

January 30, 2020

Company Name: Fuji Electric Co., Ltd.

Representative: Michihiro Kitazawa, President and Chairman of the Board of Directors

Code Number: 6504, listed on the first sections of TSE and NSE; and on FSE

Contact: Masayoshi Kisaki, General Manager, Corporate Planning Office

Corporate Management Planning Headquarters

Telephone: +81-3-5435-7213

Statement Regarding Allegations of Fictitious Transactions Against Subsidiary

On January 24, 2020, Fuji Electric issued a news release entitled “Statement on Media Reports Dated January 24” detailing allegations that consolidated subsidiary Fuji Electric IT Solutions Co., Ltd. (“FSL”), had engaged in fictitious transactions with other companies. A special investigative committee was assembled to investigate this matter. The investigation of this committee has been completed, and the details are as follows.

1. Fictitious Transactions

The following transactions conducted between FSL and a specific counterparty over the period from March 2015 to October 2019 were found to be non-existent (fictitious). These transactions involved the supply of IT equipment and software to highly confidential government entities, and FSL was requested, by a counterparty with which prior transactions existed, to act as an intermediary in transactions between the suppliers and buyers (direct delivery transactions) designated by the counterparty as was necessitated given the nature of the transactions.

	No. of transactions	Sales amount / No. of buyers	Procurement amount / No. of suppliers
Fiscal year ended March 31, 2020	3	¥3.4 billion / 1	¥3.3 billion / 2
Fiscal year ended March 31, 2019	4	¥5.0 billion / 1	¥4.7 billion / 2
Fiscal year ended March 31, 2018	4	¥6.6 billion / 1	¥6.2 billion / 2
Fiscal year ended March 31, 2017	11	¥5.8 billion / 2	¥5.4 billion / 4
Fiscal year ended March 31, 2016	15	¥3.3 billion / 2	¥3.1 billion / 2
Fiscal year ended March 31, 2015	1	¥0.1 billion / 1	¥0.1 billion / 1

Notes:

- The figures above do not include four transactions (for which sales of ¥4.7 billion were not recorded in the six-month period ended September 30, 2019) that have already been cancelled.
- The names of the buyers and suppliers cannot be disclosed based on confidentiality agreements concluded as part of transactions and the investigation.

A comprehensive investigation found that the Fuji Electric Group (“FE Group”) had not been involved in any fictitious transactions other than those listed.

2. Misconduct by FSL

The investigation conducted by the special investigative committee over the period from December 24, 2019, to January 26, 2020, entailed transferring evidence and other external and internal

documents regarding the fictitious transactions to a forensic firm completely independent from the FE Group. After this, the computer and email server data of all FSL employees involved in the transactions (data limited to that from the fiscal year ended March 31, 2016, forward that it was technologically possible to extract), the email data from the mobile phones of the FSL sales representatives involved in the transactions (same scope as applies), and other data was submitted to detailed analysis. Furthermore, individuals involved in the transactions from both inside and outside of FSL were interviewed one or more times. Through this process, no evidence was found indicating that FSL employees were aware of the fictitious nature of the transactions or that FSL itself had engaged in misconduct.

3. Impact on Consolidated Financial Results

The impact of the fictitious transactions on the past performance of Fuji Electric was less than 1% of consolidated net sales and operating income in each applicable fiscal year. As the impact was minimal, retroactive revisions will not be made to past performance.

Meanwhile, Fuji Electric will deduct net sales of ¥3.4 billion and costs of sales of ¥3.3 billion associated with the fictitious transactions that were recorded on the consolidated financial statements for the six-month period ended September 30, 2019, from the consolidated financial statements for the third quarter of the fiscal year ending March 31, 2020.

4. Measures to Prevent Reoccurrence

Fuji Electric has always strictly prohibited misconduct, including fictitious transactions, by FE Group employees as part of its efforts to strengthen compliance. The special investigative committee found that one of the reasons why FSL became involved in the aforementioned fictitious transactions was a failure of risk management. To address this issue, Fuji Electric was provided with advice that included revising its risk maps pertaining to fictitious transactions, reconstructing risk management frameworks for workflows, and implementing exhaustive risk awareness trainings for management and sales divisions.

Fuji Electric sincerely apologizes for the great concern this incident has caused to its shareholders.

Fuji Electric is committed to regaining the trust of its stakeholders by reinforcing its Groupwide risk management systems based on the advice of the special investigative committee in order to ensure that such incidents do not occur in the future.