

Securities code: 6504

To Our Shareholders
142nd Term (Fiscal 2017) Annual Business Report

(April 1, 2017–March 31, 2018)

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Business Report (April 1, 2017–March 31, 2018)

[Business Overview] Overview

In the fiscal year ended March 31, 2018, a gentle, overseas recovery trend was seen in the Company's operating environment supported by robust demand for machine tools and robots, which was driven by increased production facility automation and labor saving needs in China and other countries. In Japan, there was a modest recovery trend against the backdrop of higher demand resulted from increases in replacements of aged equipment and investments in automation and labor saving.

In this environment, we moved ahead with 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 the growth strategies of strengthening the power electronics systems business and further enhancing manufacturing capabilities while also pursuing improved profitability by reenergizing the Pro-7 Activities that entail reviewing all costs associated with business activities.

Consolidated net sales in the fiscal year ended March 31, 2018, increased ¥55.7 billion year on year, to ¥893.5 billion, as a result of higher demand. Higher sales were posted in all business segments, with particularly large increases being seen in the Power Electronics Systems — Industry Solutions, Electronic Devices, and Food and Beverage Distribution segments. In addition, consolidated operating profit rose ¥11.3 billion year on year, to ¥56.0 billion, due to the benefits of higher demand and cost reduction efforts, and ordinary profit was up ¥9.8 billion, to ¥56.0 billion. Both of these figures represented new record highs. Profit attributable to owners of parent, meanwhile, decreased ¥3.2 billion, to ¥37.8 billion, because of the absence of the gain on sales of investment securities recorded in the previous fiscal year.

Consolidated results of operations for the fiscal year ended March 31, 2018, were as follows.

Fiscal 2017 (April 1, 2017 to March 31, 2018)

Classification	142nd term Fiscal 2017	Increase/Decrease
Net sales	¥893.5 billion	Up ¥55.7 billion YoY
Operating profit	¥56.0 billion	Up ¥11.3 billion YoY
Ordinary profit	¥56.0 billion	Up ¥9.8 billion YoY
Profit attributable to owners of parent	¥37.8 billion	Down ¥3.2 billion YoY
Basic earnings per share	¥52.87	Down ¥4.49 YoY
Total assets	¥918.9 billion	Up ¥32.2 billion YoY

Business Segment Overview

(¥ billion)

Business segment	Classification	141st term Fiscal 2016	142nd term Fiscal 2017	Change (%)
Power Electronics Systems — Energy Solutions	Net sales	218.7	224.1	102%
	Operating profit	13.7	14.7	107%
Power Electronics Systems — Industry Solutions	Net sales	286.0	315.9	110%
	Operating profit	13.9	18.3	131%
Power and New Energy	Net sales	93.8	96.9	103%
	Operating profit	7.5	5.5	74%
Electronic Devices	Net sales	118.5	126.9	107%
	Operating profit	8.0	13.7	171%
Food and Beverage Distribution	Net sales	109.6	117.8	107%
	Operating profit	6.0	6.2	103%
Others	Net sales	59.1	60.4	102%
	Operating profit	2.1	2.9	139%
Sub-total	Net sales	885.7	941.9	106%
	Operating profit	51.3	61.3	119%
Eliminate/Corporate	Net sales	(48.0)	(48.4)	—
	Operating profit (loss)	(6.6)	(5.3)	—
Total	Net sales	837.8	893.5	107%
	Operating profit	44.7	56.0	125%

(Note) The business segments have changed from former “Power and Social Infrastructure,” “Industrial Infrastructure,” “Power Electronics,” “Electronic Devices” and “Food and Beverage Distribution” to “Power Electronics Systems — Energy Solutions,” “Power Electronics Systems — Industry Solutions,” “Power and New Energy,” “Electronic Devices” and “Food and Beverage Distribution” 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 2016 in accordance with the classification of business segments after such change.

