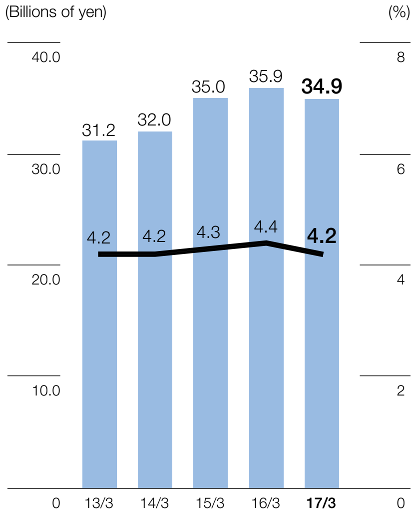
R&D

Fuji Electric's research and development pursues cutting-edge energy technologies to create products that contribute to the realization of a sustainable society that is safe and secure. Our research and development also seek to generate Companywide synergies and promote globalization while also engaging in open innovation with universities, research institutions, and other companies.

The Company's research and development costs in fiscal 2016 totaled ¥34,910 million.

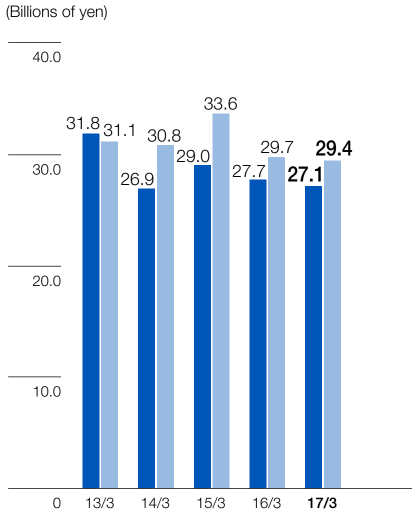
As of March 31, 2017, the number of industrial property rights which were registered domestic and overseas and held by Fuji Electric stood at 11,480.

R&D Expenditures / Ratio of R&D Expenditures to Net Sales



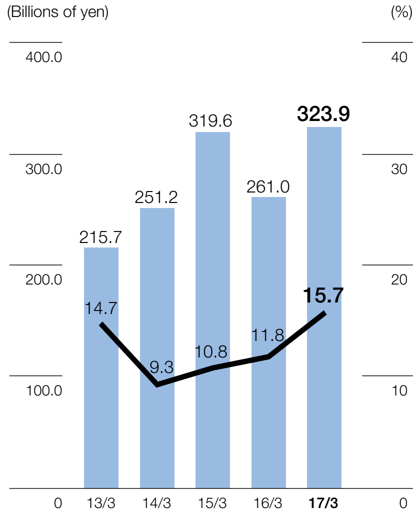
■ R&D Expenditures (left)
— Ratio of R&D Expenditures to Net Sales (right)

Plant and Equipment Investment / Depreciation and Amortization



■ Plant and Equipment Investment
■ Depreciation and Amortization

Total Net Assets / ROE



■ Total Net Assets (left)
— ROE (right)

Plant and Equipment Investment

Plant and equipment investment, including leases, amounted to ¥27.1 billion in fiscal 2016. These investments were carried out in accordance with our policies, expanding production capacity to promote local design, production, and consumption, enabling mass-production of next-generation power semiconductors, and bolstering facilities at mother factories for new power electronics products.

Major investments were as follows.

The Power and Social Infrastructure segment invested in increased production of smart meters and in portable machining equipment for providing on-site repair services at thermal power plants.

The Industrial Infrastructure and Power Electronics segments invested in the Power Electronics Technical Center at the Suzuka Factory, which itself was a move to accelerate development of new products by consolidating development and design divisions. In addition, investments were made to reorganize the line of products manufactured at the Suzuka Factory and the Kobe Factory and rationalize the in-house production systems at these factories in order to enhance their capacity as mother factories and contribute to increased product competitiveness. We also invested in new production facilities for IoT-compatible earth-leakage circuit breakers in the ED&C components business.

The Electronic Devices segment invested in mass-production of next-generation IGBT chips at the Yamanashi Factory and in front-end semiconductor processing equipment to expand the range of business continuity plan-compatible products manufactured at Fuji Electric Tsugaru Semiconductor Co., Ltd. Back-end processing investments were conducted in increasing production of intelligent power modules (semiconductors element used in power generation) in Japan and overseas.

The Food and Beverage Distribution segment invested in dies for producing new vending machines in Japan, while overseas investments were used to start construction of the new Dalian factory, which is meant to help the Company expand its vending machine operations in China.

Financial Position

Total Assets

Total assets as of March 31, 2017, stood at ¥886,663 million, an increase of ¥41,285 million from the end of the previous fiscal year.

Current Assets and Current Liabilities

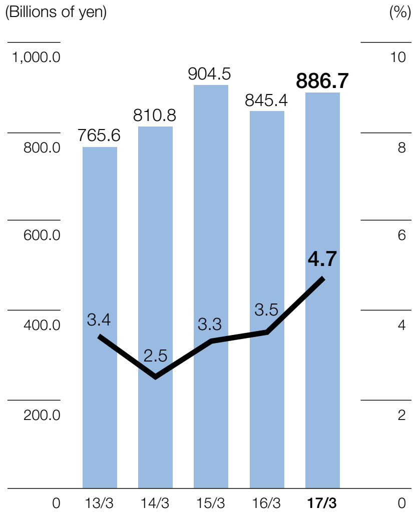
Total current assets increased ¥18,538 million from the end of the previous fiscal year, to ¥512,470 million. The increases of ¥11,298 million in trade receivables and ¥11,048 million in cash and cash equivalents counteracted the decline of ¥2,727 million in inventories.

Total current liabilities stood at ¥412,404 million on March 31, 2017, down ¥5,415 million from a year earlier. The increases of ¥24,661 million in income taxes payable were offset by a decrease of ¥22,835 million in short-term debt and ¥6,451 million in current portion of long-term debt.

Noncurrent Assets

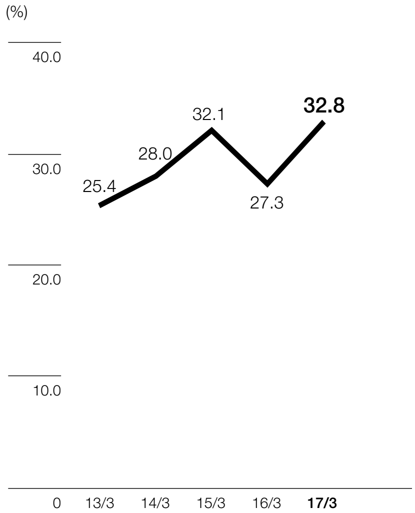
Total noncurrent assets on March 31, 2017, was ¥374,193 million, up ¥22,747 million from a year earlier. The combined total of net property, plant and equipment and intangible assets were ¥173,517 million, down ¥2,959 million. Total investments and other assets amounted to ¥200,676 million, up ¥25,706 million. This outcome was largely a result of a ¥20,829 million increase in net defined benefit asset.

Total Assets / ROA

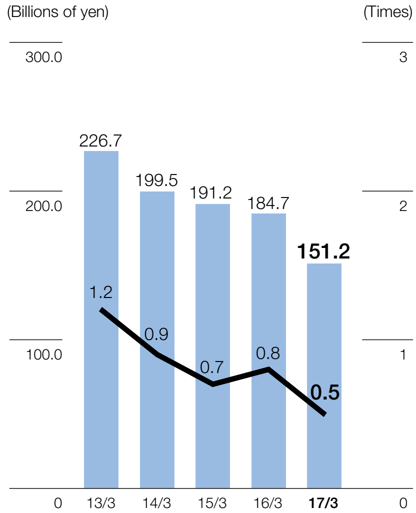


■ Total Assets (left)
— ROA (right)

Equity Ratio



Interest-bearing Debt / Debt-equity Ratio



■ Interest-bearing Debt (left)
— Debt-equity Ratio (right)

Long-Term Liabilities

Total long-term liabilities decreased ¥16,183 million from the previous fiscal year-end, to ¥150,396 million. This reflected decreases from the previous fiscal year-end of ¥9,846 million in net defined benefit liability, and ¥4,241 in long-term debt.

Net Assets

Net assets as of March 31, 2017, totaled ¥323,863 million, up ¥62,883 million from the previous fiscal year-end. This rise was attributable to an increase of ¥34,178 million in retained earnings combined with upward adjustments of ¥18,591 million from remeasurements of defined benefit plans and ¥12,497 million from valuation difference on available-for-sale securities. As a result, the equity ratio stood at 32.8%, up 5.5 percentage points from the previous fiscal year-end.

Debt

Interest-bearing debt as of the fiscal year-end totaled ¥151,216 million, a decrease of ¥33,528 million from the end of the previous fiscal year. The ratio of interest-bearing debt to total assets was 17.1%, representing a 4.8 percentage-point improvement from the previous fiscal year-end.

Cash Flow

Consolidated free cash flow (net cash provided by (used in) operating activities + net cash provided by (used in) investing activities) was a positive ¥67,934 million, marking a ¥38,894 million increase from the previous fiscal year's positive free cash flow of ¥29,040 million.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥58,185 million, compared with ¥48,450 million in the previous fiscal year. Major factors increasing cash included the recording of income before income taxes and an increase in trade payables. Major factors decreasing cash included an increase in trade receivables.

This was an improvement of ¥9,735 million year on year.

Cash Flows from Investing Activities

Net cash provided by investing activities was ¥9,748 million, compared with net cash used in investing activities of ¥19,410 million in the previous fiscal year. This was primarily a result of gain on sales of investment securities.

This was an improvement of ¥29,158 million year on year.

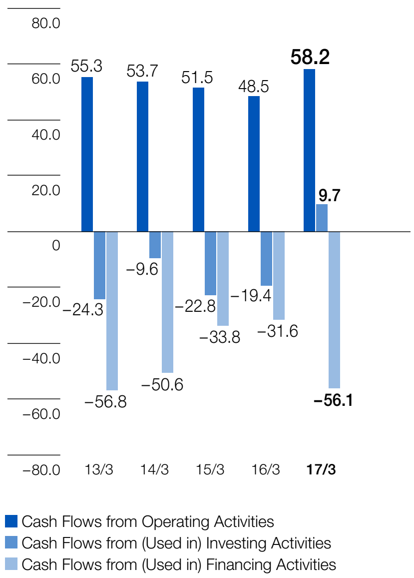
Cash Flows from Financing Activities

Net cash used in financing activities was ¥56,082 million, compared with ¥31,567 million in the previous fiscal year. This was principally due to a decrease in commercial papers and the repayment of lease obligations.

As a result, consolidated cash and cash equivalents on March 31, 2017, amounted to ¥41,886 million, up ¥11,048 million from the previous fiscal year-end.

