

Securities code: 6504

To Our Shareholders
141st Term (Fiscal 2016) Annual Business Report

(April 1, 2016–March 31, 2017)

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Business Report (April 1, 2016–March 31, 2017)

[Business Overview] Overview

In the fiscal year ended March 31, 2017, economic instability was seen overseas against a backdrop of factors such as the risk of economic downturn in Asia, most apparent in China, and uncertainty regarding government policy in Europe and the United States. Nevertheless, an overall trend toward modest recovery was witnessed overseas driven by principal developed countries, including the United States and European countries. In the domestic economy, the general trend was that of gentle recovery, despite the rapid foreign exchange rate fluctuations seen over a short period of time that were a result of the growing sense of uncertainty in 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.

During the fiscal year ended March 31, 2017, although operations felt the impacts of foreign exchange rate fluctuations, we advanced the various measures of our growth strategies, and demand grew. As a result, net sales increased ¥24.2 billion year on year, to ¥837.8 billion. By business segment, Power and Social Infrastructure and Industrial Infrastructure saw increased net sales, while Power Electronics, Electronic Devices, Food and Beverage Distribution, and Others saw net sales decline.

Operating profit decreased ¥0.3 billion year on year, to ¥44.7 billion, as the impacts of upfront investments in Power Electronics and foreign exchange rate fluctuations outweighed the benefits of cost reduction efforts. Meanwhile, ordinary profit increased ¥0.7 billion, to ¥46.3 billion. At the same time, profit attributable to owners of parent climbed ¥10.3 billion, reaching a new record high of ¥41.0 billion due to the recording of gain on sales of investment securities.

Consolidated results of operations for the fiscal year ended March 31, 2017, were as follows.

Fiscal 2016 (April 1, 2016 to March 31, 2017)

Classification	141st term Fiscal 2016	Increase/Decrease
Net sales	¥837.8 billion	Up ¥24.2 billion YoY
Operating profit	¥44.7 billion	Down ¥0.3 billion YoY
Ordinary profit	¥46.3 billion	Up ¥0.7 billion YoY
Profit attributable to owners of parent	¥41.0 billion	Up ¥10.3 billion YoY
Basic earnings per share	¥57.36	Up ¥14.46 YoY
Total assets	¥886.7 billion	Up ¥41.3 billion YoY

Business Segment Overview

(¥ billion)

Business segment	Classification	140th term Fiscal 2015	141st term Fiscal 2016	Change (%)
Power and Social Infrastructure	Net sales	175.5	194.8	111%
	Operating profit	9.7	11.9	122%
Industrial Infrastructure	Net sales	199.4	209.1	105%
	Operating profit	11.2	14.6	130%
Power Electronics	Net sales	208.8	205.9	99%
	Operating profit	9.4	8.6	92%
Electronic Devices	Net sales	120.2	118.5	99%
	Operating profit	9.8	8.0	82%
Food and Beverage Distribution	Net sales	110.0	109.6	100%
	Operating profit	8.0	6.0	75%
Others	Net sales	62.6	59.1	94%
	Operating profit	2.3	2.1	88%
Sub-total	Net sales	876.5	896.9	102%
	Operating profit	50.5	51.3	102%
Eliminate/Corporate	Net sales	(62.9)	(59.1)	—
	Operating profit (loss)	(5.5)	(6.6)	—
Total	Net sales	813.6	837.8	103%
	Operating profit	45.0	44.7	99%

(Note) The makeup of the business segments grouped in each business segment of “Industrial Infrastructure,” “Power Electronics,” “Electronic Devices” and “Food and Beverage Distribution” changed during the current fiscal year with the change in the organization structure, and the figures of “Change” are calculated after reclassifying the figures for fiscal 2015 in accordance with the classification of business segments after such change.

Results by Business Segment

[Power and Social Infrastructure]

Net sales increased 11% year on year, to ¥194.8 billion, and operating profit increased ¥2.2 billion year on year, to ¥11.9 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 year on year due to 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.

TOPICS

Increase in orders for geothermal power generation

The Company has an extensive track record in delivering geothermal power generation facilities in Japan and abroad. In fiscal 2016, we received an order for a geothermal power generation facility in Indonesia. Meanwhile, in Japan, we delivered geothermal binary power generation facility equipment using low-temperature hot water. We will increase orders for our system for generating geothermal power which is attracting attention as a renewable energy source.

[Industrial Infrastructure]

Net sales increased 5% year on year, to ¥209.1 billion, and operating profit increased ¥3.4 billion year on year, to ¥14.6 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 year on year as a result of strong energy saving and replacement demand 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 year on year due to the robust replacement demand seen 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.

TOPICS

Expansion of the data center business

Given the penetration of the cloud system and other factors, demand for data

centers is rapidly expanding. In fiscal 2016, we received a large-scale order for a data center, comprehensively undertaking the design, procurement and construction of the facility. In cooling a server, high energy conservation can be achieved by adopting a cooling method that utilizes a freezer and outside air along with a highly efficient UPS. Going forward, we will take initiatives to expand our data center business in Asia and North America.

[Power Electronics]

Net sales decreased 1% year on year, to ¥205.9 billion, and operating profit decreased ¥0.8 billion year on year, to ¥8.6 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 railcars. However, operating results worsened as a result of upfront investments in overseas production bases. In the power supply business, net sales were down year on year due to the decline in demand for power conditioning sub-systems for megasolar power generation 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 year on year following reduced demand from machine tool and other machinery manufacturers as well as from distribution board manufacturers.

TOPICS

Completion of the Power Electronics Technical Center

Our Power Electronics Technical Center, where development and design functions are integrated, was completed in the Suzuka Factory. We will heighten the efficiency of developing new products and accelerate the launch of competitive power electronics devices in the market. We also built an exhibition room attached to the Power Electronics Technical Center for introducing new products and setting a demonstration section to place a demo machine that assumes the production facility of a customer in an effort to strengthen our capabilities for developing new products.

[Electronic Devices]

Net sales decreased 1% year on year, to ¥118.5 billion, and operating profit decreased ¥1.7 billion year on year, to ¥8.0 billion.

In the semiconductors business, net sales increased and operating results improved year on year, despite the adverse impacts of foreign exchange influences,

due to the recovery of demand in the industrial and power supply application fields as well as the continuation of firm performance in the automotive field. In the magnetic disks business, net sales were down and operating results worsened year on year because of the declines in demand following deteriorating market conditions.

TOPICS

Strengthening development of power semiconductor for automotive application

While there is strong anticipation for the penetration of electric vehicles and hybrid cars from the perspective of preventing global warming and improving air quality, such vehicles are required to achieve further down-sizing and weight-reduction of components installed in order to mitigate environmental burden and improve the distance that a vehicle can travel on a single charge. In fiscal 2016, we developed a direct liquid cooling power module that has achieved 50% reduction in size and 60% reduction in weight compared to conventional products. This module adopts a water-based cooling mechanism for cooling the heat generated during operation (at the time of power conversion) and enhancing heat radiation to actively relieve deterioration caused by heat and thereby heightening the reliability of the product.

[Food and Beverage Distribution]

Net sales decreased slightly year on year, to ¥109.6 billion, and operating profit decreased ¥2.0 billion year on year, to ¥6.0 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 while performance in the Chinese market was 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 year on year due to a rise in demand for store equipment and automatic change dispensers for convenience stores, but operating results worsened year on year as a result of a less favorable sales mix.

TOPICS

Contribution to labor-saving in convenience stores and other shops

On the backdrop of labor shortages, etc. in convenience stores and other shops, there are growing needs for labor-saving and automation. The Company is contributing to the manpower- and labor-saving efforts of stores by expanding lineups of vending machines that distribute food, everyday sundries and other items 24 hours a day and delivering automatic change dispensers.

[Others]

Net sales decreased 6% year on year, to ¥59.1 billion, and operating profit decreased ¥0.3 billion year on year, to ¥2.1 billion.

Research and Development Activities

In fiscal 2016, our efforts were focused on research and development to create product lineups, which are expected to lead to a responsible and sustainable society by pursuing cutting-edge energy and environmental technologies.

The following provides an overview of these activities.

In the Power and Social Infrastructure business, we, along with The Kansai Electric Power Company, Incorporated are among the 14 firms participating in the Virtual Power Plant Construction Experimental Project, an initiative subsidized by the Agency for Natural Resources and Energy, an arm of the Ministry of Economy, Trade and Industry. The Company constructed a large-scale battery server for large storage cells, and developed gateway equipment that connects the server with the storage cell system. In integration testing and performance testing, we checked the various basic functions and validated their performance and obtained favorable results. Based on this development, we will contribute to optimizing energy use and further promoting the introduction and expansion of renewable energy sources.

In the Industrial Infrastructure business, the Company developed and released a 145 kV gas-insulated switchgear (GIS) “SDH714,” conforming to the IEC Standard M2 class for distribution in Asia and the Middle and Near East. We achieved the most compact and lightweight class in the industry, a 30% reduction in the installation area and a 35% reduction in weight compared to our conventional products. We also developed and released a 56 kW “F-COOL NEO,” an ultra-high-efficient external air cooling type air conditioner for data centers. With a 40% improvement in cooling power while maintaining almost the same installation area as our conventional products, the product offers enhanced power saving and efficient use of space.