Results by Business Segment

[Power Electronics Systems — Energy Solutions]

Net sales increased 2% year on year, to ¥224.1 billion, and operating profit increased ¥0.9 billion year on year, to ¥14.7 billion.

In the Power Electronics Systems — Energy Solutions segment, net sales and operating profit were up year on year. Solid performance in the ED&C components business supported by increased machine tool demand outweighed the impacts of reduced demand in the energy management business and the power supply systems business.

- In the energy management business, net sales decreased year on year primarily due to a decline in smart meter sales volumes while operating results were relatively unchanged from the previous fiscal year due to the benefits of cost reduction efforts.
- In the transmission and distribution systems business, net sales increased year on year due to contributions from large-scale power and industrial field orders from overseas. However, operating results worsened year on year as a result of a less favorable sales mix.
- In the power supply systems business, net sales decreased year on year due to reduced demand for power conditioning systems for use in solar power generation systems. Regardless, operating results improved year on year due to the benefits of cost reduction efforts.
- In the ED&C components business, net sales and operating results improved year on year as a result of strong demand seen from machine tool and other machinery manufacturers as well as from overseas semiconductor manufacturers.

TOPICS

Providing total energy solutions for factories and plants

Orders are increasing for total energy management systems for optimally controlling energy supply and demand and substation equipment that supports stable power supply to factories and plants. The Company will develop total energy solutions, including facility maintenance and services.

[Power Electronics Systems — Industry Solutions]

Net sales increased 10% year on year, to ¥315.9 billion, and operating profit increased ¥4.3 billion year on year, to ¥18.3 billion.

In the Power Electronics Systems — Industry Solutions segment, net sales and operating profit increased year on year. Performance was driven by the factory automation business, which benefited from robust demand for the automation of

production facilities in Japan and China, and the process automation business, which enjoyed brisk replacement demand in the Japanese market, as well as by the IT solutions business.

- In the factory automation business, net sales and operating results improved year on year due to strong conditions in Japan and China centered on markets for inverters and factory automation components.
- In the process automation business, net sales and operating results improved year on year because of the brisk replacement demand seen in the Japanese market.
- In the environmental and social solutions business, net sales and operating results improved year on year as a result of higher demand for electrical equipment for railcars in Asia and other regions.
- In the equipment construction business, net sales increased year on year following strong performance in air-conditioning equipment and electricity and information distribution operations. Operating results, however, worsened year on year as a result of a less favorable sales mix.
- In the IT solutions business, net sales and operating results improved year on year due to increases in orders from the academic sector and large-scales orders from the public sector.

TOPICS

Expansion of overseas business by utilizing engineering company

The Company is promoting the standardization and bundling of systems with an eye to expand the overseas business. As a result of such efforts, Fuji Gemco Private Limited, a company providing engineering services in India, received an order for system development project for a steel plant.

[Power and New Energy]

Net sales increased 3% year on year, to ¥96.9 billion, and operating profit decreased ¥2.0 billion year on year, to ¥5.5 billion.

- In the power and new energy business, net sales increased year on year because the benefits of large-scale orders for thermal power generation systems counteracted the impacts of the decline in large-scale orders for hydro power generation systems and solar power generation systems. However, operating results worsened year on year as a result of a less favorable sales mix.

TOPICS

Focusing on increasing orders for renewable energy power generation facilities

The Company is focusing on increasing orders for power generation facilities that use environment-friendly renewable energy, such as geothermal power, biomass power, and solar power. In fiscal 2017, we received an order for Japan's largest-class solar power generation facility with storage cells in Kushiro-cho, Hokkaido, as an EPC contractor. In addition, the Company delivered geothermal binary power generation facility equipment in Ibusuki City in Kagoshima Prefecture.

[Electronic Devices]

Net sales increased 7% year on year, to ¥126.9 billion, and operating profit increased ¥5.7 billion year on year, to ¥13.7 billion.