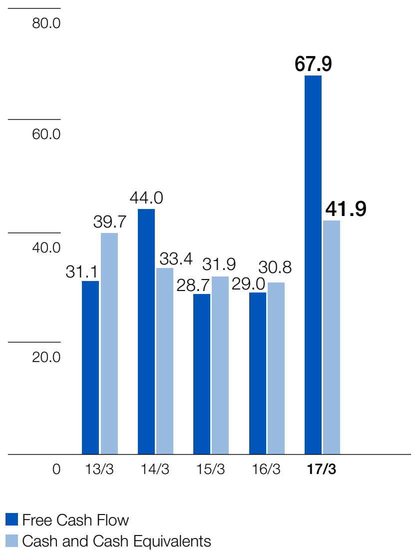
Cash Flows

(Billions of yen)



Free Cash Flow / Cash and Cash Equivalents

(Billions of yen)



Risk Factors

Fuji Electric works to mitigate business risk and other risks in a systematic and methodical manner. However, there are various risks, such as those listed below, which could have a negative effect on the operating results and financial position of Fuji Electric.

As of March 31, 2017, the following factors were judged to have a potential future effect on the operations of Fuji Electric.

(1) Risks Related to Changes in the Operating Environment

(a) In addition to increasing raw material and components prices against the background of a weak yen, such changes as the drastically increasing demand in emerging nations may result in tightened supply and demand as regards materials and raw materials. Consequently, although Fuji Electric strives to lessen the risk of rising raw material prices through commodity swap transactions, significant increases in these prices could have a negative effect on the operating results of Fuji Electric.

(b) Fuji Electric is developing operations actively in overseas markets, focusing particularly on expanding sales in China and other Asian markets. In addition, economic trends in Japan, such as private sector capital investment and public investment affect the Company significantly. In order to minimize the effect on operating results of overseas and domestic market trends, the Company is implementing overall cost and expense reductions. However, a deterioration of the business climate or a change of economic policy in China, a dramatic change in product supply and demand or intensified competition in the market, or a steep decrease in price levels as a result of such factors could affect Fuji Electric's operating results.

(c) Based on an established set of management criteria, Fuji Electric systematically employs forward-exchange contracts to minimize the risk of exchange rate fluctuations on its operating results. However, the forward-exchange contract policy is not capable of entirely mitigating exchange rate risk. Consequently, fluctuations in exchange rates, primarily between the yen and the U.S. dollar, could have a negative effect on the operating results and financial position of the Company.

(d) Fuji Electric's interest-bearing debt totaled ¥151,216 million as of March 31, 2017. A higher-than-anticipated increase in interest rates could lead to a significant additional interest payment burden, which could have a negative effect on the operating results of the Company.

(e) Trends in the financial markets or deterioration in Fuji Electric's financial indicators could impact on Fuji Electric's fund procurement or interest payments, for example by prompting early repayment due to infringement on financial covenants relating to certain loans. Such an event could affect Fuji Electric's operating results and financial position.

(2) Risks Related to Product Quality

Fuji Electric has put in place a quality assurance system designed to ensure the highest level of quality for all of the products that it manufactures and sells. Although the Company has taken precautions in the form of product liability insurance to provide compensation for product liability claims, in the event that major defects are found in any Fuji Electric products due to unforeseen factors, there could be a negative effect on the Company's operating results and financial position.

(3) Risks Related to Investments

Fuji Electric concentrates its management resources on quickly identifying potential business growth areas and conducts investment in facilities and R&D with the objective of expanding and developing the Company's business. The large-scale investment necessary and short product cycles in the magnetic disks and semiconductors fields, in particular, as well as shifts in product demand and intensifying competition increase the possibility that the Company might not be able to recoup its investments. Such events could thereby have a negative effect on the Company's operating results.

(4) Risks Related to Technology Development

Fuji Electric makes a concerted effort to develop technology that matches the needs of the market. However, there is a possibility that competing companies will gain an advantage through faster development, or that the Company will be unable to bring products to market in a timely manner should development not progress according to plan. Such events could thereby have a negative effect on the Company's operating results.

(5) Risks Related to Overseas Business Activities

Fuji Electric is seeking to expand its overseas presence, with a particular focus on Asia, including China. Consequently, the Company is exposed to the following risks, which could have a negative effect on the Company's operating results and financial position:

- Unforeseen changes in laws and regulations as well as tax systems that could have a detrimental effect on the Company
- Disadvantages arising from political conditions
- Social turmoil related to terrorist incidents, war, and other events

(6) Risks Related to Intellectual Property

Fuji Electric effectively manages its intellectual property rights and develops new products and technologies in a manner that does not infringe on third-party patent rights. However, since the pace of technological innovation is accelerating and the Company's operations are becoming more global, the possibility of disputes over intellectual property rights is increasing.
A dispute of this nature could have a negative effect on the Company's operating results and financial position.

(7) Risks Related to Business Alliances

Fuji Electric actively collaborates with third-party entities in mergers, tie-ups, and other forms of alliances with the objective of enhancing competitiveness in each of its fields of business. Cooperative relations are essential to the success of such collaborations.

However, differences in business systems, corporate cultures, or other aspects could impede the smooth integration of business strategies, technologies, products, personnel, or other elements necessary for a successful collaboration. Such circumstances could thereby have a negative effect on the Company's operating results.

(8) Risks Related to Human Resources

The business activities of Fuji Electric depend heavily on its human resources. Retaining and training superior personnel in such fields as technology, production, sales, and administration is essential to the growth of the Company. Should the Company be unable to retain and/or train such necessary human resources, this could have a negative effect on the Company's operating results.

(9) Risks Related to the Leakage of Personal Information

As a part of its business activities, Fuji Electric handles personal information about numerous individuals, including customers, suppliers, and employees. Fuji Electric has formulated and strictly enforces thorough internal regulations regarding the gathering, use, and management of personal information. However, the Company cannot entirely rule out the possibility that such information could be leaked due to unforeseen circumstances. Any leak of this kind could damage trust in Fuji Electric and thereby have a negative effect on the Company's operating results.

(10) Risks Related to Major Natural Disasters

Fuji Electric has a network of bases throughout the world. In the event of a major natural disaster, production facilities could be damaged, operations at manufacturing facilities could be halted, shipments of products could be delayed, and other related problems could occur. These events could thereby have a negative effect on the operating results and financial position of the Company.

(11) Risks Related to Soil Contamination

Based on the international standard for environmental protection systems, the Company works to prevent, measure, and monitor soil contamination at its operating sites. Prior to selling any land, the Company carries out soil surveys and takes other appropriate steps in accordance with relevant laws and regulations. However, as a result of these measurements and surveys, the Company may incur costs for soil remediation measures, which could have a negative effect on the operating results of the Company.

(12) Risks Related to Retirement Benefit Liabilities

Fuji Electric has a lump-sum payment plan and a corporate pension plan for its employees when they retire. Retirement benefit costs and liabilities are calculated on the assumption that they are accepted as reasonable on the basis of actuarial calculations. Fuji Electric and certain domestic consolidated subsidiaries have also entrusted listed marketable securities to employee retirement benefit trusts. Consequently, changes in the discount rate, the expected rate of return on pension assets and stock prices that are used as the basis of computing pension benefit obligations, differences between these expectations and actual performance, changes in the prices of entrusted listed marketable securities, and other items could have a negative effect on the operating results and financial position of Fuji Electric.

(13) Risks Related to Compliance

Fuji Electric conducts business in a variety of fields and regions throughout the world, and as such is subject to the laws and regulations of numerous countries. The Company has put in place an appropriate internal control system to ensure compliance, but the possibility of legal violations cannot be discounted entirely. Should such a violation occur, this could have a negative effect on the Company's social credibility and/or operating results.

(14) Risks Related to Lawsuits and Other Legal Proceedings

Fuji Electric, in the course of its business, could become the subject of a lawsuit or other legal proceeding, and could as a result unexpectedly become liable for the payment of large amounts of compensation. Depending on the content of such a decision, this could have a negative effect on the Company's operating results.

Consolidated Balance Sheets

As of March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Assets			
Current Assets:			
Cash and cash equivalents (Note 6)	¥ 41,886	¥ 30,838	$ 373,988
Short-term investments (Notes 5, 6 and 7)	158	162	1,418
Trade receivables (Note 6)	269,676	258,378	2,407,823
Allowance for doubtful accounts	(1,226)	(1,167)	(10,947)
Inventories (Note 4)	142,412	145,139	1,271,543
Deferred tax assets (Note 17)	17,975	17,091	160,494
Other current assets	41,589	43,491	371,312
Total Current Assets	512,470	493,932	4,575,631
Property, Plant and Equipment (Note 5)**:**			
Land	34,963	34,918	312,177
Buildings and structures	237,460	230,705	2,120,179
Machinery and equipment	204,451	201,058	1,825,455
Lease assets (Note 20)	70,084	71,363	625,755
Construction in progress	2,763	4,291	24,659
	549,721	542,335	4,908,225
Less accumulated depreciation	(376,204)	(365,859)	(3,358,961)
Net Property, Plant and Equipment	173,517	176,476	1,549,264
Investments and Other Assets:			
Investment securities (Notes 5, 6 and 7):			
Unconsolidated subsidiaries and affiliates	21,918	23,247	195,700
Other	105,667	102,017	943,456
Long-term loans receivable	1,255	812	11,210
Net defined benefit asset (Note 11)	38,452	17,623	343,322
Deferred tax assets (Note 17)	3,611	2,617	32,249
Other investments and other assets	30,657	29,565	273,704
Allowance for doubtful accounts	(884)	(911)	(7,898)
Total Investments and Other Assets	200,676	174,970	1,791,743
Total Assets	¥ 886,663	¥ 845,378	$ 7,916,638

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Liabilities and Net Assets			
Current Liabilities:			
Short-term debt (Notes 5, 6 and 9)	¥ 36,482	¥ 59,317	$ 325,733
Current portion of long-term debt (Notes 5, 6 and 9)	30,526	36,977	272,554
Trade payables (Notes 5 and 6)	165,306	160,416	1,475,951
Lease obligations (Notes 6 and 10)	11,276	11,970	100,681
Advances received	45,092	40,247	402,611
Income taxes payable (Note 17)	31,051	6,390	277,243
Other current liabilities (Notes 17 and 24)	92,671	102,502	827,407
Total Current Liabilities	412,404	417,819	3,682,180
Long-term Liabilities:			
Long-term debt (Notes 5, 6, and 9)	84,208	88,449	751,863
Lease obligations (Notes 6 and 10)	20,972	23,498	187,252
Net defined benefit liability (Note 11)	40,883	50,729	365,034
Provision for directors' retirement benefits	189	195	1,691
Deferred tax liabilities (Note 17)	1,218	797	10,877
Other long-term liabilities (Note 24)	2,926	2,911	26,105
Total Long-term Liabilities	150,396	166,579	1,342,822
Total Liabilities	562,800	584,398	5,025,002
Contingent Liabilities (Note 19)**:**			
Net Assets (Note 25)			
Shareholders' Equity:			
Capital stock (Note 12):			
Authorized - 1,600,000,000 shares			
Issued- 746,484,957 shares as of March 31, 2017	47,586	—	424,876
746,484,957 shares as of March 31, 2016	—	47,586	—
Capital surplus	45,985	46,736	410,589
Retained earnings	166,289	132,111	1,484,726
Treasury stock at cost (Note 12):			
32,158,991 shares as of March 31, 2017	(7,241)	—	(64,658)
32,109,374 shares as of March 31, 2016	—	(7,212)	—
Total Shareholders' Equity	252,619	219,221	2,255,533
Accumulated Other Comprehensive Income (Loss):			
Valuation difference on available-for-sale securities	42,751	30,254	381,706
Deferred gains or losses on hedges (Notes 6 and 8)	(1,600)	(1,132)	(14,286)
Foreign currency translation adjustments	176	3,377	1,567
Remeasurements of defined benefit plans	(2,730)	(21,321)	(24,379)
Total Accumulated Other Comprehensive Income	38,597	11,178	344,608
Non-controlling Interests	32,647	30,581	291,495
Total Net Assets	323,863	260,980	2,891,636
Total Liabilities and Net Assets	¥886,663	¥845,378	$7,916,638