In the Power Electronics business, we developed and released the “ALPHA7 Series,” a new servo system offering the industry’s top-level high-speed, high-accuracy control. We heightened frequency response from the traditional 1.5 kHz to 3.2 kHz and enhanced the encoder resolution power from the traditional 20 bit to 24 bit. In addition to offering a safe torque off feature conforming to the functional safety standard as a built-in standard function, the product allows the user to select other optional safety functions. Installation of this servo system contributes to determining the position of precision processing machines, etc. at high speed and high accuracy, and to improving safety. We also developed and distributed an inverter-type air conditioner fan motor that maintains high efficiency even at a low rotational speed in a steady operation mode, etc.

In the Electronics Devices business, we began delivering samples of direct liquid cooling power module for use in automobiles such as electric vehicles (EV), hybrid vehicles (HEV) and plug-in hybrid vehicles (PHV). We are the first to introduce a power module with a built-in reverse-conducting IGBT (RC-IGBT) for practical use on vehicles. Significant downsizing of this chip contributes to making the overall EV, HEV and PHV systems compact and lightweight.

In the Food and Beverage Distribution business, we optimized air curtains and under-shelf currents for blocking outside air and developed freezers and refrigerated display cases that offer improved cooling functions and better energy-saving results. Furthermore, we launched prototypes for various new proposals such as a wall mounted display case that will eliminate the need for installation work, a new display method for improved operation, and display-based, highly appealing POP advertising functions.

Capital Investment

In fiscal 2016, we made investments totaling ¥27.1 billion, including those for leasing. Our capital investment policy focused on increasing production capacity based on local design, local production, and local consumption; mass-production of next-generation power semiconductors, and reinforcing new products and the mother factories in the Power Electronics business which are anticipated to demonstrate growth in sales.

Key investments were as follows.

In the Power and Social Infrastructure business, we invested in increasing production of smart meters and in portable machine processing facilities used in onsite repair services for thermal power plants.

In the Industrial Infrastructure and Power Electronics businesses, we completed the Power Electronics Technical Center at the Suzuka Factory for reinforcing the development of new products by integrating the development and design divisions, and invested in reorganizing production models and rationalizing in-house production at the mother factory toward enhancing product competitiveness at our Suzuka and Kobe Factories. In the ED&C components business segment, we invested in a new production facility for the earth leakage circuit breaker that accommodates IoT.

In the Electronic Devices business, we invested in the mass-production of next-generation IGBT chips at our Yamanashi Factory while making capital investment in the front-end process for semiconductors to expand BCP-compatible

models at Fuji Electric Tsugaru Semiconductor Co., Ltd. With respect to the back-end process, we made capital investment in facilities in Japan and overseas for increasing production of IPM (intelligent power module, a power semiconductor element).

In the Food and Beverage Distribution business, we invested in the molds for the new vending machine models. In overseas, we began the construction of our new Dalian Factory aimed at expanding the vending machine business in China.

Financing

In fiscal 2016, we issued the 29th series of unsecured bonds in the amount of ¥15.0 billion in August 2016 and redeemed the 24th series of unsecured bonds in the amount of ¥20.0 billion in October 2016.

Meanwhile, we redeemed commercial papers and repaid loans payable using free cash flows for the current fiscal year.

As a result, our consolidated financial obligations as of the end of March 2017 decreased by ¥33.5 billion year on year to ¥151.2 billion, leaving net financial obligations, calculated by deducting cash and cash equivalents from financial obligations, of ¥109.3 billion (a drop of ¥44.6 billion year on year).

TOPICS

CSR Activities

- Environmental Protection

We are promoting activities for environmental protection by formulating Environmental Vision 2020 which focuses on three activities: Stop Global Warming, Create a Recycling-Oriented Society, and Meet our Corporate Social Responsibilities.

Our Yamanashi Factory received the Minister Prize of Economic, Trade and Industry (power saving division), the highest award in the 2016 Energy Conservation Grand Prize for excellent energy conservation equipment (energy conservation cases category) sponsored by the Energy Conservation Center, Japan.

This award was in recognition of our initiatives in pursuing energy conservation through optimizing the use of electricity and heat by leveraging FEMS (factory energy management system) while working to eliminate energy supplying risk, our energy-saving efforts made in fiscal 2015 that resulted in a 34% cut in energy use from the level of fiscal 2010, the steps we have taken in eliminating the risk of power failure and an instantaneous voltage drop, as well as achieving 100% power self-sufficiency.

We will continue to consistently carry out activities to save energy on a corporate-wide basis and provide products and services by leveraging our energy and environmental technologies in order to realize a sustainable society.

- Diversity

We are actively taking initiatives to promote diversity based on our management policy of “Maximize our strengths as a team, respecting employees’ diverse ambitions.”

In terms of “enabling women to play active roles,” we strengthened our efforts to step up the careers of young and mid-career female employees in addition to proactively hiring female science and engineering graduates.

We are also continuously working on widening job categories for increasing the employment of disabled persons.

Furthermore, we are implementing activities to create an environment that enables employees to have a good work-life balance through such measures as promoting the leave system to encourage male employees to participate in child care.

As a result of these initiatives, we received the “Platinum Kurumin,” a high-rank certification for companies that provide support to families raising children. In addition, we were selected as the “Nadeshiko Brand” for a growing company that promotes active women participation for two years in a row.

- Social Contributions

Guided by our basic policy to contribute to local communities with human resources and technologies developed through business activities, we have set the focus themes of “protecting the natural environment,” “promoting youth development,” and “giving aid to support areas affected by natural disasters.” We have conducted our activities both at home and abroad mainly in areas where our offices are located.

In fiscal 2016, to strengthen support for youth development, we took initiatives to

expand science classes for children. We developed a new program named “Using energy without any waste” to have children learn about energy conservation through conducting experiments, and we held a visiting lecture at an elementary school in Otawara City in Tochigi Prefecture. We will continue to contribute to youth development in a wider range of regions.

In an effort to support areas affected by natural disasters, we continued to purchase food produced in Fukushima Prefecture and sell local produce in our offices while our affiliates began selling Fukushima-produced Japanese sake and sweets with the Fe logo to their employees.

Challenges to be addressed

The Company released its FY2018 Medium-Term Management Plan “Renovation 2018” in April 2016 and has since been advancing initiatives based on the basic policy of “Further Renovation of Fuji Electric.” While uncertainties in policy exist in Europe and the U.S., we will continue to make efforts to “Advance growth strategies” and “Strengthen profitability.”

- Strengthening of the Power Electronics Systems business

Effective April 2017, the Company will integrate and reorganize the social engineering systems, industrial infrastructure and power electronics businesses as part of the operational process reform addressed as a priority issue under our Medium-Term Management Plan to strengthen our Power Electronics Systems business. By enhancing product designing and creating the optimal supply chain, we will create competitive components that will strengthen our systems. We will leverage these systems to expand our business primarily in overseas markets. We will provide “energy solutions” that contribute to the stable provision, optimization and stabilization of energy for customers in a wide range of industrial segments and “industry solutions” that can enable users to improve productivity and achieve energy conservation by combining measuring devices and IoT with power electronics application products and promoting automation and visualization of factories.

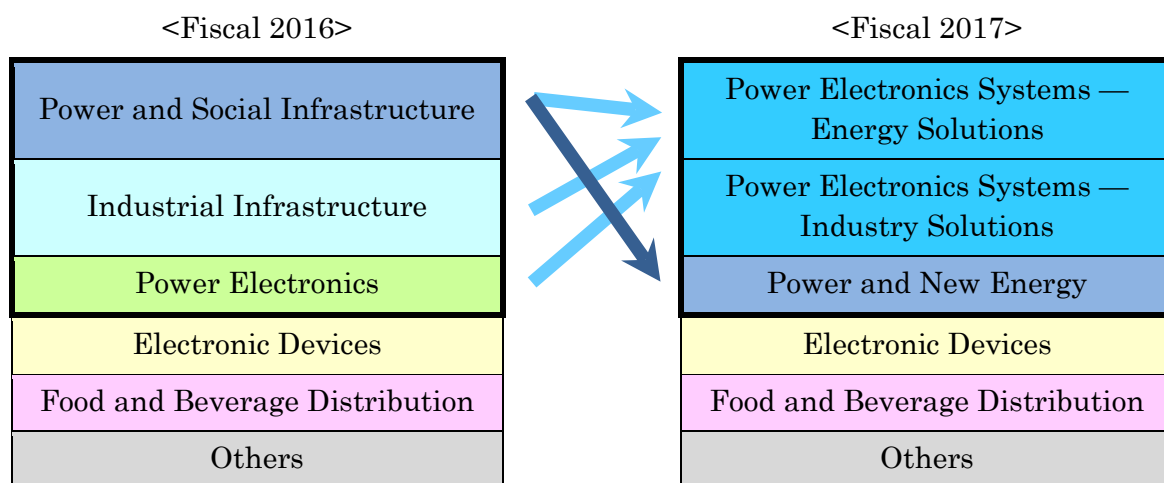
- Further strengthening of manufacturing capabilities

With a view to promoting local production and local consumption as we work to expand our business activities globally, the Company is advancing efforts to strengthen our global mother factories in Japan, coordinate with overseas production sites in Asia, China and other locations, and reinforce its structure to respond to a wide range of market needs in Japan and abroad. By taking initiatives toward increasing added value and improving productivity through expanding in-house production and reducing costs by utilizing IoT, we will strive to further strengthen our manufacturing capabilities.

- Revitalization of Pro-7 Activity

We have been promoting the “Pro-7 Activity” in which improvement in business quality is thoroughly worked on in order to prevent wasteful spending and loss cost, etc. from occurring while conducting a zero-based review of all costs of business activities. We will revitalize the Pro-7 Activity by expanding our initiatives in overseas locations and taking other steps to actively improve profitability.

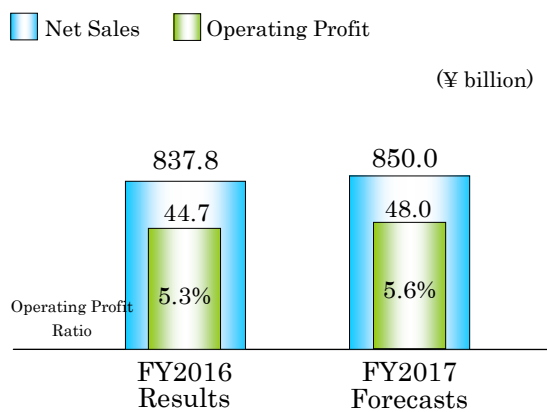
In conjunction with the aforesaid business integration and reorganization, we have revised our segments as of fiscal 2017 as follows.



■ Consolidated business results forecasts and priority measures by business segment

The consolidated business results forecasts for fiscal 2017 and priority measures by business segment are as follows.

Consolidated business results forecasts



Net sales are expected to be ¥850.0 billion for fiscal 2017, up 1.5% year on year. Operating profit is projected to be ¥48.0 billion, up ¥3.3 billion year on year.

Priority measures by business segments**● Power Electronics Systems — Energy Solutions**

The Power Electronics Systems — Energy Solutions business segment will focus on securing a sufficient share of the domestic smart meter market while incorporating domestic replacement demand in the substation systems business. At the same time, effort will be devoted to expanding operations by enhancing manufacturing and engineering capabilities in Asia. Furthermore, this segment will introduce power supplies equipped with SiC power semiconductors with the aim of providing a total facility lineup encompassing everything from data center to server power supplies. In the ED&C components business, we will seek to capture domestic construction demand.

● Power Electronics Systems — Industry Solutions

The Power Electronics Systems — Industry Solutions business segment will work to expand systems operations that address automation needs in Japan and China in the factory automation business and capture domestic replacement demand while leveraging Asian engineering subsidiaries to take advantage of capital investment demand in the process automation business. In addition, this segment will promote sales to the logistics industry and accelerate the development of new transportation systems products in the environmental and social solutions business.

● Power and New Energy

The Power and New Energy business segment will work to increase orders for thermal and geothermal power generation plant while growing service operations and increasing orders in the new energy business.

● Electronic Devices

The Electronic Devices business segment will seek to grow industrial and automotive field sales in the semiconductor business. In addition, this segment will accelerate the development of new SiC power semiconductors and automotive field products with the aim of creating competitive power electronics while also expanding post-process production overseas.

● Food and Beverage Distribution

The Food and Beverage Distribution business segment will expand its vending machine business in China, Asia, and other overseas markets while boosting competitiveness by developing high-value-added products and pursuing further cost reductions. In the store distribution business, the segment will strive to increase orders of store equipment from supermarkets and convenience stores while developing new products.

[Dividends of Surplus]

Policies Relating to Decisions on the Dividend of Surplus, etc.

We intend to return profit gained through business activities to shareholders. At the same time—while maintaining and strengthening our management foundation—we intend to appropriate profit for consolidated shareholders' equity in order to secure internal reserves for research and development, capital investment, human resources development, and other investments reflecting a medium-to long-term viewpoint.

We will determine the amount of dividends to be paid from retained earnings in light of the above medium-to long-term business cycle; our policy of paying stable and continuous dividends; and comprehensive consideration of the business results of the relevant fiscal year, research and development and capital investment plans for future growth, and business conditions.

We regard the acquisition of treasury stock as a flexible mechanism to supplement dividends when warranted by the cash flow position.

Moreover, in accordance with the capital strategy prescribed by Article 459, Paragraph 1 of the Companies Act, this action shall be conducted with a view to strengthening consolidated shareholders' equity.

Also in accordance with Article 459, Paragraph 1 of the Companies Act, this will be decided by resolution of the Board of Directors, or the Ordinary General Meeting of Shareholders.

Year-End Dividend for Fiscal Year Ended March 31, 2017

Based on the Policies relating to decisions on the dividend of surplus, etc. described in the above, the Company resolved to pay a year-end dividend of ¥6 per share at the meeting of the Board of Directors held on May 25, 2017, with due consideration given to the consolidated operating results for the current and next period, financial conditions, and other factors.

The annual dividend for the fiscal year 2016 amounted to ¥11 per share including the amount of interim dividend.

[Consolidated Financial Results and Trends in Assets]

Classification	138th term Fiscal 2013	139th term Fiscal 2014	140th term Fiscal 2015	141st term Fiscal 2016
Net sales (¥ billion)	759.9	810.7	813.6	837.8
Operating profit (¥ billion)	33.1	39.3	45.0	44.7
Ordinary profit (¥ billion)	36.7	43.1	45.6	46.3
Profit attributable to owners of parent (¥ billion)	19.6	28.0	30.6	41.0
Basic earnings per share (¥)	27.41	39.16	42.90	57.36
Total assets (¥ billion)	810.8	904.5	845.4	886.7
Annual dividend per share (¥)	7.0	9.0	10.0	11.0

[Remuneration for Directors and Auditors]

Policy on the Determination of Remuneration for Directors and Auditors

In accordance with the Board of Directors' resolutions, the Company set the policy on determination of remuneration for the Company's Directors and Auditors as described below.

In paying remuneration etc. to Directors and Auditors of the Company, the Company considers its duty to respond to the mandate of the shareholders, acquire and maintain excellent personnel and provide incentive for improvement in earnings performance, and it has in place a remuneration system with set remuneration levels.

While considering changes in the business environment and data objectively compiled by third parties, the Company continuously examines the suitability of the remuneration system and the remuneration levels and whether there is a need to make changes.

1. Standing Directors

Since Standing Directors are charged with a duty to improve consolidated results for each fiscal year and realize medium-to long-term improvement in corporate value, their remuneration is structured and managed as follows.

(i) Base remuneration

Base remuneration shall be paid as a monthly financial sum determined in advance, applicable to that senior management rank.

A portion of the remuneration of Standing Directors, applicable to that senior management rank, shall be contributed to the Director Shareholding Association to share the economic interests of shareholders and as an incentive to make management aware of share value.

(ii) Performance-related remuneration

Performance-related remuneration shall be paid only in instances in which dividends are paid to shareholders from retained earnings. The total amount of executive performance remuneration shall be within one percent of the consolidated profit for the fiscal year prior to the date of payment in order to make the linkage with consolidated results for each fiscal year more transparent.

2. Outside Directors and Auditors

Remuneration for Outside Directors and Auditors shall be paid as base remuneration as a monthly financial sum determined in advance, applicable to their senior management rank, since Outside Directors and Auditors are charged with the duty of supervising or auditing the execution of duties across the entire Fuji Electric.

Outside Directors and Auditors may acquire stock in the Company at their own discretion.

Total Amount of Remuneration Paid to Directors and Auditors for Fiscal 2016

	Payees (persons)	Payment (¥ million)
Directors	13	269
(Outside)	(5)	(22)
Auditors	7	80
(Outside)	(4)	(22)

(Notes) 1. The amounts of remuneration for Directors shown above do not include performance-related remuneration for fiscal 2016 because the payment amounts of said remuneration are not clear at the time of the preparation of this Business Report.

2. In addition to the above payment, the Company paid ¥86 million in performance-related remuneration to Standing Directors (six Directors) for fiscal 2015.
3. In addition to the above payment, the Company paid ¥17 million to two employees who concurrently assumed the office of Director (an employee) as salary for an employee.
4. As described earlier in "Policy on the determination of remuneration," a portion of the base remuneration of Standing Directors shall be contributed to the Director Shareholding Association with the obligation to acquire stock of the Company. The following table shows the amount contributed to the Director Shareholding Association, including voluntary contributions, together with the amount of stock of the Company acquired.

	Contribution to Director Shareholding Association (¥ million)	Stock of the Company acquired (thousands of shares)
Directors	19	36
Auditors	3	6

(Note) As used in this Business Report, the expression "Standing Directors" refers to executive directors as prescribed in Article 2, Item 15 of the Companies Act.

[Corporate Overview]

Stock Information (as of March 31, 2017)

1. Authorized shares: 1,600,000,000
2. Issued and outstanding shares: 746,484,957
3. Number of shareholders: 36,913
(a decrease of 4,579 from the end of the previous term)

4. Shareholdings by type of shareholder

Classification	Number of shareholders (persons)	Number of shares (shares)	Ratio of shareholding (%)
Financial institutions/Securities firms	117	275,152,680	36.86
Other domestic corporations	457	125,810,276	16.85
Foreigners	535	224,226,344	30.04
Individuals and others	35,804	121,295,657	16.25
Total	36,913	746,484,957	100.00

(Note) "Individuals and others" includes treasury shares stock.