Consolidated Statements of Income

Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Net Sales	¥837,765	¥813,550	$7,480,051
Cost of Sales (Note 13)	624,371	603,236	5,574,746
Gross Profit	213,394	210,314	1,905,305
Selling, General and Administrative Expenses (Notes 13 and 14)	168,685	165,308	1,506,110
Operating Income	44,709	45,006	399,195
Non-Operating Income (Expenses):			
Interest and dividend income	2,822	3,037	25,200
Interest expense	(2,135)	(2,136)	(19,065)
Foreign exchange gains (losses)	(319)	(860)	(2,851)
Equity in earnings of affiliates	1,204	1,279	10,755
Other, net	15	(712)	128
	1,587	608	14,167
Ordinary Income	46,296	45,614	413,362
Extraordinary Income, Net (Notes 15 and 16)	17,647	952	157,559
Income Before Income Taxes	63,943	46,566	570,921
Income Taxes (Note 17)	18,924	12,698	168,957
Net Income	45,019	33,868	401,964
Net Income Attributable To Non-controlling Interests	4,041	3,224	36,080
Net Income Attributable To Owners of Parent (Note 25)	¥ 40,978	¥ 30,644	$ 365,884

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Net Income	¥45,019	¥ 33,868	$401,964
Other Comprehensive Income (Loss) (Note 18)			
Valuation difference on available-for-sale securities	12,598	(39,295)	112,488
Deferred gains or losses on hedges	(464)	(622)	(4,143)
Foreign currency translation adjustments	(3,602)	(8,300)	(32,183)
Remeasurements of defined benefit plans	18,359	(34,914)	163,928
Share of other comprehensive income (loss) of associates accounted for using equity method	307	(520)	2,749
Total Other Comprehensive Income (Loss)	27,198	(83,651)	242,839
Comprehensive Income (Loss)	¥72,217	¥(49,783)	$644,803
Comprehensive Income (Loss) Attributable to:			
Owners of parent	¥68,397	¥(51,837)	$610,694
Non-controlling interests	3,820	2,054	34,109

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2017 and 2016

	Thousands	Millions of yen										
	Number of shares of capital stock	Capital stock	Capital surplus	Retained earnings	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Treasury stock	Total	Non-controlling interests	Total net assets
Balance at March 31, 2015	746,484	¥47,586	¥46,735	¥109,543	¥ 69,528	¥ (513)	¥10,980	¥ 13,665	¥ (7,184)	¥290,340	¥29,296	¥319,636
Net income attributable to owners of parent	—	—	—	30,644	—	—	—	—	—	30,644	—	30,644
Change of scope of consolidation	—	—	—	(932)	—	—	—	—	—	(932)	—	(932)
Cash dividends	—	—	—	(7,144)	—	—	—	—	—	(7,144)	—	(7,144)
Purchase of treasury stock	—	—	—	—	—	—	—	—	(28)	(28)	—	(28)
Sales of treasury stock	—	—	1	—	—	—	—	—	0	1	—	1
Net changes of items other than shareholders' equity	—	—	—	—	(39,274)	(619)	(7,603)	(34,986)	—	(82,482)	1,285	(81,197)
Balance at March 31, 2016	746,484	¥47,586	¥46,736	¥132,111	¥ 30,254	¥(1,132)	¥ 3,377	¥(21,321)	¥ (7,212)	¥230,399	¥30,581	¥260,980
Net income attributable to owners of parent	—	—	—	40,978	—	—	—	—	—	40,978	—	40,978
Change of scope of consolidation	—	—	—	343	—	—	—	—	—	343	—	343
Cash dividends	—	—	—	(7,143)	—	—	—	—	—	(7,143)	—	(7,143)
Purchase of treasury stock	—	—	—	—	—	—	—	—	(29)	(29)	—	(29)
Sales of treasury stock	—	—	0	—	—	—	—	—	0	0	—	0
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	(751)	—	—	—	—	—	—	(751)	—	(751)
Net changes of items other than shareholders' equity	—	—	—	—	12,497	(468)	(3,201)	18,591	—	27,419	2,066	29,485
Balance at March 31, 2017	746,484	¥47,586	¥45,985	¥166,289	¥ 42,751	¥(1,600)	¥ 176	¥(2,730)	¥(7,241)	¥291,216	¥32,647	¥323,863
		Thousands of U.S. dollars (Note 3)										
Balance at March 31, 2016		$424,876	$417,290	$1,179,569	$270,126	$(10,110)	$30,152	$(190,370)	$(64,399)	$2,057,134	$273,048	$2,330,182
Net income attributable to owners of parent		—	—	365,884	—	—	—	—	—	365,884	—	365,884
Change of scope of consolidation		—	—	3,056	—	—	—	—	—	3,056	—	3,056
Cash dividends		—	—	(63,783)	—	—	—	—	—	(63,783)	—	(63,783)
Purchase of treasury stock		—	—	—	—	—	—	—	(263)	(263)	—	(263)
Sales of treasury stock		—	7	—	—	—	—	—	4	11	—	11
Change in treasury shares of parent arising from transactions with non-controlling shareholders		—	(6,708)	—	—	—	—	—	—	(6,708)	—	(6,708)
Net changes of items other than shareholders' equity		—	—	—	111,580	(4,176)	(28,585)	165,991	—	244,810	18,447	263,257
Balance at March 31, 2017		$424,876	$410,589	$1,484,726	$381,706	$(14,286)	$ 1,567	$ (24,379)	$(64,658)	$2,600,141	$291,495	$2,891,636

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Cash Flows from Operating Activities:			
Income before income taxes	¥ 63,943	¥ 46,566	$ 570,921
Depreciation and amortization	29,445	29,723	262,910
Increase (decrease) in allowance for doubtful accounts	41	(527)	367
Interest and dividend income	(2,822)	(3,037)	(25,200)
Interest expense	2,135	2,136	19,065
Foreign exchange losses (gains)	(53)	6	(475)
Gain on sales of noncurrent assets	(55)	(989)	(491)
Gain on sales of investment securities	(18,849)	(2,351)	(168,297)
Loss on disposal of noncurrent assets	568	775	5,078
Loss on devaluation of investment securities	244	167	2,187
Impairment loss	1,356	282	12,114
Loss on liquidation of subsidiaries	—	470	—
Changes in operating assets and liabilities:			
Trade receivables	(14,107)	(22,609)	(125,957)
Inventories	1,557	(7,811)	13,905
Trade payables	7,169	12,513	64,016
Advances received	4,909	1,750	43,833
Other, net	(7,408)	(1,437)	(66,177)
Cash generated from operations	68,073	55,627	607,799
Interest and dividends received	2,838	3,035	25,347
Interest expenses paid	(2,230)	(2,186)	(19,919)
Income taxes paid	(10,496)	(8,026)	(93,716)
Net cash provided by operating activities	58,185	48,450	519,511
Cash Flows from Investing Activities:			
Purchase of property, plant and equipment	(18,085)	(17,843)	(161,481)
Proceeds from sales of property, plant and equipment	358	1,994	3,201
Purchase of investment securities	(1,549)	(4,657)	(13,838)
Proceeds from sales of investment securities	33,251	5,878	296,888
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(130)	—	(1,163)
Payments of loans receivable	(4,371)	(6,888)	(39,035)
Collection of loans receivable	4,958	6,242	44,272
Other, net	(4,684)	(4,136)	(41,799)
Net cash provided by (used in) investing activities	9,748	(19,410)	87,045
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term loans payable	(22,228)	(8,245)	(198,465)
Proceeds from long-term loans payable	11,355	19,520	101,386
Repayment of long-term loans payable	(16,582)	(20,106)	(148,056)
Proceeds from issuance of bonds	15,000	15,000	133,929
Redemption of bonds	(20,500)	(15,000)	(183,036)
Repayments of lease obligations	(12,879)	(14,490)	(114,992)
Proceeds from sales of treasury stock	1	1	11
Purchase of treasury stock	(29)	(28)	(263)
Cash dividends paid	(7,143)	(7,144)	(63,783)
Cash dividends paid to non-controlling interests	(901)	(1,002)	(8,050)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,107)	—	(18,816)
Other, net	(69)	(73)	(612)
Net cash used in financing activities	(56,082)	(31,567)	(500,747)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(910)	(2,099)	(8,127)
Net Increase (Decrease) in Cash and Cash Equivalents	10,941	(4,626)	97,682
Cash and Cash Equivalents at Beginning of Year	30,838	31,895	275,346
Increase in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation	107	3,552	960
Increase in Cash and Cash Equivalents Resulting from Merger with Unconsolidated Subsidiaries	—	17	—
Cash and Cash Equivalents at End of Year	¥ 41,886	¥ 30,838	$ 373,988

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Notes to the Consolidated Financial Statements

Note 1. Basis of Preparing Consolidated Financial Statements

The accompanying consolidated financial statements of Fuji Electric Co., Ltd. (the "Company") and consolidated subsidiaries (together, the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In preparing these statements, certain reclassifications and rearrangements have been made to the consolidated financial statements prepared domestically in Japan in order to present these statements in a form that is more familiar to readers outside Japan.

In addition, the notes to the consolidated financial statements include additional information which is not required under accounting principles generally accepted in Japan. Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

Note 2. Summary of Significant Accounting Policies

a. Principles of Consolidation

The consolidated financial statements for the year ended March 31, 2017 include the accounts of the Company and its 68 significant subsidiaries and its 5 subsidiaries and affiliates are accounted for by the equity method (69 and 5 in 2016).

Under the control or influence concept, the accompanying consolidated financial statements include the accounts of the Company and, with minor exceptions, those of its subsidiaries, whether directly or indirectly controlled, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated. The Company does not consolidate nor apply the equity method to subsidiaries or affiliates whose gross assets, net sales, net income (loss) and retained earnings are not significant to the consolidated financial statements.

Investments in unconsolidated subsidiaries and affiliates are stated at cost.

The balance sheet date of certain consolidated subsidiaries is December 31. In principle, the financial statements of such subsidiaries were tentatively prepared in accordance with the fiscal year of the Company, and those were consolidated.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Goodwill resulting from the difference between the cost and the underlying net assets at the respective dates of acquisition are being amortized over a period of 5 or 10 years.

b. Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Companies consider all short-term, highly liquid instruments with a maturity of three months or less to be cash equivalents.

c. Inventories

Raw materials are mainly stated at cost, determined by the most recent purchase price method. Finished goods and work in process are mainly stated at actual cost determined by accumulated production cost for contract items or average cost for regular production items, except that finished goods of certain consolidated subsidiaries are priced by the most recent purchase price method. In accordance with accounting practices generally accepted in the heavy electric industry, inventories include items with a manufacturing period exceeding one year.