5. Top ten shareholders

Name	Capital contribution to the Company	
	Number of shares (thousands of shares)	Ratio of shareholding (%)
FUJITSU LIMITED	74,333	10.41
The Master Trust Bank of Japan, Ltd. (Trust Account)	47,456	6.64
Japan Trustee Services Bank, Ltd. (Trust Account)	46,726	6.54
Mizuho Bank, Ltd.	22,254	3.12
Asahi Mutual Life Insurance Company	19,775	2.77
FANUC CORPORATION	13,421	1.88
Japan Trustee Services Bank, Ltd. (Trust Account 5)	11,070	1.55
FURUKAWA CO., LTD.	11,025	1.54
Furukawa Electric Co., Ltd.	8,738	1.22
JP MORGAN CHASE BANK 380634	8,571	1.20

(Notes) 1. Treasury stock of 32,158,991 shares is excluded from the above list of top 10 shareholders.

2. Ratio of shareholding is calculated by deducting treasury stocks from the total number of shares outstanding based on the provisions of the Ordinance for Enforcement of the Companies Act.

Type of Bonds with Stock Acquisition Rights (as of March 31, 2017)

Not applicable.

Status of Directors and Auditors

1. Directors and Auditors

Name	Positions and direct duties in the Company	
Michihiro Kitazawa	Representative Director President and Director	President General Management
Kenzo Sugai	Representative Director	Executive Vice President Assistant to President Corporate General Manager, Sales Group
Motoyuki Suzuki	Outside Director	
Toshihito Tamba	Outside Director	
Naomi Tachikawa	Outside Director	
Michio Abe	Director	Senior Managing Executive Officer Corporate General Manager, Production and Procurement Group
Junichi Matsumoto	Director	Executive Officer General Manager, Corporate Finance Office, Corporate Management Planning Headquarters
Junichi Arai	Director	Managing Executive Officer Corporate General Manager, Corporate Management Planning Headquarters General Manager, Export Administration Office In charge of compliance management and crisis management
Masatsugu Tomotaka	Director	Managing Executive Officer Corporate General Manager, Power Electronics Business Group
Toshihiko Ishihara	Standing Auditor	
Yoshio Okuno	Standing Auditor	
Yoshiki Sato	Outside Auditor	
Akiko Kimura	Outside Auditor	
Tetsuo Hiramatsu	Outside Auditor	

- (Notes) 1. We expect Outside Directors to play roles in strengthening the management supervisory function and ensuring adequacy and appropriateness of decision-making related to the execution of business. To this end, Mr. Motoyuki Suzuki, who is an expert of environmental engineering, which is closely related to Fuji Electric's business activities, Mr. Toshihito Tamba and Mr. Naomi Tachikawa, who are management executives of listed companies, were selected as Outside Directors at the General Meeting of Shareholders as persons who have an understanding of the Fuji Electric's management, as well as insights and experience necessary for making multifaceted management decisions. Mr. Motoyuki Suzuki, Mr. Toshihito Tamba and Mr. Naomi Tachikawa are reported as Independent Officers as stipulated by the Securities Listing Regulations of the Financial Instruments and Securities Exchange.
2. We expect Outside Auditors, along with Outside Directors, to be conducive to ensuring the adequacy and legality of decision-making related to the execution of business, as well as to play roles in strengthening the management audit function, by giving advice and making suggestions about the entire spectrum of management activities at meetings of the Board of Directors and on other occasions. To this end, Mr. Yoshiki Sato, who is a manager in a financial institution, Ms. Akiko Kimura, who is an attorney, and Mr. Tetsuo Hiramatsu, who is a corporate manager, were selected as Outside Auditors at the General Meeting

of Shareholders upon obtaining approval at a meeting of the Board of Auditors as persons who have expertise and experience necessary for performing audits.

Mr. Yoshiki Sato, Ms. Akiko Kimura, and Mr. Tetsuo Hiramatsu are reported as Independent Officers as stipulated by the Securities Listing Regulations of the Financial Instruments and Securities Exchange.

3. The financial, accounting and other expertise possessed by each Auditor is as follows:

- Standing Auditor Toshihiko Ishihara is highly knowledgeable about human resources, labor and overall management operations, which he has gained from his longstanding career in Fuji Electric as person in charge of human resources and general affairs.
- Standing Auditor Yoshio Okuno is highly knowledgeable about sales & marketing and overall corporate management, which he has gained from his longstanding career in Fuji Electric as Representative Director, Executive Vice President and person in charge of the sales and other divisions mainly in the overseas plants.
- Outside Auditor Yoshiki Sato is highly knowledgeable of financial and accounting matters and overall corporate management, which he has gained from his career in the management of financial institutions.
- Outside Auditor Akiko Kimura is highly knowledgeable about legal, financial and accounting matters thanks to her involvement as an attorney in many corporate legal matters, securities transactions and financial and legal affairs.
- Outside Auditor Tetsuo Hiramatsu is highly knowledgeable of financial and accounting matters and overall corporate management, which he has gained from his previous career in the management of financial institutions.

4. Standing Auditor Toshio Shinozaki resigned his office as Standing Auditor at the conclusion of the 140th Ordinary General Meeting of Shareholders held on June 24, 2016.

5. Positions and direct duties of Directors in the Company were changed as follows on April 1, 2017.

Junichi Matsumoto	Director	
Masatsugu	Director	Managing Executive Officer
Tomotaka		Corporate General Manager, Power Electronics Systems Business Group

2. Significant Concurrent Positions of Directors and Auditors

(1) Directors

Name	Significant concurrent positions
Junichi Matsumoto	Outside Director, METAWATER Co., Ltd. (retired on June 21, 2016)
Masatsugu Tomotaka	Representative Director, Shanghai Electric Fuji Electric Power Technology (Wuxi) Co., Ltd.
Toshihito Tamba	Chairman & Co-CEO, Representative Director, Tokyo Century Corporation
Naomi Tachikawa	Director and President, TOTOKU ELECTRIC CO., LTD. (retired on June 28, 2016) Chairman of the Board, TOTOKU ELECTRIC CO., LTD. (assumed office on June 28, 2016) Outside Board Director, Solekia Limited

(Notes) 1. Information in parenthesis () describes Directors who assumed office of, or retired from concurrent positions during the period under review.

2. There is no noteworthy relationship based on Article 124 of the Ordinance for Enforcement of the Companies Act between the Company and the other companies where Outside Directors serve concurrent positions.

(2) Auditors

Name	Significant concurrent positions
Yoshiki Sato	President and Representative Director, Asahi Mutual Life Insurance Company Outside Audit & Supervisory Board Member, The Yokohama Rubber Company, Limited External Audit and Supervisory Board Member, ADEKA CORPORATION Outside Director, FUJI KYUKO CO., LTD.
Akiko Kimura	Attorney, Advisor of Anderson Mori & Tomotsune Member of the Audit and Supervisory Board (Outside), DAIICHI SANKYO COMPANY, LIMITED
Tetsuo Hiramatsu	Representative Director and President, Nippon Tochi-Tatemono Co., Ltd.

- (Notes) 1. Mr. Yoshiki Sato retired from the office of President and Representative Director of Asahi Mutual Life Insurance Company as of March 31, 2017 and assumed the office of Chairman and Representative Director of the said company as of April 1, 2017.
2. The Company has a business relationship that includes borrowing funds with Asahi Mutual Life Insurance Company, where Mr. Yoshiki Sato serves a concurrent position. Asahi Mutual Life Insurance Company holds a 2.65% interest in the total shares outstanding of the Company. Meanwhile, the Company has made a contribution equivalent to 0.79% to the total foundation funds of Asahi Mutual Life Insurance Company.
3. Besides the above, there is no noteworthy relationship based on Article 124 of the Ordinance for Enforcement of the Companies Act between the Company and the other companies where Outside Auditors serve concurrent positions.

3. Status of Outside Directors and Outside Auditors**(1) Major activities****(i) Outside Directors**

Name	Number of attendance at the Board of Directors meetings (attended/held)	Opinions offered
Motoyuki Suzuki	13/13	Offered necessary opinions concerning the overall business management of Fuji Electric including the following items at the Board of Directors meetings as appropriate, based on his professional standpoint and considerable insight in the environmental engineering. - Appropriate way of research and development strategy - Appropriate way of operating Fuji Electric's energy and environment-related businesses
Toshihito Tamba	10/10	Offered necessary opinions concerning the overall business management of Fuji Electric including the following items at the Board of Directors meetings as appropriate, based on his extensive experience and considerable insight as a management executive of a listed company. - Risk management approach in global business development - Appropriate way to expand overseas business
Naomi Tachikawa	10/10	Offered necessary opinions concerning the overall business management of Fuji Electric including the following items at the Board of Directors meetings as appropriate, based on his extensive experience and considerable insight as a management executive of a listed company. - Management of progress of large-scale deals - Appropriate way to expand overseas business

Note: Since Mr. Toshihito Tamba and Mr. Naomi Tachikawa newly assumed the office of Director at the conclusion of the 140th Ordinary General Meeting of Shareholders held on June 24, 2016, the above status on attendance at the Board of Directors meetings refers to those meetings held after their assumption.

(ii) Outside Auditors

Name	Number of attendance at the Board of Directors meetings Number of attendance at the Board of Auditors meetings (attended/held)	Opinions offered
Yoshiki Sato	10/13 8/10	Offered necessary opinions at meetings of the Board of Directors as appropriate, concerning the contents of meeting items and the Fuji Electric's business activities, based on his extensive experience and considerable insight as a manager in financial institutions. Also, at meetings of the Board of Auditors, confirmed the legality of business activities overall from the viewpoint of ensuring legal compliance, and offered appropriate opinions.
Akiko Kimura	13/13 10/10	Offered necessary opinions at meetings of the Board of Directors as appropriate, concerning the contents of meeting items and the Fuji Electric's business activities, based on her professional experience as an attorney. Also, at meetings of the Board of Auditors, confirmed the legality of business activities overall from the viewpoint of ensuring legal compliance, and offered appropriate opinions.
Tetsuo Hiramatsu	10/10 7/7	Offered necessary opinions at meetings of the Board of Directors as appropriate, concerning the contents of meeting items and the Fuji Electric's business activities, based on his extensive experience and considerable insight as an experienced manager in financial institutions. Also, at meetings of the Board of Auditors, confirmed the legality of business activities overall from the viewpoint of ensuring legal compliance, and offered appropriate opinions.

Note: Since Mr. Tetsuo Hiramatsu newly assumed the office of Auditor at the conclusion of the 140th Ordinary General Meeting of Shareholders held on June 24, 2016, the above status on attendance at the Board of Directors and the Board of Auditors meetings refers to those meetings held after his assumption.

(2) Outline of Limited Liability Agreement with Outside Directors and Outside Auditors

In accordance with laws and regulations and the Articles of Incorporation of the Company, the Company has concluded a limited liability agreement with each Outside Director and Outside Auditor stipulating that in the event that he or she bears liability with regard to the Company, the maximum amount of his or her liability to the Company will be the amount of ¥6 million or the minimum amount for damages stipulated in the Companies Act, whichever is higher, so long as he or she has carried out his or her duties in good faith and in absence of gross negligence.

In the agreement, the Company has set forth articles to provide instruction ensuring that duties of due diligence as Outside Director or Outside Auditor are fulfilled and these duties are executed sincerely even after the conclusion of the agreement to ensure the propriety of duties of Outside Director and Outside Auditor.

Matters Related to Accounting Auditor

1. Designation of accounting auditor ERNST & YOUNG SHINNIHON LLC

2. Accounting auditor remuneration for the period

Category	Payment amounts (¥ million)
(i) Remuneration and other amounts payable by the Company for the period	168
(ii) Total profit on cash and other financial assets payable by the Company and its subsidiaries	315

- (Notes) 1. In the audit contract between the Company and the accounting auditor, no distinction is made and no such distinction can be made substantially in the amounts of auditing fees under the Companies Act and audit fees under the Financial Instruments and Exchange Act. For this reason, the sum of these two is entered in the total amount under (i) above.
2. The Board of Auditors confirmed and deliberated on the details of the audit plan of the accounting auditor, the execution of duties regarding an accounting audit, and the calculation basis of remuneration estimates upon receiving necessary documents and reports from Directors, related divisions of the Company, and the accounting auditor. As a result, the Board of Auditors believes these are appropriate and agrees to the amount of remuneration and other amounts payable to the accounting auditor.
3. The total profit under (ii) above includes the amount the Company paid as compensation to the accounting auditor for advisory services related to internal control, that is entrusted as services (non-audit services) other than those stipulated in Article 2, Paragraph 1, of the Certified Public Accountants Act.

3. Policy for determining accounting auditor dismissal or non-reappointment

If any matters or circumstances surrounding the accounting auditor apply to any of the items under Article 340, Paragraph 1 of the Companies Act, and no improvement is expected, the Board of Auditors will dismiss the accounting auditor with the consent of all of the Auditors.

In addition, if it is deemed impossible for the accounting auditor to perform its duties properly, the Board of Auditors may determine the content of a proposal concerning dismissal or non-reappointment of the accounting auditor which will be submitted to the Ordinary General Meeting of Shareholders.

4. Business suspension order to which the accounting auditor was subject during past two years

Content of the business suspension order announced by the Financial Services Agency on December 22, 2015

- (1) Subject of administrative order
ERNST & YOUNG SHINNIHON LLC
- (2) Content of administrative order
 - Business suspension for three months (Suspension from accepting new engagements from January 1, 2016 to March 31, 2016)
 - Order for improvement of business operations (improvement of business management system)
- (3) Reason for administrative order
 - In regard to the audit of financial documents for a company other than the Company, the above-mentioned audit corporation's certified public accountants had, in negligence of due care, attested that the financial statements contained no material misstatement, when in fact the statements contained material misstatement.
 - The audit corporation's operation of services was found to be grossly inappropriate.

[The Fuji Electric Group]

Group Companies

(as of March 31, 2017)

Fuji Electric	Power and Social Infrastructure		
	Fuji Electric IT Solutions Co., Ltd.	Fuji Electric Meter Co., Ltd.	Reliable Turbine Services LLC
	Industrial Infrastructure		
	Fuji IT Co., Ltd. Fuji Tusco Co., Ltd. FUJI FURUKAWA E&C (THAILAND) CO., LTD.* Fuji Electric (Zhuhai) Co., Ltd.	FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO., LTD. FUJI ELECTRIC FRANCE S.A.S FUJI FURMANITE CO., LTD.*	
	Power Electronics		
	Ibarakifuji Co., Ltd. Fuji Electric Motor (Dalian) Co., Ltd. Fuji SMBE Pte. Ltd. and other 15 companies CHICHIBU FUJI CO., LTD. Fuji Electric FA (Asia) Co., Ltd. Hakko Electronics Co., Ltd. WUXI FUJI ELECTRIC FA CO., LTD.	Fuji Electric FA Components & Systems Co., Ltd. Fuji Electric Dalian Co., Ltd. Fuji Electric FA Service Co., Ltd. Shanghai Electric Fuji Electric Power Technology (Wuxi) Co., Ltd. Fuji Electric Technica Co., Ltd. Fuji Electric (Changshu) Co., Ltd.	
Electronic Devices			
Fuji Electric Power Semiconductor Co., Ltd. FUJI ELECTRIC PHILIPPINES, INC. Fuji Electric Tsugaru Semiconductor Co., Ltd.	FUJI ELECTRIC (MALAYSIA) SDN. BHD. FUJI ELECTRIC (SHENZHEN) CO., LTD. FUJI ELECTRIC SEMICONDUCTOR (MALAYSIA) SDN. BHD.		
Food and Beverage Distribution			
Shinshu Fuji Electric Co., Ltd. Fuji Electric Retail Service Co., Ltd. Fuji Electric (Hangzhou) Software Co., Ltd. HOEI PLASTICS CO., LTD.	Dalian Fuji Bingshan Vending Machine Co., Ltd. MIE FUJI CO., LTD. Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.		
Others			
Fuji Electric Finance and Accounting Support Co., Ltd. FESTEC Co., Ltd. Japan AE Power Systems Corporation* Fuji Electric Information Technology Center Co., Ltd.	METAWATER Co., Ltd.* Fuji Office & Life Service Co., Ltd. METAWATER SERVICE Co., Ltd.*		
		Shared sales companies HOEI DENKI CO., LTD. HOEI HONG KONG CO., LTD. HOKKAIDO FUJI ELECTRIC CO., LTD. Overseas manufacturing and sales companies FUJI ELECTRIC CORP. OF AMERICA Fuji Electric Europe GmbH Fuji Electric Asia Pacific Pte. Ltd. Fuji Electric India Pvt. Ltd. Fuji Electric (Thailand) Co., Ltd. PT. Fuji Electric Indonesia Fuji Electric (China) Co., Ltd. Fuji Electric Taiwan Co., Ltd. Fuji Electric Hong Kong Co., Ltd. Fuji Electric Korea Co., Ltd. Fuji Electric Manufacturing (Thailand) Co., Ltd. Production facilities company Fuji Electric F-Tech Co., Ltd.	

(Notes) 1. The number of consolidated subsidiaries for fiscal 2016 including those above is 68 and the number of equity method affiliates is 5.

2. Companies marked with an asterisk (*) are accounted for as equity method affiliates.

Important Subsidiaries of the Corporate Group

Company name	Fuji Electric FA Components & Systems Co., Ltd.		
The Company's capital contribution	63.2%		
Major business	Development, manufacturing and sales of control equipment and power receiving/distribution equipment.		
Net sales (¥ billion)	44.8	Net assets (¥ billion)	33.8
Operating profit (loss) (¥ billion)	2.4	Capital (¥ billion)	7.6
Profit (loss) (¥ billion)	2.2	Number of employees	897

Specified Wholly Owned Subsidiaries

Not applicable.

Important Corporate Realignments

Not applicable.

Main Facilities of the Group (as of March 31, 2017)

1. Power and Social Infrastructure

Domestic facilities

Production facilities	Kawasaki
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Overseas facilities

Reliable Turbine Services LLC (U.S.A.)
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2. Industrial Infrastructure

Domestic facilities

Production facilities	Hino, Ichihara
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Overseas facilities

Fuji Electric (Zhuhai) Co., Ltd. (China), FUJI ELECTRIC FRANCE S.A.S, Fuji Tusco Co., Ltd. (Thailand), FUJI FURUKAWA E&C (THAILAND) CO., LTD.

3. Power Electronics

Domestic facilities

Production facilities	Suzuka, Kobe, Ami machi (Ibaraki), Konosu, Otawara
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Overseas facilities

Fuji Electric Motor (Dalian) Co., Ltd. (China), WUXI FUJI ELECTRIC FA CO., LTD. (China), Shanghai Electric Fuji Electric Power Technology (Wuxi) Co., Ltd. (China), Fuji SMBE Pte. Ltd. (Singapore), Fuji Electric Dalian Co., Ltd. (China), Fuji Electric (Changshu) Co., Ltd. (China), Fuji Electric FA (Asia) Co., Ltd. (China)
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4. Electronic Devices

Domestic facilities

Production facilities	Matsumoto, Minami Alps
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Overseas facilities

FUJI ELECTRIC (SHENZHEN) CO., LTD. (China), FUJI ELECTRIC PHILIPPINES, INC., FUJI ELECTRIC (MALAYSIA) SDN. BHD.