Inventories with lower profitability were written down and the losses on valuation were included in cost of sales.

d. Securities

Marketable securities classified as other securities are stated at fair value. Unrealized gains and losses, net of taxes, are reported in a separate component of net assets.

Nonmarketable securities classified as other securities are stated at cost determined by the moving-average method.

e. Derivatives and Hedging Activities

The Companies enter into derivative financial instruments ("derivatives"), including foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies and interest rate swap agreements as a means of managing its interest rate exposures on certain liabilities.

In addition, the Companies enter into commodity swap agreements to hedge the risk of fluctuation of commodity prices for raw materials.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

a) Except as described in the following paragraphs b) and c), all derivatives are recognized as either assets or liabilities and measured at fair value, and forward contracts applied for forecasted transactions are measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed if the forward contracts qualify for hedge accounting.

b) Trade receivables and trade payables denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting.

c) The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differentials paid or received under the swap agreements are recognized and included in interest expense or income.

f. Depreciation

1) Tangible fixed assets (excluding leased assets)

Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to the buildings of the Company and its domestic consolidated subsidiaries acquired after April 1, 1998 and the facilities attached to buildings and the other non-building structures acquired after April 1, 2016. The range of useful lives is from 7 to 50 years for buildings and from 5 to 12 years for machinery and equipment.

2) Leased assets

Depreciation is computed by the straight-line method over the lease period assuming no residual value. Finance leases other than those that were deemed to transfer the ownership of the leased assets to the lessees and contracted before April 1, 2008, are accounted for by the method that is applicable to ordinary operating leases.

g. Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

h. Retirement Benefits

(1) The retirement benefit obligation for employees is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

(2) The prior service costs are amortized by the straight-line method within the average remaining years of service of the employees participants. The actuarial gains and losses are amortized by the straight-line method within the average remaining years of service of the employee participants from the next period in which they arise, respectively.

i. Provision for Directors' Retirement Benefits

For certain consolidated subsidiaries, the accrued retirement benefits for directors were provided mainly at an amount to be required at the year-end according to internal regulations.

j. Research and Development Costs

Research and development costs are charged to income as incurred.

k. Recognition for Revenue and Costs

For long-term construction contracts whose outcome can be estimated reliably, the percentage-of-completion method is adopted. The stage of completion of a contract is determined by the percentage of the cost incurred to date to the estimated total cost. When the outcome of the construction contracts cannot be estimated reliably, the completed-contract method is adopted.

l. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The Company filed a consolidated tax return, which allows companies to file tax payments on the combined basis of profits or losses of the parent company and its wholly owned domestic subsidiaries.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

m. Foreign Currency Transactions

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

n. Foreign Currency Financial Statements

Assets, liabilities, and revenue and expense accounts of the foreign consolidated subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Differences arising from such translation are included in foreign currency translation adjustments and non-controlling interests in consolidated subsidiaries as a separate component of net assets.

o. Accounting for Consumption Taxes

The Japanese consumption taxes withheld and consumption taxes paid are not included in the accompanying consolidated statements of income.

p. Amounts Per Share

Basic net income per share is computed based on the net income attributable to common shareholders of the parent and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share is computed based on the net income attributable to owners of parent's common stock and weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants and stock subscription rights.

Net assets per share are computed based on the net assets excluding share subscription rights and non-controlling interests and the number of shares of common stock outstanding at the year end.

q. Changes in Accounting Policies

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

The Company and its domestic consolidated subsidiaries adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Accounting Standard Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 32, June 17, 2016) as a result of revisions to the Corporate Tax Act. of Japan. Accordingly, the depreciation method for both facilities attached to buildings and other non-building structures acquired after April 1, 2016 was changed from the declining-balance method to the straight-line method.
The effect of this change was minimal and the impact on the segment information was minimal.

Note 3. U.S. Dollar Amounts

The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating yen into U.S. dollars at ¥112=U.S.$1, the approximate exchange rate as of March 31, 2017. The U.S. dollar amounts are presented solely for the convenience of the readers outside Japan.

Note 4. Inventories

Inventories as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Merchandise and finished goods	¥ 56,873	¥ 56,290	$ 507,800
Work in process	48,395	52,410	432,107
Raw materials	37,144	36,439	331,636
Inventories	¥142,412	¥145,139	$1,271,543

Losses (gains) on valuation of inventories with lower profitability were ¥586 million ($5,233 thousand) and ¥587 million for the years ended March 31, 2017 and 2016, respectively. These were included in cost of sales.

Note 5. Pledged Assets and Financial Assets Accepted as Collateral

The amounts of assets pledged as collateral for trade payables, short-term debt and long-term debt as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Investment securities	¥ 18	¥ 15	$ 168
Property, plant and equipment	1,956	5,723	17,467
Intangible assets	435	472	3,875
Total	¥2,409	¥6,210	$21,510

Collateralized liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Trade payables	¥ 51	¥ 43	$ 459
Short-term debt	148	244	1,327
Long-term debt	177	431	1,580
Total	¥376	¥718	$3,366

Note 6. Financial Instruments

1. Status of financial instruments

(1) Policy regarding financial instruments

The Companies limit the scope of their cash and fund management activities to short-term deposits. When raising funds, the Companies have a policy of relying principally on bank borrowings, bonds payable and commercial paper. The Companies mainly raise the operating funds through short-term loans payable and commercial paper, and the funds relating to capital investments through long-term loans payable and bonds payable. The Companies make use of derivatives to reduce risk, as explained below, and have a policy of not engaging in derivative transactions for speculative purposes.

(2) Details of financial instruments and associated risk

In the course of its business activities, trade receivables are exposed to customer credit risk.

In addition, trade receivables denominated in foreign currencies arising from international business are exposed to exchange risk. The Companies hedge the exchange risk, by using foreign exchange forward contracts within the range prescribed relating to the net amount of the trade receivables denominated in foreign currencies, offset by the amount of the trade payables denominated in the same currencies.

Short-term investments and investment securities are comprised primarily of stocks of companies with which the Companies have business relations and are exposed to market price risk.

Trade payables are mostly payable within one year. Some trade payables are denominated in foreign currencies and exposed to exchange risk. The Companies hedge the exchange risk of the trade payables denominated in foreign currencies in principle, except for the amount within that of trade receivables denominated in the same currencies, by using foreign exchange forward contracts.

Short-term loans payable and commercial paper are primarily raised for the purpose of maintaining operating funds. Bonds payable, long-term loans payable and lease obligations on finance lease transactions are primarily raised for the purpose of preparing capital investment. The maturities of these bonds payable, long-term loans payable and lease obligations on finance lease transactions are up to 14 years at the longest after the balance sheet date. Some are exposed to interest rate fluctuation risk and the Companies hedge such risk by interest rate swap transactions.

Regarding derivatives, the Companies employ foreign exchange forward contracts to reduce the risk of foreign currency exchange movements that arise from the previously mentioned receivables and payables denominated in foreign currencies. In addition, the Companies use interest rate swap transactions to reduce the interest rate fluctuation risk of loans, and use commodity swap transactions to reduce the risk of fluctuation of commodity prices for raw materials. As hedging instruments under hedge accounting, the Companies enter into these derivative transactions in accordance with the Companies' policies to reduce the corresponding risk to each hedged item. The Companies compare the market change of hedged items and hedging instruments or the cash flow changes. Assessment of effectiveness for hedging activities depends on the ratio of the amount of change.

(3) Systems for management of financial instruments risk

a) Credit risk management (the risk that transaction partners may default on their obligations to the Companies)

The credit risk in relation to trade receivables from customers, pursuant to criteria for managing credit exposure, is managed by controlling due dates and balances of each customer. In addition, the Companies manage to identify doubtful receivables earlier and mitigate their risk caused by aggravation of the financing position, etc.

Because the counterparties to derivative transactions are limited to authentic financial institutions, the Companies do not anticipate any losses arising from credit risk.

b) Market risk management (the risks arising from fluctuations in exchange rates, interest rates and other indicators)

The Companies, in principle, employ foreign exchange forward contracts to reduce the risk of foreign currency exchange movements that arise from the previously mentioned receivables and payables denominated in foreign currencies. In addition, the Companies use interest rate swap transactions to reduce the interest rate fluctuation risk of loans, and use commodity swap transactions to reduce the risk of fluctuation of commodity prices for raw materials.

Regarding investment securities, the Companies periodically review the market value of such financial instruments and the financial position of the issuer (the company having business transactions with the Companies). In addition, other than debt securities to be held until maturity, the Companies review the status of these investments on a continuing basis.

Derivative transactions have been entered into in accordance with the Companies' policies. The execution of derivatives, which is based on the application of each section, is mainly controlled by the Finance Department of each company, or by the Material Section regarding commodity swap transactions. In addition, the Finance Department periodically reports to the management and each section, and strictly performs risk management relating to derivative transactions.

c) Liquidity risk management (the risk that the Companies may not be able to meet its payment obligations on the scheduled date)

The Companies reduce the liquidity risk by having each company review and revise cash management plans monthly or timely.

(4) Supplementary explanation of the estimated fair value of financial instruments and related matters

The estimated fair value of financial instruments is their price based on their market price and other indicators. When there is no market price available, it includes prices which are reasonably computed.

Since variable factors are taken into account in computing the price, this price may fluctuate depending on different assumptions adopted. In addition, the contract (notional) amount of derivatives in "Note 8. Derivatives" is not an indicator of the actual market risk involved in derivative transactions.

2. Estimated fair value and other matters related to financial instruments

Carrying amounts on the consolidated balance sheets as of March 31, 2017 and 2016, estimated fair value and the variance between them are shown in the following table. Financial instruments whose estimated fair value is deemed to be extremely difficult to obtain are not included (Please refer to Note 2).