5. Food and Beverage Distribution

Domestic facilities

Production facilities	Yokkaichi, Ueda
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Overseas facilities

Dalian Fuji Bingshan Vending Machine Co., Ltd. (China), Dalian Fuji Bingshan Vending Machine Sales Co., Ltd. (China), Fuji Electric (Hangzhou) Software Co., Ltd. (China)

6. Others, Common

Domestic facilities

Sales facilities	Shinagawa-ku (Tokyo), Chiba, Saitama, Sapporo, Sendai, Toyama, Kanazawa, Nagoya, Chiryu, Osaka, Kobe, Fukuoka, Hiroshima, Takamatsu, Naha
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Overseas facilities

FUJI ELECTRIC CORP. OF AMERICA, Fuji Electric Europe GmbH (Germany), Fuji Electric Asia Pacific Pte. Ltd. (Singapore), Fuji Electric India Pvt. Ltd., Fuji Electric (Thailand) Co., Ltd., PT. Fuji Electric Indonesia, Fuji Electric (China) Co., Ltd., Fuji Electric Taiwan Co., Ltd., Fuji Electric Hong Kong Co., Ltd. (China), Fuji Electric Korea Co., Ltd., Fuji Electric Manufacturing (Thailand) Co., Ltd., HOEI HONG KONG CO., LTD. (China)
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Employees of Fuji Electric (as of March 31, 2017)

Business segment	Number of employees (persons)	Year-on-year change (persons)
Power and Social Infrastructure	2,539	61
Industrial Infrastructure	5,216	(132)
Power Electronics	7,832	37
Electronic Devices	6,315	(166)
Food and Beverage Distribution	2,592	223
Others	2,009	(28)
Total	26,503	(5)

(Note) The number of employees of the Company at the end of March 2017 is 10,720 (a decrease of 70 from the end of the previous year).

Major lenders (as of March 31, 2017)

Name of lenders	Balance of loans (¥ billion)
Mizuho Bank, Ltd.	20.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	10.2
Resona Bank, Limited	6.5
Mizuho Trust & Banking Co., Ltd.	6.1

Basic Policy on System of Internal Controls and Operation of the Internal Controls System

1. Basic policy on system of internal controls

Based on the provisions of Article 362, Paragraph 5 of the Companies Act, as for the development of an internal control system as provided for in Article 362, Paragraph 4, Item 6 of the Companies Act and each Item of Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act, the Board of Directors resolved to adopt the proposal as follows.

(1) System for ensuring that Directors and employees carry out their duties in accordance with laws, regulations, and the Articles of Incorporation

- (i) Under the following corporate governance system, the Company shall ensure management transparency and soundness.
 - To clarify management responsibilities and respond rapidly to changes in the operating environment, the term of office of Directors shall be one (1) year.
 - To strengthen management supervision and management audit functions, and ensure the appropriateness of managerial decisions related to the execution of important business, the Company will invite outside directors and outside auditors with relevant qualities.
- (ii) The Company will repeatedly give explanations to employees of the Company and its subsidiaries on management principles applicable to the Company, and on the spirit behind the Criteria of Corporate Behavior, which serves as a code of behavior for all executives and employees, and ensure such principles and criteria are rigorously followed.
- (iii) The Company will establish and promote a compliance system as follows, based on internal regulations, to ensure the transparency and soundness of business execution.
 - The Compliance Promotion Committee is chaired by the Representative Director of the Company. It will ensure full compliance with laws, regulations, and social norms pertaining to the Company and its subsidiaries.
 - The Company will establish a compliance program that systematizes roles and responsibilities in terms of internal rules, daily monitoring, auditing, education, and other areas for each law and regulation, and carry out the program in accordance with the annual plan.
 - Compliance training is conducted for all full-time executives of the Company and its subsidiaries.
 - The Company will establish an internal reporting system that facilitates communication from employees of the Company and its subsidiaries to the President of the Company and external attorneys, using a route that is independent of normal lines of communication. This is intended to prevent actions that violate laws, regulations, Articles of Incorporation, or internal rules before they occur, and aid the early discovery of such actions.
 - The establishment and promotion of the above systems will also enable the Company to provide an organized response aimed at rejecting antisocial forces and groups that threaten public order and the safety of private citizens.
- (iv) Internal auditing divisions of the Company under the jurisdiction of the respective company presidents conduct audits of the Company and subsidiaries. In addition, to ensure effective internal auditing, information on various activities is shared within the committee, which consists of

members of internal auditing divisions of the Company and subsidiaries.

(2) System for retaining and managing information pertaining to the performance of Directors

Internal regulations will be formulated to ensure accurate retention and management of records of important business and to ensure that Directors and Auditors acquire knowledge of records. The regulations establish procedures for Directors, Auditors, and managers involved in saving and storing records regarding access to information. Auditors are also consulted in advance with regard to formulating, amending, or eliminating regulations.

(3) Regulations for managing loss-related risk and other systems

- (i) The internal regulations will be formulated to systematically manage operational risks faced by the Company and its subsidiaries. Based on these regulations, the Company and its subsidiaries will establish appropriate risk management systems, and a system for managing specific group-wide risks will be established. The system involves the designation of departments to manage each category of risk.
- (ii) The Company will establish an emergency response manual to minimize damage incurred at the time of a crisis, such as a major disaster. The manual will prescribe the directors in charge of crisis management and establishment of a conference system and response headquarters to be activated when an emergency occurs.
- (iii) The internal auditing division audits the progress of risk management at the Company and its subsidiaries and reports the results to the president.

(4) System for ensuring effective execution of business by Directors

- (i) The Company will adopt the executive officer structure to separate management and execution, and accelerate decision-making procedures. The division of duties of each executive officer will be clarified by a resolution of the Board of Directors.
In addition, the internal regulations that prescribe the duties and authority of executive officers and employees will be formulated to clarify decision-making authority and locus of responsibilities with regard to business execution.
- (ii) A management meeting will be established as a permanent corporate body to advise the Company's president. It will comprise the Company's executive officers and other individuals, and will deliberate and formulate reports on important matters pertaining to the management. The Company's Representative Director will communicate the deliberations and reports of the management meeting to the Company's Board of Directors as necessary.
- (iii) To formulate annual and medium-term management plans for the Company and its subsidiaries and to share information, the management meeting and the Company's Board of Directors will confirm, evaluate, and review progress for each business division on a monthly basis.

(5) System to ensure reliable financial reporting

The Company will formulate internal regulations to ensure the appropriateness of documents and other information related to financial settlements as stipulated by the Financial Instruments and Exchange Act. Based on these regulations, the Company will build internal controls for financial reporting, appropriately conduct evaluations and reporting, and report the results of evaluations to the Board of Directors.

(6) System for ensuring the appropriate administration of the company group comprising the Company and its subsidiaries

- (i) The Company will formulate internal regulations that prescribe authority and responsibilities pertaining to business execution of the Company and its subsidiaries. Based on these regulations, the Company will ensure systematic and efficient management.

In addition, the Company will request subsidiaries to comply with these regulations and report to the Company or obtain approval from the Company regarding important matters pertaining to business execution of subsidiaries.

- (ii) The Company will enhance systems to ensure appropriate administration for the items discussed above, to maximize the corporate value of the entire company group comprising the Company and its subsidiaries.

In addition, the Company will request the formulation of a basic policy on the establishment of a system that ensures subsidiaries conduct appropriate business activities as stipulated by the Companies Act, and will ensure the effectiveness of such systems.

(7) Matters pertaining to employees assisting Auditors, their independence from Directors, and ensuring the effectiveness of instructions to these employees

- (i) Auditors may request the assistance of employees from internal auditing divisions or management planning divisions as necessary. Employees carrying out this work may do so independently of instructions or orders from Directors.

- (ii) If these employees are concurrently engaged in other business, they will prioritize the assistance business.

(8) System for reporting to Auditors by Directors and employees, system for reporting to Auditors by subsidiaries' Directors, Auditors, and employees or those who have received report from these persons, and other matters pertaining to reporting to Auditors

Internal regulations will be established to ensure Auditors acquire sufficient information for them to fulfill their duties. The regulations establish specific methods for ensuring Auditors have opportunities to attend important meetings where decisions are made on business execution of the company group comprising the Company and its subsidiaries, for distributing regular reports and important documents from executives and employees of the Company and its subsidiaries to Auditors, and for making it possible for Auditors to otherwise collect information on the performance of duties by executives and employees of the Company and its subsidiaries.

(9) System for ensuring that persons who report (8) above are not treated disadvantageously on the basis of making the report

The Company shall prohibit disadvantageous treatment of persons who report (8) above on the basis of making the report.

(10) Matters pertaining to procedures for advance payment or repayment of costs arising from the execution of duties by Auditors and other matters pertaining to the policy for processing costs or liabilities arising from the execution of Auditors' duties

When Auditors request the Company to make advance payment of costs, etc. pertaining to the execution of their duties, the Company will promptly process the payment, etc. except when it is deemed unnecessary for the execution of

duties by Auditors.

(11) Other systems to ensure audits are conducted effectively by Auditors

- (i) The Company recruits outside auditors who understand the management of the Company and its subsidiaries and have expertise and experience necessary to conduct audits.
- (ii) A committee comprising Auditors from the Company and subsidiaries, which are large companies as defined by the Companies Act, and a committee comprising Auditors, members of internal audit divisions, and accounting auditors work to strengthen communication among all auditing bodies and ensure the effectiveness of auditing practices for the entire company group comprising the Company and its subsidiaries.

2. Overview of operation of the internal controls system

An overview of the operation of the internal controls system for the Company in the current fiscal year is as provided below.

(1) System for ensuring that Directors and employees carry out their duties in accordance with laws, regulations, and the Articles of Incorporation

Regarding a compliance system, the Company holds the Compliance Promotion Committee chaired by the Representative Director twice a year in May and November. It deliberates on the operation of an internal reporting system as well as the implementation and implementation plan of a compliance program to make sure that there is no compliance violation that would have a material impact on the management of the Company and its subsidiaries.

In addition, the annual results and plans for the details deliberated at the Compliance Promotion Committee above are reported to the Board of Directors meeting held in May.

The Company conducts internal audits on organizational management, risk management, compliance management, business execution, and accounting of the entire company group comprising the Company and its subsidiaries. This is done based on an internal audit plan and from the perspectives of compliance with laws and regulations related to business activities, reliability of financial reporting, protection of assets, and effectiveness and efficiency of business.

(2) System for retaining and managing information pertaining to the performance of Directors

The Company appropriately retains and manages documents pertaining to the performance of Directors including minutes of the Board of Directors meetings and other related documents pursuant to the related laws and regulations as well as internal regulations.

(3) Regulations for managing loss-related risk and other systems

The Company systematically manages risks based on its risk management regulations. The Company strives to maximize the corporate value of the Company and its subsidiaries while minimizing the impact on management when risks materialize. It does so by fully and appropriately managing and addressing risks that may impact the management of the Company and its subsidiaries while preventing the materialization of risks (occurrence of critical situations) or reducing losses.

In preparation for the occurrence of major accidents, disasters, and other situations, the Company has established a business continuity plan (BCP), implemented drills based on the assumption of earthquakes and other disasters,

and facilitated the dissemination, full enforcement, and increased efficiency of a BCP.

(4) System for ensuring effective execution of business by Directors

Matters deliberated on by the Board of Directors are deliberated on and reported at a management meeting comprising the Company's executive officers and other individuals prior to the Board of Directors meetings. In the current fiscal year, the management meetings were held 24 times and business plans and important matters pertaining to the management of the Company and its subsidiaries were deliberated on and reported there appropriately based on the internal regulations that prescribe the duties and authority of executive officers and employees.

(5) System to ensure reliable financial reporting

Regarding the internal control evaluation pertaining to financial reporting, the Company evaluates the effectiveness of internal controls for financial reporting of the company group comprising the Company and its subsidiaries. It does so upon selecting the scope of evaluation pursuant to evaluation criteria generally deemed fair and appropriate. The results of the evaluation are reported to the Board of Directors meeting held in June.

(6) System for ensuring the appropriate administration of the company group comprising the Company and its subsidiaries

Based on internal regulations that prescribe authority and responsibilities pertaining to business execution of the Company and its subsidiaries, systematic and efficient management is ensured and important matters pertaining to business execution of subsidiaries are reported to the Company appropriately. Also, when needed, they are deliberated on and reported to the management or the Board of Directors meetings of the Company.

(7) Matters pertaining to employees assisting Auditors, their independence from Directors, and ensuring the effectiveness of instructions to these employees

Employees carrying out assistance business based on requests from Auditors are doing so independently of instructions or orders from Directors and prioritizing the business over other businesses.

(8) System for reporting to Auditors by Directors and employees, system for reporting to Auditors by subsidiaries' Directors, Auditors, and employees or those who have received report from these persons, and other matters pertaining to reporting to Auditors

Each Auditor conducts audits by attending the Board of Directors and other important meetings, collecting information on the performance of duties by Directors, internal auditing divisions and others, viewing important approval forms and other documents, investigating the situation of business and assets at major offices, and if needed, requesting subsidiaries to report on their business.

(9) System for ensuring that persons who report (8) above are not treated disadvantageously on the basis of making the report

The Company makes executives and employees well aware of the fact that it is prohibited to treat persons who report to Auditors disadvantageously.

(10) Matters pertaining to procedures for advance payment or repayment of costs arising from the execution of duties by Auditors and other matters pertaining to the policy for processing costs or liabilities arising from the execution of

Auditors' duties

The Company promptly processes costs arising from the execution of duties by Auditors based on requests from Auditors.

(11) Other systems to ensure audits are conducted effectively by Auditors

The Board of Auditors meetings of the Company were held 10 times in the current fiscal year. The Board of Auditors receives reports, deliberates on, and resolves important matters pertaining to auditing.

A committee comprising Auditors from the Company and subsidiaries, which are large companies as defined by the Companies Act, and a committee comprising Auditors, members of internal audit divisions, and accounting auditors are working to strengthen communication among all auditing bodies thereby ensuring the effectiveness of auditing practices for the entire company group comprising the Company and its subsidiaries.

Basic Policy on Control of the Company

1. Details of the basic policy

In implementing the Corporate philosophy and continuing to improve corporate value, Fuji Electric amasses unique technologies, experience and know-how, and strives to develop and maintain good relations with various stakeholders, including customers, partners, communities, and employees.

These are the Fuji Electric's precious tangible and intangible assets, the Fuji Electric's DNA, and resources that support the creation of corporate value for Fuji Electric.

Based on that philosophy, the Company strives to manage in line with changes in the environment. The Company recognizes that the most effective countermeasures against share purchases that could damage the corporate value of Fuji Electric are increasing corporate value in the medium-to long-term vision and further raising the share of profits to shareholders, and strives to realize those aims.

Furthermore, the Company is actively engaging in a range of IR activities to ensure that the Fuji Electric's stock value is properly understood. The Company will strive to further deepen understanding of Fuji Electric by issuing reports on its performance including quarterly financial reports and holding plant tour programs for the shareholders.

The Board of Directors recognizes that the free trade of shares by shareholders is a reality as a listed company, and believes that the question of whether or not large-scale purchases of shares in the Company by specific individuals should be permitted is a matter that should ultimately be delegated to the shareholders.

However, corporate acquisitions undertaken to profit unduly from selling a company's stock at the highest price do occur. The Board of Directors does not believe that any parties who engage in any such large-scale share purchases of the Company's shares or table proposals which do not contribute to the corporate value of Fuji Electric or the mutual benefit of the shareholders are suitable parties to control the Company's finances and the determination of its business policy.

At this point in time, no specific threat related to large-scale purchases of the Company's shares has emerged. Moreover, the Company has not yet put in place any specific preventative measures (so-called "poison pill") against the emergence of a takeover threat.

However, the Board of Directors will, as a managerial duty to the shareholders, establish an internal system to install measures against any large-scale purchases of the Company's shares that threaten the corporate value of Fuji Electric or the mutual benefit of the shareholders.

2. The Fuji Electric's measures to realize the Basic Policy

(1) Initiatives to improve corporate value of Fuji Electric

As our basic strategy for sustainable growth, Fuji Electric aims to create growth on the global market based on our power electronics technologies cultivated over many years, which handle electrical energy universally, backed by energy and environmental investments projected to take place in many countries.

To realize this, we will rapidly shift our managerial resources to the field of "energy and the environment," aiming to maximize our corporate value and create CSR management as a "company that contributes to the global society through business."

(2) Measures to prevent control of the Company by undesirable parties as described in the Basic Policy

The Company will, based on 1. Details of the basic policy above, strive to establish an internal system in view of any potential or actual purchases of the Company’s shares that threaten the corporate value of Fuji Electric or the mutual benefit of the shareholders.

Specifically, the Company will very carefully monitor daily trading movements and shareholder changes and at the same time put in place a first-response manual for contingencies, and establish a framework for collaboration with external experts. The Company will determine specific preventative measures in a timely and appropriate manner, and strive towards the enhancement of internal systems.

Furthermore, the Company will continue to consider the introduction of a “poison pill,” from the viewpoints of ensuring and increasing the corporate value of Fuji Electric or the mutual benefit of the shareholders, based on the opinions and judgments of the legal system and the relevant authorities, social trends, and the opinions of our stakeholders.

3. The decisions and rationale of the Board of Directors regarding the measures above

Because the measures referred to in 2. above are means: (1) to maintain and enhance the corporate value of the Company over the medium-term, and (2) to establish internal systems to respond to large-scale purchases of the Company’s shares that threaten the corporate value of Fuji Electric or mutual benefits of shareholders, the Board of Directors confirmed and resolved at its meeting that these measures comply with the basic policy in 1. above, and neither measure represents a threat to the mutual benefits of the shareholders or is a means to maintain the members of the current top management team in their positions.

Further, the resolution was unanimously agreed upon at a Board of Auditors meeting, provided that the specific operations of the measures described in 2. above are conducted properly.

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 (Notes) 1. Amounts less than a unit are rounded to the nearest yen in the Business Report.
 2. In the number of shares in the Business Report, odd lot share amounts of less than one thousand (1,000 shares) are rounded down.
 3. As used in this Business Report, the expression “Fuji Electric” refers to the company group comprising the Company, its subsidiaries, and affiliates.
 4. The business object in the future, stated in the Business Report is calculated based on given assumptions that we assess to be reasonable at the time of writing the Business Report. The description may differ from the actual results, and we cannot guarantee the accuracy of the content.