	Millions of yen		
	2017		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	¥ 41,886	¥ 41,886	¥ —
Trade receivables	269,676	269,642	(34)
Investment securities	113,401	123,351	9,950
Trade payables	(165,306)	(165,306)	—
Short-term debt	(36,482)	(36,482)	—
Current portion of long-term debt	(30,526)	(30,535)	9
Lease obligations (Current Liabilities)	(11,276)	(11,276)	—
Long-term debt	(84,208)	(84,548)	340
Lease obligations (Long-term Liabilities)	(20,972)	(21,235)	263
Derivatives			
Derivative transactions to which hedge accounting is not applied	31	31	—
Derivative transactions to which hedge accounting is applied	(2,314)	(2,314)	—

	Millions of yen		
	2016		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	¥ 30,838	¥ 30,838	¥ —
Trade receivables	258,378	258,358	(20)
Investment securities	109,000	119,074	10,074
Trade payables	(160,416)	(160,416)	—
Short-term debt	(59,317)	(59,317)	—
Current portion of long-term debt	(36,977)	(37,055)	78
Lease obligations (Current Liabilities)	(11,970)	(11,970)	—
Long-term debt	(88,449)	(89,326)	877
Lease obligations (Long-term Liabilities)	(23,498)	(23,768)	270
Derivatives			
Derivative transactions to which hedge accounting is not applied	13	13	—
Derivative transactions to which hedge accounting is applied	(1,643)	(1,643)	—

	Thousands of U.S. dollars (Note 3)		
	2017		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	$ 373,988	$ 373,988	$ —
Trade receivables	2,407,823	2,407,521	(302)
Investment securities	1,012,509	1,101,349	88,840
Trade payables	(1,475,951)	(1,475,951)	—
Short-term debt	(325,733)	(325,733)	—
Current portion of long-term debt	(272,554)	(272,639)	85
Lease obligations (Current Liabilities)	(100,681)	(100,681)	—
Long-term debt	(751,863)	(754,897)	3,034
Lease obligations (Long-term Liabilities)	(187,252)	(189,607)	2,355
Derivatives			
Derivative transactions to which hedge accounting is not applied	280	280	—
Derivative transactions to which hedge accounting is applied	(20,662)	(20,662)	—

(*1) Figures shown in parentheses are liability items.
(*2) The value of assets and liabilities arising from derivatives is shown at net value, and a net liability position is shown in parentheses.

Notes: 1. Methods for computing the estimated fair value of financial instruments, and information on securities and derivatives

(1) Cash and cash equivalents
Since these items are settled in a short period of time, estimated fair values are virtually the same as the carrying amounts.

(2) Trade receivables
Fair values of trade receivables, classified by each maturity, are based on the present value discounted by the interest rate determined taking into account the term until maturity and the credit risk.

(3) Investment securities
Stocks are valued at the exchange trading price. For information on securities classified by the purpose of holding, please refer to "Note 7. Securities."

(4) Trade payables, (5) Short-term debt, (6) Current portion of long-term debt (except bonds) and (7) Lease obligations (Current Liabilities)
Since these items are settled in a short period of time, estimated fair values are virtually the same as the carrying amounts.

(6) Current portion of long-term debt (bonds) and (8) Long-term debt (bonds)
Fair values of bonds issued by the Company are based on each market price.

(8) Long-term debt (except bonds) and (9) Lease obligations (Long-term Liabilities)
Fair values of these items are based on the present value of the total of principal and interest discounted by the interest rate applied if similar new borrowings and new lease transactions were entered into.

(10) Derivatives
Please refer to "Note 8. Derivatives."

2. Items for which obtaining an estimated fair value is deemed to be extremely difficult

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
	Carrying amounts	Carrying amounts	Carrying amounts
Unlisted stocks (including stocks of unconsolidated subsidiaries and affiliates)	¥14,184	¥16,265	$126,646

Because the items in the preceding table do not have market price and obtaining the estimated fair values of these items is deemed to be extremely difficult, fair value has not been disclosed in (3) Investment securities.

3. Redemption schedule for monetary assets and securities with maturity dates as of March 31, 2017 and 2016:

	Millions of yen			
	2017			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	¥ 41,886	¥ —	¥—	¥—
Trade receivables	261,221	8,458	6	—
Investment securities				
Debt securities with maturity date classified as other securities (Public bonds)	—	—	—	—
Total	¥303,107	¥8,458	¥ 6	¥—

	Millions of yen			
	2016			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	¥ 30,838	¥ —	¥—	¥—
Trade receivables	253,704	4,636	38	—
Investment securities				
Debt securities with maturity date classified as other securities (Public bonds)	0	—	—	—
Total	¥284,542	¥4,636	¥38	¥—

	Thousands of U.S. dollars (Note 3)			
	2017			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	$373,988	$ —	$—	$—
Trade receivables	2,332,333	75,520	60	—
Investment securities				
Debt securities with maturity date classified as other securities (Public bonds)	—	—	—	—
Total	$2,706,321	$75,520	$60	$—

4. Repayment schedule for long-term debt and lease obligations:
Please refer to "Note 9. Short-term Debt and Long-term Debt" and "Note 10. Lease Obligations."

Note 7. Securities

1. Other securities as of March 31, 2017 and 2016 were as follows:

	Millions of yen			
	2017			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	¥40,173	¥101,608	¥61,941	¥(506)
Debt securities	—	—	—	—
Others	—	—	—	—
Total	¥40,173	¥101,608	¥61,941	¥(506)

	Millions of yen			
	2016			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	¥54,536	¥98,014	¥44,209	¥(731)
Debt securities	0	0	—	—
Others	—	—	—	—
Total	¥54,536	¥98,014	¥44,209	¥(731)

	Thousands of U.S. dollars (Note 3)			
	2017			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	$358,691	$907,220	$553,050	$(4,521)
Debt securities	—	—	—	—
Others	—	—	—	—
Total	$358,691	$907,220	$553,050	$(4,521)

Note: The following is not included in the preceding tables because it does not have market price and obtaining an estimated fair value is deemed to be extremely difficult:
Unlisted stocks (Values in the consolidated balance sheets as of March 31, 2017 and 2016 were ¥4,058 million ($36,236 thousand) and ¥4,003 million, respectively.)

2. Sales of other securities for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Proceed from sales	¥33,240	¥5,779	$296,792
Gain on sales	18,849	2,330	168,297
Loss on sales	—	0	—

3. Impairment of other securities for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Impairment losses	¥244	¥167	$2,187

Note 8. Derivatives

1. Derivative transactions to which hedge accounting is not applied

	Millions of yen			
	2017			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollar	¥1,833	¥ —	¥30	¥30
Euro	1,193	—	0	0
Won	339	—	(9)	(9)
Payables:				
U.S. dollar	440	—	3	3
Won	301	102	7	7
Yen	32	—	(0)	(0)
New Taiwan Dollar	17	—	0	0
Total	¥4,155	¥102	¥31	¥31

	Millions of yen			
	2016			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollar	¥1,087	¥—	¥ 43	¥ 43
Euro	1,346	—	10	10
Won	112	—	(3)	(3)
Canadian dollar	162	—	(0)	(0)
Yen	66	—	(2)	(2)
Payables:				
U.S. dollar	702	—	(2)	(2)
Won	366	—	(33)	(33)
Yen	10	—	0	0
Total	¥3,851	¥—	¥ 13	¥ 13

	Thousands of U.S. dollars (Note 3)			
	2017			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollar	$16,349	$ —	$258	$258
Euro	10,654	—	8	8
Won	3,035	—	(83)	(83)
Payables:				
U.S. dollar	3,933	—	28	28
Won	2,688	912	71	71
Yen	290	—	(3)	(3)
New Taiwan Dollar	154	—	1	1
Total	$37,103	$912	$280	$280

Note: The fair value is estimated based on forward exchange rates.

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related contracts

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2017 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. dollar		¥ 5,847	¥ 990	¥ (26)
	Euro		360	—	1
	Payables:	Accounts payable–trade			
	U.S. dollar		2,750	457	(39)
	Euro		20,974	13,476	(2,259)
	Pound Sterling		68	—	6
	Singapore Dollar		53	—	3
	Swiss franc		4	—	(0)
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. dollar		¥ 2,574	¥ 114	
	Yuan Renminbi		180	—	
	Baht		0	—	(Note2)
	Payables:	Accounts payable–trade			
	U.S. dollar		2,288	0	
	Euro		283	2	
	Total		¥35,381	¥15,039	¥(2,314)

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2016 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. dollar		¥ 4,550	¥ 3,336	¥ 152
	Euro		394	—	(1)
	UAE Dirham		3	—	0
	Payables:	Accounts payable–trade			
	U.S. dollar		4,113	758	(138)
	Euro		23,404	20,162	(1,638)
	Swiss franc		79	—	(3)
	UAE Dirham		2	—	(0)
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. dollar		¥ 1,913	¥ 580	
	Payables:	Accounts payable–trade			(Note 2)
	U.S. dollar		647	—	
	Euro		92	2	
	Total		¥35,197	¥24,838	¥(1,628)

Hedge accounting method	Type of derivative	Principal items hedged	Thousands of U.S. dollars (Note 3) 2017 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. dollar		$ 52,206	$ 8,847	$ (234)
	Euro		3,217	—	16
	Payables:	Accounts payable–trade			
	U.S. dollar		24,561	4,084	(352)
	Euro		187,238	120,297	(20,177)
	Pound Sterling		610	—	55
	Singapore Dollar		478	—	31
	Swiss franc		40	—	(1)
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. dollar		$22,982	$ 1,024	
	Yuan Renminbi		1,609	—	
	Baht		0	—	(Note2)
	Payables:	Accounts payable–trade			
	U.S. dollar		20,432	5	
	Euro		2,533	26	
	Total		$315,906	$134,283	$(20,662)

Notes: 1. The fair value is estimated based on forward exchange rates.
2. Since amounts in foreign currency forward contracts treated by the allocation method are handled together with accounts receivable-trade and accounts payable-trade that are subject to hedging, the estimated fair value of such contracts is included in the fair value of accounts receivable-trade or accounts payable-trade.

(2) Interest-rate-related contracts

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2017 Contract amount	Contract amount over 1 year	Fair value
Specific treatment for interest rate swaps	Interest rate swaps Receive floating pay fixed	Long-term loans payable	¥11,835	¥1,835	(Note 2)

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2016 Contract amount	Contract amount over 1 year	Fair value
Specific treatment for interest rate swaps	Interest rate swaps Receive floating pay fixed	Long-term loans payable	¥11,500	¥11,500	(Note 2)

Hedge accounting method	Type of derivative	Principal items hedged	Thousands of U.S. dollars (Note 3) 2017 Contract amount	Contract amount over 1 year	Fair value
Specific treatment for interest rate swaps	Interest rate swaps Receive floating pay fixed	Long-term loans payable	$105,672	$16,386	(Note 2)

Notes: 1. The fair value is principally based on the quotes obtained from the correspondent financial institutions.
2. Since amounts in interest rate swaps which qualify for hedge accounting and meet specific matching criteria are handled together with long-term loans payable that are subject to hedging, the estimated fair value of such interest rate swaps is included in the fair value of the long-term loans payable.

Note 9. Short-term Debt and Long-term Debt

Short-term debt as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Loans, principally from banks	¥36,482	¥37,317	$325,733
Commercial paper	—	22,000	—
Short-term debt	¥36,482	¥59,317	$325,733

Note: The weighted average interest rates on short-term debt as of March 31, 2017 and 2016 were 1.39% and 0.68%, respectively.

Long-term debt as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Loans, principally from banks and insurance companies	¥ 59,734	¥ 64,926	$ 533,345
Bonds issued by the Company:			
0.86% Yen unsecured straight bonds due 2016	—	20,000	—
1.00% Yen unsecured straight bonds due 2017	5,000	5,000	44,643
0.90% Yen unsecured straight bonds due 2018	20,000	20,000	178,571
0.38% Yen unsecured straight bonds due 2020	15,000	15,000	133,929
0.28% Yen unsecured straight bonds due 2023	15,000	—	133,929
Zero coupon convertible bonds with stock acquisition rights due 2016	—	500	—
	114,734	125,426	1,024,417
Less: Portion due within one year	30,526	36,977	272,554
Long-term debt	¥ 84,208	¥ 88,449	$ 751,863

Note: The weighted average interest rates on loans, principally from banks and insurance companies, as of March 31, 2017 and 2016 were 0.54% and 0.67%, respectively.