Consolidated Balance Sheets

(as of March 31, 2017)

(¥ Millions)

[Assets]		[Liabilities]	
Current assets	512,470	Current liabilities	412,404
Cash and deposits	42,045	Notes and accounts payable-trade	165,306
Notes and accounts receivable-trade	269,676	Short-term loans payable	62,008
Merchandise and finished goods	56,873	Current portion of bonds	5,000
Work in process	48,395	Lease obligations	11,276
Raw materials and supplies	37,143	Accrued expense	36,482
Deferred tax assets	17,975	Income taxes payable	31,051
Other	41,586	Advances received	45,092
Allowance for doubtful accounts	(1,226)	Other	56,186
Noncurrent assets	374,060	Noncurrent liabilities	150,396
Property, plant and equipment	173,517	Bonds payable	50,000
Buildings and structures	84,948	Long-term loans payable	34,208
Machinery, equipment and vehicles	18,714	Lease obligations	20,972
Tools, furniture and fixtures	5,938	Deferred tax liabilities	1,218
Land	34,963	Provision for directors' retirement benefits	189
Leased assets	26,190	Net defined benefit liability	40,883
Construction in progress	2,761	Other	2,923
Intangible fixed assets	20,528	Total liabilities	562,800
Software	8,611	[Net assets]	
Other	11,916	Shareholders' equity	252,619
Investments and other assets	180,014	Capital stock	47,586
Investment securities	127,585	Capital surplus	45,985
Long-term loans receivable	1,255	Retained earnings	166,289
Net defined benefit asset	38,452	Treasury stock	(7,241)
Deferred tax assets	3,611	Accumulated other comprehensive income	38,596
Other	9,994	Valuation difference on available-for-sale securities	42,751
Allowance for doubtful accounts	(884)	Deferred gains or losses on hedges	(1,600)
Deferred assets	132	Foreign currency translation adjustments	175
Bond issue expenses	132	Remeasurements of defined benefit plans	(2,730)
		Non-controlling interests	32,647
Total assets	886,663	Total net assets	323,863
		Total liabilities and net assets	886,663

Consolidated Statements of Income

(from April 1, 2016 to March 31, 2017)

(¥Millions)

Net sales		837,765
Cost of sales		624,371
Gross profit		213,394
Selling, general and administrative expenses		168,684
Operating profit		44,709
Non-operating income		
Interest and dividends income	2,822	
Miscellaneous income	1,957	4,780
Non-operating expenses		
Interest expense	2,135	
Miscellaneous expenses	1,058	3,193
Ordinary profit		46,296
Extraordinary income		
Gain on sales of noncurrent assets	55	
Gain on sales of investment securities	18,849	
Gain on insurance adjustment	912	19,817
Extraordinary loss		
Loss on disposal of noncurrent assets	568	
Loss on valuation of investment securities	244	
Impairment loss	1,356	2,170
Profit before income taxes		63,943
Income taxes-current	33,157	
Income taxes-deferred	(14,234)	18,923
Profit		45,019
Profit attributable to non-controlling interests		4,040
Profit attributable to owners of parent		40,978

Consolidated Statement of Changes in Net Assets

(from April 1, 2016 to March 31, 2017)

(¥ Millions)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2016	47,586	46,736	132,111	(7,212)	219,221
Changes of items during the period					
Dividends from surplus			(7,143)		(7,143)
Profit attributable to owners of parent			40,978		40,978
Purchase of treasury stock				(29)	(29)
Disposal of treasury stock		0		0	1
Change of scope of consolidation			342		342
Change in ownership interest of parent due to transactions with non-controlling interests		(751)			(751)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(750)	34,177	(29)	33,398
Balance at March 31, 2017	47,586	45,985	166,289	(7,241)	252,619

(¥ Millions)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2016	30,254	(1,132)	3,377	(21,321)	11,177	30,581	260,980
Changes of items during the period							
Dividends from surplus					-		(7,143)
Profit attributable to owners of parent					-		40,978
Purchase of treasury stock					-		(29)
Disposal of treasury stock					-		1
Change of scope of consolidation					-		342
Change in ownership interest of parent due to transactions with non-controlling interests					-		(751)
Net changes of items other than shareholders' equity	12,496	(467)	(3,201)	18,591	27,418	2,066	29,484
Total changes of items during the period	12,496	(467)	(3,201)	18,591	27,418	2,066	62,882
Balance at March 31, 2017	42,751	(1,600)	175	(2,730)	38,596	32,647	323,863

Non-Consolidated Balance Sheet

(as of March 31, 2017)

(¥Millions)

[Assets]		[Liabilities]	
Current assets	328,537	Current liabilities	321,596
Cash and deposits	5,723	Notes payable-trade	224
Notes receivable-trade	13,989	Accounts payable-trade	151,037
Accounts receivable-trade	165,842	Short-term loans payable	25,046
Merchandise and finished goods	25,569	Current portion of bonds	5,000
Work in process	39,460	Current portion of long-term loans payable	24,592
Raw materials and supplies	23,307	Lease obligations	6,280
Advance payments-trade	20,061	Accounts payable-other	7,996
Deferred tax assets	12,328	Accrued expense	24,837
Short-term loans receivable	621	Income taxes payable	27,499
Accounts receivable-others	16,653	Advances received	35,205
Other	4,981	Deposits received	7,226
Allowance for doubtful accounts	(2)	Other	6,649
Noncurrent assets	339,481	Noncurrent liabilities	116,307
Property, plant and equipment	98,498	Bonds payable	50,000
Buildings	47,835	Long-term loans payable	31,821
Structures	2,139	Lease obligations	10,467
Machinery and equipment	5,567	Provision for retirement benefits	22,144
Vehicles	31	Asset retirement obligations	1,645
Tools, furniture and fixtures	3,034	Other	227
Land	24,538		
Leased assets	14,043		
Construction in progress	1,308		
Intangible fixed assets	7,912	Total liabilities	437,903
Software	5,215		
Other	2,697	[Net assets]	
Investments and other assets	233,069	Shareholders' equity	189,841
Investment securities	102,236	Capital stock	47,586
Stocks of subsidiaries and affiliates	93,574	Capital surplus	56,820
Capital contributions	535	Capital reserve	56,777
Long-term loans receivable	1,061	Other capital surplus	42
Prepaid pension cost	33,602	Retained earnings	92,870
Deferred tax assets	1,174	Legal reserve	11,515
Other	3,897	Other retained earnings	81,355
Allowance for doubtful accounts	(220)	Retained earnings brought forward	81,355
Allowance for loss on investment in subsidiaries and affiliates	(2,792)	Treasury stock	(7,435)
Deferred assets	132	Valuation and translation adjustments	40,406
Bond issue expenses	132	Valuation difference on available-for-sale securities	42,006
		Deferred gains or losses on hedges	(1,600)
		Total net assets	230,248
Total assets	668,151	Total liabilities and net assets	668,151

Non-Consolidated Statements of Income

(from April 1, 2016 to March 31, 2017)

(¥Millions)

Net sales		515,797
Cost of sales		395,502
Gross profit		120,294
Selling, general and administrative expenses		104,561
Operating profit		15,733
Non-operating income		
Interest and dividends income	5,228	
Other	208	5,436
Non-operating expenses		
Interest expense	999	
Other	704	1,704
Ordinary profit		19,465
Extraordinary income		
Gain on sales of noncurrent assets	18	
Gain on sales of investment securities	18,669	
Gain on sales of subsidiaries and affiliates' stocks	145	
Gain on insurance adjustment	912	19,745
Extraordinary loss		
Loss on disposal of noncurrent assets	355	
Loss on valuation of stocks of subsidiaries and affiliates	221	
Other	38	615
Profit before income taxes		38,595
Income taxes-current	25,616	
Income taxes-deferred	(16,609)	9,007
Profit		29,588

Non-Consolidated Statement of Changes in Net Assets

(from April 1, 2016 to March 31, 2017)

(¥Millions)

	Shareholders' equity								
	Capital stock	Capital surplus			Legal reserve	Retained earnings		Treasury stock	Total stockholders' equity
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings	Total retained earnings		
Balance at April 1, 2016	47,586	56,777	41	56,819	11,515	58,910	70,426	(7,406)	167,425
Changes of items during the period									
Dividends from surplus				-		(7,143)	(7,143)		(7,143)
Profit for the year				-		29,588	29,588		29,588
Purchase of treasury stock				-				(29)	(29)
Disposal of treasury stock			0	0				0	1
Net changes of items other than shareholders' equity									
Total changes of items during the period	-	-	0	0	-	22,444	22,444	(29)	22,416
Balance at March 31, 2017	47,586	56,777	42	56,820	11,515	81,355	92,870	(7,435)	189,841

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at April 1, 2016	30,439	(1,125)	29,313	196,739
Changes of items during the period				
Dividends from surplus			-	(7,143)
Profit for the year			-	29,588
Purchase of treasury stock			-	(29)
Disposal of treasury stock			-	1
Net changes of items other than shareholders' equity	11,566	(474)	11,092	11,092
Total changes of items during the period	11,566	(474)	11,092	33,508
Balance at March 31, 2017	42,006	(1,600)	40,406	230,248