As of March 31, 2017, the aggregate annual maturities of long-term debt were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
2019	¥21,806	$194,700
2020	26,418	235,876
2021	16,566	147,914
2022	3,311	29,564
2023 thereafter	16,107	143,809
Total	¥84,208	$751,863

Note 10. Lease Obligations

Lease obligations as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Short-term	¥11,276	¥11,970	$100,681
Long-term	20,972	23,498	187,252
Total	¥32,248	¥35,468	$287,933

Note: The weighted average interest rates on lease obligations as of March 31, 2017 and 2016 were 2.19% and 2.08%, respectively.

As of March 31, 2017, the aggregate annual maturities of lease obligations were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
2019	¥ 7,262	$ 64,841
2020	5,664	50,578
2021	4,196	37,469
2022	2,731	24,391
2023 thereafter	1,119	9,973
Total	¥20,972	$187,252

Note 11. Retirement Benefits

1. Outline of retirement benefits for employees

The Company and most of its consolidated subsidiaries have either funded or unfunded defined benefit plans and defined contribution pension plans.

Defined benefit corporate pension plans are all funded and cover substantially all employees who are entitled to lump-sum or annuity payments determined by reference to their basic rates of pay and length of service. In addition, retirement benefit trust has been established in certain pension plans.

Lump-sum payment plans are either unfunded or funded as a result of establishing retirement benefit trust. They cover substantially all employees who are entitled to lump-sum payments determined by reference to either points obtained with interest credits or their basic rates of pay and length of service.

Certain domestic consolidated subsidiaries adopted a simplified method in the calculation of net defined benefit liability and retirement benefit expense. Certain domestic consolidated subsidiaries have multiemployer pension plans accounted for by the same methods used for defined contribution pension plans because they cannot reasonably calculate their portion of pension assets corresponding to their contributions.

2. Information on defined benefit pension plans

(1) The changes in the retirement benefit obligation except for plans accounted for by a simplified method during the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Retirement benefit obligation at the beginning of the year	¥198,464	¥204,926	$1,772,006
Service cost	3,273	3,271	29,227
Interest cost	2,659	2,816	23,749
Actuarial loss	2,458	3,057	21,949
Retirement benefits paid	(13,467)	(15,615)	(120,245)
Others	(18)	9	(173)
Retirement benefit obligation at the end of the year	¥193,369	¥198,464	$1,726,513

(2) The changes in plan assets at fair value except for plans accounted for by a simplified method during the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Plan assets at fair value at the beginning of the year	¥167,822	¥218,789	$1,498,414
Expected return on plan assets	3,489	3,652	31,159
Actuarial gain	24,725	(52,064)	220,766
Contributions by the Companies	6,485	7,429	57,908
Retirement benefits paid	(9,151)	(9,985)	(81,710)
Others	(2)	1	(28)
Plan assets at fair value at the end of the year	¥193,368	¥167,822	$1,726,509

(3) The changes in net defined benefit liability calculated by a simplified method during the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Retirement benefit obligation at the beginning of the year	¥2,463	¥2,278	$22,000
Retirement benefit expenses	237	431	2,118
Retirement benefits paid	(152)	(61)	(1,363)
Contributions	(242)	(245)	(2,165)
Others	125	60	1,118
Net defined benefit liability at the end of the year	¥2,431	¥2,463	$21,708

(4) The reconciliation of retirement benefit obligation and plan assets at fair value with net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheet were outlined as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Funded retirement benefit obligation	¥ 193,441	¥ 198,581	$ 1,727,161
Plan assets at fair value	(197,393)	(171,553)	(1,762,446)
	(3,952)	27,028	(35,285)
Unfunded retirement benefit obligation	6,383	6,078	56,997
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥2,431	¥ 33,106	$21,712
Net defined benefit liability	40,883	50,729	365,034
Net defined benefit asset	(38,452)	(17,623)	(343,322)
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ 2,431	¥ 33,106	$ 21,712

Note : Pension plans accounted for by a simplified method are included.

(5) The components of retirement benefit expenses for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Service cost	¥ 3,273	¥ 3,271	$ 29,227
Interest cost	2,659	2,816	23,749
Expected return on plan assets	(3,489)	(3,652)	(31,159)
Amortization of actuarial loss	4,731	4,846	42,247
Amortization of prior service cost	(563)	(569)	(5,031)
Retirement benefit expenses calculated by simplified method	237	431	2,118
Others	151	141	1,341
Retirement benefit expenses	¥ 6,999	¥ 7,284	$ 62,492

(6) The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Prior service cost	¥ 563	¥ 569	$ 5,031
Actuarial gain and loss	(26,999)	50,272	(241,068)
Total	¥(26,436)	¥50,841	$(236,037)

(7) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Unrecognized prior service cost	¥(6,188)	¥ (6,752)	$(55,254)
Unrecognized actuarial gain and loss	9,363	36,363	83,603
Total	¥ 3,175	¥29,611	$ 28,349

(8) The breakdown of plan assets by major category as of March 31, 2017 and 2016 were as follows:

	2017	2016
Deposit	37%	0%
Debt securities	35	39
Equity securities	16	46
General accounts at life insurance companies	12	14
Others	0	1
Total	100%	100%

Note: Retirement benefit trust established for the corporate pension plans is included and equivalent to 22% of total amount of plan assets as of March 31, 2017 and 17% as of March 31, 2016.

The long-term expected rates of return on plan assets has been determined as a result of consideration of both the portfolio allocation at present and in the future, and long-term rates of return from multiple plan assets at present and in the future.

(9) The assumptions used in accounting for the defined benefit plans as of March 31, 2017 and 2016 were as follows:

	2017	2016
Discount rates	0.27% – 1.40%	0.27% – 1.40%
Long-term expected rates of return on plan assets	mainly 2.5%	mainly 2.5%
Expected rates of salary increase	2.5% – 8.6%	2.2% – 8.6%

3. Information on defined contribution pension plans

Contributions of defined contribution pension plans for the years ended March 31, 2017 and 2016 were ¥4,565 million ($40,761 thousand) and ¥4,635 million, respectively.

4. Information on multiemployer pension plans

Contributions to multiemployer pension plans accounted for by the same methods used for defined contributions plans for the years ended March 31, 2017 and 2016 were ¥35 million ($316 thousand) and ¥50 million, respectively.

Note 12. Shareholders' Equity

1. Shares issued and outstanding / Treasury stock

The Companies Act of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

Movements in shares outstanding and treasury stock during the years ended March 31, 2017 and 2016 were as follows:

	Thousands of shares			
	March 31, 2016	Increase in the year	Decrease in the year	March 31, 2017
Shares outstanding:				
Common stock	746,484	—	—	746,484
Total	746,484	—	—	746,484
Treasury stock:				
Common stock	32,109	51	2	32,158
Total	32,109	51	2	32,158

	Thousands of shares			
	March 31, 2015	Increase in the year	Decrease in the year	March 31, 2016
Shares outstanding:				
Common stock	746,484	—	—	746,484
Total	746,484	—	—	746,484
Treasury stock:				
Common stock	32,057	55	3	32,109
Total	32,057	55	3	32,109

The increases of treasury stock were due to purchase of shares of less than one voting unit and the decreases of treasury stock were due to sales of shares at the request of shareholders who own less than one voting unit for the years ended March 31, 2017 and 2016.

2. Dividends

(1) Dividends paid

For the year ended March 31, 2017

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars (Note 3))	Dividends per share (yen)	Dividends per share (U.S. dollars (Note 3))	Cut-off date	Effective date
Meeting of the Board of Directors on May 26, 2016	Common stock	¥3,571	$31,892	¥5.0	$0.04	March 31, 2016	June 8, 2016
Meeting of the Board of Directors on October 27, 2016	Common stock	3,571	31,892	5.0	0.04	September 30, 2016	December 3, 2016

For the year ended March 31, 2016

Resolution	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on May 26, 2015	Common stock	¥3,572	¥5.0	March 31, 2015	June 8, 2015
Meeting of the Board of Directors on October 29, 2015	Common stock	3,572	5.0	September 30, 2015	December 3, 2015

(2) Dividends with the cut-off date in the year ended March 31, 2017 and effective date in the year ending March 31, 2018

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars (Note 3))	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. dollars (Note 3))	Cut-off date	Effective date
Meeting of the Board of Directors on May 25, 2017	Common stock	¥4,285	$38,267	Retained earnings	¥6.0	$0.05	March 31, 2017	June 7, 2017

Dividends with the cut-off date in the year ended March 31, 2016 and effective date in the year ended March 31, 2017

Resolution	Type of shares	Total dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on May 26, 2016	Common stock	¥3,571	Retained earnings	¥5.0	March 31, 2016	June 8, 2016

Note 13. Research and Development Costs

Research and development costs charged to income were ¥34,910 million ($311,703 thousand) and ¥35,949 million for the years ended March 31, 2017 and 2016, respectively.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Research and development costs	¥34,910	¥35,949	$311,703

Note 14. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Salaries and wages	¥74,466	¥73,621	$664,877
Retirement benefit expenses	4,837	4,729	43,195
Research and development costs	30,319	30,766	270,711

Note 15. Extraordinary Income, Net

Extraordinary income, net, for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Extraordinary income			
Gain on sales of noncurrent assets	¥ 55	¥ 989	$ 491
Gain on sales of investment securities	18,849	2,351	168,297
Gain on insurance adjustment	910	—	8,150
Extraordinary loss			
Loss on disposal of noncurrent assets	(568)	(775)	(5,078)
Loss on devaluation of investment securities	(244)	(167)	(2,187)
Impairment loss	(1,356)	(282)	(12,114)
Settlement package	—	(640)	—
Loss on liquidation of subsidiaries	—	(470)	—
Others	—	(54)	—
Extraordinary income, net	¥17,646	¥ 952	$157,559

Note 16. Impairment Loss

The Companies determine the asset group by considering the division of management accounting.

For the year ended March 31, 2017, the Companies recognized an impairment loss on the following asset groups:

Usage	Location	Classification	Millions of yen	Thousands of U.S. dollars (Note 3)
—	Thailand	Goodwill	¥1,356	$12,114

As a result of having examined the possibility of future recovery based on the current business environment of a consolidated subsidiary in substation business, the Companies recognized an impairment loss on goodwill as an extraordinary loss up to the recoverable amount of the asset groups.

In addition, the value-in-use was measured by discounting future cash flows at a rate of 6.5%.

For the year ended March 31, 2016, notes to impairment loss were not disclosed because it didn't have significant impact on the consolidated financial statements.

Note 17. Income Taxes

1. The components of income taxes for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Current	¥ 33,157	¥ 9,600	$ 296,051
Deferred	(14,233)	3,098	(127,094)
Income taxes	¥ 18,924	¥12,698	$ 168,957

The Company and its domestic consolidated subsidiaries are subject to corporate income tax, prefectural and municipal inhabitants' taxes and enterprise tax, based on income.

2. The significant components of deferred tax assets and liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Deferred tax assets			
Net defined benefit liability	¥23,604	¥ 33,414	$210,750
The investment deduction of the foreign consolidated subsidiaries	14,338	16,481	128,026
Inventories	6,597	6,528	58,910
Investment securities	6,459	6,880	57,676
Accrued employees' bonuses	6,379	6,306	56,957
Tangible fixed assets	2,403	2,059	21,460
Other	8,190	8,225	73,103
Gross deferred tax assets	67,970	79,893	606,882
Less: Valuation allowance	(23,012)	(25,132)	(205,465)
Total deferred tax assets	44,958	54,761	401,417
Deferred tax liabilities			
Unrealized gain on other securities	(18,927)	(13,545)	(168,994)
Investment securities	(2,062)	(4,912)	(18,418)
Gain on securities contribution to employee retirement benefit trust	(26)	(16,096)	(237)
Other	(3,629)	(1,297)	(32,390)
Gross deferred tax liabilities	(24,644)	(35,850)	(220,039)
Net deferred tax assets (liabilities)	$ 20,314	¥ 18,911	$ 181,378

3. The reconciliation between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2017 and 2016 were as follows:

	2017	2016
Statutory income tax rate	—	33.1%
Tax rate difference of overseas consolidated subsidiaries	—	(3.9)
Permanent difference resulting from non-taxable income, including dividends received	—	(3.2)
Tax credits	—	(2.6)
Valuation allowance	—	(1.9)
Decrease in deferred tax assets due to the revision of statutory income tax rate	—	3.0
Permanent difference resulting from expenses not deductible for income tax purposes	—	1.7
Other	—	1.1
Effective income tax rate	—	27.3%

Reconciliation of the difference between the statutory income tax rate and the effective income tax rate for the year ended March 31, 2017 was not disclosed because it was not material.

Note 18. Consolidated Statements of Comprehensive Income

Amounts reclassified to profit (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 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ 36,669	¥(56,295)	$ 327,405
Reclassification adjustments	(18,689)	(2,283)	(166,862)
Before tax effect	17,980	(58,578)	160,543
Tax effect	(5,382)	19,283	(48,055)
Valuation difference on available-for-sale securities	12,598	(39,295)	112,488
Deferred gains or losses on hedges:			
Amount arising during the year	(561)	(896)	(5,009)
Asset acquisition cost adjustments	19	21	171
Before tax effect	(542)	(875)	(4,838)
Tax effect	78	253	695
Deferred gains or losses on hedges	(464)	(622)	(4,143)
Foreign currency translation adjustments:			
Amount arising during the year	(3,238)	(8,300)	(28,915)
Reclassification adjustments	(364)	—	(3,268)
Before tax effect	(3,602)	(8,300)	(32,183)
Tax effect	—	—	—
Foreign currency translation adjustments	(3,602)	(8,300)	(32,183)
Remeasurements of defined benefit plans:			
Amount arising during the year	22,267	(55,118)	198,821
Reclassification adjustments	4,169	4,278	37,216
Before tax effect	26,436	(50,840)	236,037
Tax effect	(8,077)	15,926	(72,109)
Remeasurements of defined benefit plans	18,359	(34,914)	163,928
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the year	159	(622)	1,425
Reclassification adjustments	148	102	1,324
Share of other comprehensive income of associates accounted for using equity method	307	(520)	2,749
Total other comprehensive income	¥ 27,198	¥(83,651)	$ 242,839

Note 19. Contingent Liabilities

Contingent liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Guarantees	¥10,256	¥8,781	$91,572

Note 20. Leases

1. Finance lease transactions

(1) Leased assets

Leased assets primarily consist of machinery and equipment and software.

(2) Depreciation method for leased assets

Finance leases other than those that were deemed to transfer the ownership of the leased assets to the lessees and contracted before April 1, 2008, are accounted for by the method that is applicable to ordinary operating leases.

Pro forma information of those leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, lease expense, depreciation expense, interest expense and impairment loss on an "as if capitalized" basis for the years ended March 31, 2017 and 2016 were as follows:

(a) Acquisition cost and accumulated depreciation under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Acquisition cost	¥1,709	¥1,904	$15,260
Accumulated depreciation	1,417	1,463	12,648
Net leased property	¥ 292	¥ 441	$ 2,612

(b) Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Due within one year	¥154	¥166	$1,376
Due after one year	208	363	1,858
Total	¥362	¥529	$3,234

(c) Lease expense, depreciation expense and interest expense under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Lease expense	¥174	¥228	$1,555
Depreciation expense	135	184	1,211
Interest expense	13	20	124

(d) Method of calculating estimated depreciation expense

Depreciation is computed by the straight-line method over the lease period assuming no residual value.

(e) Method of calculating estimated interest expense

Interest expense is computed and allocated to each period using the interest method assuming interest expense to be the excess of total lease payments over the acquisition cost.

2. Operating lease transactions

The minimum rental commitments under noncancellable operating leases as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Due within one year	¥1,280	¥1,791	$11,430
Due after one year	1,138	2,055	10,163
Total	¥2,418	¥3,846	$21,593

Note 21. Segment Information

1. Segment information

(1) Outline of reporting segments

The Companies' reporting segments are components for which separate financial information is available and whose operating results are reviewed regularly by the Board of Directors of the Company in order to make decisions about resource allocation and to assess performance. The Company has business headquarters by products and services at its head office. The business headquarters prepare comprehensively global strategies related to their products and services and control their business activities.

Accordingly, the Companies have five reporting segments, principally based on the business headquarters, that take into account the similarity of category and nature of products and services: Power and Social Infrastructure, Industrial Infrastructure, Power Electronics, Electronic Devices and Food and Beverage Distribution. These segments consist of 2 or more business segments.

As of April 1, 2016, reflecting change of organization structure, the reporting segments were reclassified in Industrial Infrastructure, Power Electronics, Electronic Devices and Food and Beverage Distribution. The reporting segment information for the year ended March 31, 2016 has been reclassified to reflect this change.

Main products and services of each reporting segment consisted of the following:

Reporting segments	Main products and services
Power and Social Infrastructure	Thermal/geothermal/hydraulic power generation, solar power generation systems, fuel cells, energy management systems, smart meter, information systems
Industrial Infrastructure	Substation equipment, industrial power supply facility, industrial drive systems, plant control systems, data centers, industrial energy management systems, measuring instruments and sensors, radiation monitoring systems, electrical equipment and air conditioning construction
Power Electronics	Inverters/servos, motors, railcar systems, uninterruptible power systems (UPSs), power conditioning sub-systems (PCSs), switchboards, power distribution and control equipment
Electronic Devices	Power semiconductors, photoconductors, magnetic disks
Food and Beverage Distribution	Beverage vending machines, vending machines for food and other goods, store equipment, currency handling equipment

(2) Calculation method of net sales, profit or loss, assets, liabilities and other items on each reporting segment

The accounting policies applied by each reporting segment are consistent with those described in "Note 2. Summary of Significant Accounting Policies." Segment profit or loss presented in segment information is calculated based on operating income in the consolidated statements of income. Intersegment sales and transfer are determined by market value.

(3) Information on net sales, profit or loss, assets, liabilities and other items by each reporting segment

Reporting segment information as of March 31, 2017 and 2016 and for the years then ended were as follows:

	Millions of yen								
Year ended March 31, 2017	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net sales									
Sales to third parties	¥193,159	¥206,238	¥182,142	¥115,306	¥109,246	¥31,674	¥837,765	¥ —	¥837,765
Inter-segment sales and transfers	1,636	2,879	23,713	3,156	311	27,426	59,121	(59,121)	—
Total sales	194,795	209,117	205,855	118,462	109,557	59,100	896,886	(59,121)	837,765
Segment profits (losses)	¥ 11,923	¥ 14,572	¥ 8,640	¥ 8,030	¥ 6,029	¥ 2,066	¥ 51,260	¥ (6,551)	¥ 44,709
Segment assets	¥133,828	¥186,476	¥200,637	¥148,761	¥ 78,912	¥32,065	¥780,679	¥105,984	¥886,663
Other items									
Depreciation and amortization	¥ 2,551	¥ 3,592	¥ 6,675	¥ 12,594	¥ 2,253	¥ 803	¥ 28,468	¥ 977	¥ 29,445
Investments for companies applied equity method	¥ —	¥ 14,221	¥ —	¥ —	¥ —	¥ —	¥ 14,221	¥ —	¥ 14,221
Capital expenditures	¥ 2,275	¥3,238	¥9,498	¥ 6,248	¥ 3,885	¥ 781	¥ 25,925	¥ 667	¥ 26,592

	Millions of yen								
Year ended March 31, 2016	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net sales									
Sales to third parties	¥174,007	¥197,239	¥180,716	¥117,247	¥109,751	¥34,590	¥813,550	¥ —	¥813,550
Inter-segment sales and transfers	1,481	2,142	28,058	2,944	283	27,999	62,907	(62,907)	—
Total sales	175,488	199,381	208,774	120,191	110,034	62,589	876,457	(62,907)	813,550
Segment profits (losses)	¥ 9,736	¥ 11,172	¥ 9,431	¥ 9,779	¥ 8,027	¥ 2,336	¥ 50,481	¥ (5,475)	¥ 45,006
Segment assets	¥125,265	¥186,175	¥190,061	¥147,640	¥ 71,095	¥30,788	¥751,024	¥ 94,354	¥845,378
Other items									
Depreciation and amortization	¥ 2,042	¥ 2,934	¥ 6,436	¥ 13,940	¥ 2,490	¥ 826	¥ 28,668	¥ 1,055	¥ 29,723
Investments for companies applied equity method	¥ —	¥ 13,274	¥ —	¥ —	¥ —	¥ —	¥ 13,274	¥ —	¥ 13,274
Capital expenditures	¥ 2,370	¥ 3,210	¥ 8,362	¥ 11,863	¥ 2,589	¥ 559	¥ 28,953	¥ 5,326	¥ 34,279

Year ended March 31, 2017	Thousands of U.S. dollars (Note 3)								
	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net sales									
Sales to third parties	$1,724,634	$1,841,415	$1,626,273	$1,029,526	$975,413	$282,790	$7,480,051	$ —	$7,480,051
Inter-segment sales and transfers	14,613	25,702	211,719	28,175	2,777	244,888	527,874	(527,874)	—
Total sales	1,739,247	1,867,117	1,837,992	1,057,701	978,190	527,678	8,007,925	(527,874)	7,480,051
Segment profits (losses)	$ 106,463	$ 130,108	$ 77,145	$ 71,699	$ 53,837	$ 18,435	$ 457,687	$ (58,492)	$ 399,195
Segment assets	$1,194,895	$1,664,972	$1,791,403	$1,328,224	$704,577	$286,284	$6,970,355	$ 946,286	$7,916,641
Other items									
Depreciation and amortization	$22,779	$32,078	$ 59,603	$ 112,449	$ 20,121	$ 7,150	$ 254,180	$ 8,730	$ 262,910
Investments for companies applied equity method	$ —	$ 126,981	$ —	$ —	$ —	$ —	$ 126,981	$ —	$ 126,981
Capital expenditures	$ 20,316	$ 28,914	$ 84,809	$ 55,791	$ 34,693	$ 6,950	$ 231,473	$ 5,962	$ 237,435

Notes: 1. Others segment consisted of business segments not attributable to reporting segments and included financial services, real estate operations, insurance agency services, travel agency services, printing and information services, etc.

2. The adjustments for segment information above were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Corporate expense*	¥(6,591)	¥(5,482)	$(58,855)
Elimination of intersegment sales	40	7	363
Total	¥(6,551)	¥(5,475)	$(58,492)

* Corporate expense mainly consisted of administration cost of the Company.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Corporate assets*	¥ 274,695	¥ 264,764	$ 2,452,641
Elimination of intersegment transactions	(168,711)	(170,410)	(1,506,355)
Total	¥ 105,984	¥ 94,354	$ 946,286

* Corporate assets mainly consisted of invested cash surpluses (cash and cash equivalents), long-term invested assets (investment securities), assets relating to administration department and assets of a financing subsidiary company.

3. Segment profits (losses) were reconciled to operating income (loss) in the consolidated statements of income.

2. Related information

Related information as of March 31, 2017 and 2016 and for the years then ended were as follows:

Geographic information

(a) Sales

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Japan	¥632,723	¥597,757	$5,649,317
Asia (except for China), Others	106,150	103,873	947,750
China	67,463	82,630	602,354
Europe	16,595	16,681	148,175
America	14,834	12,609	132,455
Consolidated	¥837,765	¥813,550	$7,480,051

Note: Net sales information above is based on customer location.

(b) Tangible fixed assets

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Japan	¥135,613	¥136,614	$1,210,834
Asia (except for China), Others	24,306	26,375	217,012
China	12,179	12,518	108,747
Europe	724	714	6,464
America	695	255	6,207
Consolidated	¥173,517	¥176,476	$1,549,264

3. Information on impairment loss of fixed assets by each reporting segment

Information on impairment loss of fixed assets by each reporting segment for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Power and Social Infrastructure	¥ —	¥ 26	$ —
Industrial Infrastructure	1,356	—	12,114
Power Electronics	—	256	—
Electronic Devices	—	—	—
Food and Beverage Distribution	—	—	—
Others	—	—	—
Total	¥1,356	¥282	$12,114

4. Information on amortization of goodwill and unamortized balance by each reporting segment

Information on amortization of goodwill and unamortized balance by each reporting segment for the year ended March 31, 2017 and 2016 were as follows:

	Millions of yen						
Year ended March 31, 2017	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others	Consolidated
Amortization	¥ 195	¥201	¥302	¥67	¥—	¥—	¥ 765
Balance as of March 31	¥1,697	¥ —	¥969	¥98	¥—	¥—	¥2,764

	Millions of yen						
Year ended March 31, 2016	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others	Consolidated
Amortization	¥—	¥ 196	¥ 308	¥ 63	¥—	¥—	¥ 567
Balance as of March 31	¥—	¥1,524	¥1,349	¥165	¥—	¥—	¥3,038

	Thousands of U.S. dollars (Note 3)						
Year ended March 31, 2017	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others	Consolidated
Amortization	$ 1,748	$1,795	$2,699	$589	$—	$—	$6,831
Balance as of March 31	$15,153	$ —	$8,657	$875	$—	$—	$24,686

5. Information on gain on negative goodwill by each reporting segment

None

Note 22. Information on Transactions with Related Parties

For the year ended March 31, 2017

None

Note 23. Business Combinations

I. Transaction under common control

Additional acquisition of subsidiary's share

1. Summary of transactions

(1) Name and business lines of acquired company

Name: GE Fuji Meter Co., Ltd. ("GFM")

Business lines: Design, manufacture, sales, maintenance, and repair of electric meters (including smart meters and meter-related products) used by electric power utilities and other customers.

(2) Date of the business combination

August 31, 2016

(3) Legal form of the business combination

Share acquisition from a non-controlling shareholder

(4) Name of the company after business combination

GFM has changed its name to Fuji Electric Meter Co., Ltd. on February 1, 2017.

(5) Other information

GFM was established through a joint capital investment of the Company and GE Energy Japan, Ltd. ("GEEJ"), a subsidiary of General Electric ("GE") in Japan, in February 2011 for the purpose of designing, manufacturing and marketing electric meters for the Japanese market. It has developed its business by properly seizing the market opportunities arising from the dissemination of smart meters in Japan.

GE sold off the global electric meter business in December 2015 as part of its business portfolio strategy.

In response, the Company and GEEJ came to an agreement on the acquisition by the Company of the GEEJ-owned shares in GFM and termination of the joint venture agreement.

2. Accounting method

Based on "Revised Accounting Standard for Business Combination" (ASBJ Statement No. 21 of September 13, 2013) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 of September 13, 2013), this additional share acquisition was treated as a transaction with non-controlling interest under common control.

3. Details on the additional acquisition cost of subsidiary's shares

Breakdown by acquisition cost and type of consideration

		Millions of yen	Thousands of U.S. dollars (Note 3)
		2017	2017
Details on the additional acquisition cost of subsidiary's shares	Cash and cash equivalents	¥2,107	$18,816
Acquisition cost		¥2,107	$18,816

4. Matters regarding changes in equity of the Company related to transaction with a non-controlling shareholder

(1) Reason for changes in capital surplus: Additional acquisition of subsidiary's share

(2) Amount of decrease in capital surplus due to transaction with a non-controlling shareholder

Millions of yen	Thousands of U.S. dollars (Note 3)
2017	2017
¥751	$6,708

Note 24. Asset Retirement Obligations

Asset retirement obligations recorded on the consolidated balance sheets

1. Outline of asset retirement obligations

The Companies record asset retirement obligations related to the expenses for removing asbestos from company-owned buildings upon their dismantlement and the obligations to restore head offices, sales offices and other premises to their original condition upon termination of their lease contracts.

Regarding some of the obligations to restore head offices, sales offices and other premises to their original condition, the Companies estimate nonrecoverable amounts of deposits for those premises and record the portion attributable to the current year as expenses, instead of recording asset retirement obligations.

2. Calculation method of asset retirement obligations

In calculating the amounts of asset retirement obligations, the Companies estimate a period of use between 4 and 49 years and use a discount rate equivalent to the interest rate of government bonds corresponding to the use period (0.2% to 2.3%).

3. Changes in the total amounts of asset retirement obligations

Changes in the total amounts of asset retirement obligations for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Balance at the beginning of the year	¥2,049	¥2,157	$18,297
Increase due to acquisition of property, plant and equipment	0	2	6
Adjustment due to passage of time	8	8	74
Decrease due to fulfillment of obligations	(71)	(118)	(638)
Balance at the end of the year	¥1,986	¥2,049	$17,739

Note 25. Amounts Per Share

Information of amounts per share as of March 31, 2017 and 2016 and for the years then ended were as follows:

	Yen		U.S. dollars (Note 3)
	2017	2016	2017
Net assets per share	¥407.68	¥322.52	$3.640
Net income per share	57.36	42.90	0.512
Diluted net income per share	—	42.86	—

Diluted net income per share in 2017 is not disclosed because there is no potential common stock that has a dilutive effect.

Note 26. Subsequent Events

1. Changes in the reporting segments

As of April 1, 2017, the Companies reclassified the reporting segments from “Power and Social Infrastructure”, “Industrial Infrastructure”, “Power Electronics”, “Electronic Devices” and “Food and Beverage Distribution” to “Power Electronics Systems – Energy Solutions”, “Power Electronics Systems – Industry Solutions”, “Power and New Energy”, “Electronic Devices” and “Food and Beverage Distribution” reflecting change of organization structure.

In addition, segment information for the year ended March 31, 2017 modified in line with the new classification was as follows:

	Millions of yen								
Year ended March 31, 2017	Power Electronics Systems – Energy Solutions	Power Electronics Systems – Industry Solutions	Power and New Energy	Electronic Devices	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales and profits or losses by reporting segments									
Net sales									
Sales to third parties	¥210,285	¥277,826	¥93,427	¥115,306	¥109,246	¥31,675	¥837,765	¥ —	¥837,765
Inter-segment sales and transfers	8,462	8,201	411	3,156	311	27,426	47,967	(47,967)	—
Total sales	218,747	286,027	93,838	118,462	109,557	59,101	885,732	(47,967)	837,765
Segment profits (losses)	¥ 13,725	¥ 13,949	¥ 7,479	¥ 8,030	¥ 6,029	¥ 2,066	¥ 51,278	¥ (6,569)	¥ 44,709

	Thousands of U.S. dollars (Note 3)								
Year ended March 31, 2017	Power Electronics Systems – Energy Solutions	Power Electronics Systems – Industry Solutions	Power and New Energy	Electronic Devices	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales and profits or losses by reporting segments									
Net sales									
Sales to third parties	$1,877,547	$2,480,597	$834,178	$1,029,526	$975,413	$282,790	$7,480,051	$ —	$7,480,051
Inter-segment sales and transfers	75,552	73,216	3,670	28,175	2,777	244,888	428,278	(428,278)	—
Total sales	1,953,099	2,553,813	837,848	1,057,701	978,190	527,678	7,908,329	(428,278)	7,480,051
Segment profits (losses)	$ 122,551	$ 124,550	$ 66,778	$ 71,699	$ 53,837	$ 18,435	$ 457,850	$ (58,655)	$ 399,195

Notes: 1. Others segment consisted of business segments not attributable to reporting segments and included financial services, real estate operations, insurance agency services, travel agency services, printing and information services, etc.
2. The adjustments for segment information above were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2017	2017
Corporate expense*	¥(6,591)	$(58,855)
Elimination of intersegment sales	22	200
Total	¥(6,569)	$(58,655)

* Corporate expense mainly consisted of administration cost of the Company.

Independent Auditor's Report

EY
Building a better working world

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo, Japan 100-0011

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

Independent Auditor's Report

The Board of Directors
Fuji Electric Co., Ltd.

We have audited the accompanying consolidated financial statements of Fuji Electric Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls 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. 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 referred to above present fairly, in all material respects, the consolidated financial position of Fuji Electric Co., Ltd. and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 27, 2017
Tokyo, Japan

ECOLOGY
Fuji Electric

This mark symbolizes
the commitment of Fuji Electric
to environmental protection.

Fuji Electric Co., Ltd.

Gate City Ohsaki, East Tower,
11-2, Osaki 1-chome, Shinagawa-ku, Tokyo 141-0032, Japan
Contacts: Public and Investor Relations Dept.
TEL: +81-3-5435-7111 http://www.fujielectric.com/

Waterless Printing
This report was printed using a waterless printing process to prevent the emission of hazardous liquids during printing.

Non-VOC Ink
This report was printed using 100% vegetable-based ink containing zero volatile organic compounds (VOCs).

Paper Certified by the FSC™ as Being from Mixed Sources
The paper used in this report has been certified by the Forest Stewardship Council™ as deriving from well-managed forests and other controlled sources.

00A9-E-0103 Printed in Japan 2017.9