- In the electronic devices business, net sales and operating results improved year on year as a result of solid demand from the automotive field coupled with the increased demand for power semiconductors from industrial fields, which was a result of rising automation, labor saving, and energy saving needs in the Chinese and Japanese markets.

TOPICS

Expansion of the demand for power semiconductors for the industrial field

With the increase of capital investment in facilities for factory automation and manpower saving in China, the demand for industrial power semiconductors for machine tools and robots has grown. In addition, sales of IPMs (intelligent power modules) used in inverter air conditioners, which are spreading in China, have increased.

[Food and Beverage Distribution]

Net sales increased 7% year on year, to ¥117.8 billion, and operating profit increased ¥0.2 billion year on year, to ¥6.2 billion.

- In the vending machine business, although the revision of customers' plans caused performance in the Chinese market to remain around the same level as in the previous fiscal year, overall net sales and operating results improved year on year due to higher demand from customers in the Japanese market.
- In the store distribution business, net sales increased year on year following a rise in demand for store equipment for convenience stores. However, operating results worsened year on year as a result of a less favorable sales mix.

TOPICS

Acquired Indonesian vending machine manufacturing and sales company

The Company acquired PT. Fuji Metec Semarang (changed its trade name in 2018), an Indonesian vending machine manufacturing and sales company, in November 2017. With this company as the core production base of vending machines in Southeast Asia, the Company will concentrate production of vending machines bound for Southeast Asia in order to build an efficient production system.

[Others]

Net sales increased 2% year on year, to ¥60.4 billion, and operating profit increased ¥0.8 billion year on year, to ¥2.9 billion.

Research and Development Activities

In fiscal 2017, our efforts were focused on creating competitive components and systems centered on cutting-edge power semiconductor and power electronics technologies as well as on research and development for solutions that produce value for customers by combining fundamental technologies.

The following provides an overview of these activities.

In the Power Electronics Systems – Energy Solutions business, we developed and released a 600kVA “UPS7000HX-T3 series,” uninterrupted power systems that will contribute to space saving of ancillary power-supply system of data centers. We also developed and released a “sealed high-voltage contactor” that has the highest-level current overload capacity in the industry for electric vehicles (EVs) and hybrid electric vehicles (HEVs) and contributes to vehicle safety.

In the Power Electronics Systems — Industry Solutions business, we developed an IoT platform capable of visualizing and optimizing the operation status and energy usage of factories and plants. We will analyze the big data collected from field equipment and provide solution services that will create customer value, such as prediction of facility failures, productivity improvement, and energy cost reduction. In addition, we standardized and packaged technologies for monitoring and performing optimal control of diverse types of energy consumed in large volumes at steel and cement plants, etc. for overseas plants. By doing this, we will achieve a significant shortening of the period and a cost reduction of engineering operations. For the automobile industry, we developed a tire testing device compatible with the Worldwide harmonized Light vehicles Test Procedure (WLTP). This device is capable of performing load control of vehicles of varying sizes from light vehicles to 4-ton trucks by applying high-precision system control.

In the Power and New Energy business, we developed and released an outdoor type 1,000kVA-PCS “PVI1000BJ-3/1000,” which achieved a significant price reduction and size and weight reduction for mega solar power generation facilities.

In the Electronic Devices business, we developed a SiC (silicon carbide) power semiconductor “trench-gate SiC MOSFET” featuring the world’s lowest-level resistance and contributing to a significant energy saving of power electronics. An inverter mounted with a SiC module that applies this element can reduce power loss by 78% compared to the inverter mounted with a conventional Si module.

In the Food and Beverage Distribution business, we are developing manpower-saving solutions for supermarkets and convenience stores by utilizing

heating and cooling, mechatronics, and IoT technologies.

Capital Investment

In fiscal 2017, we made investments totaling ¥26.5 billion, including upfront investments for new product launch and development, capital investment for expanding production capacity, as well as those for leasing.

Key investments were as follows.

In the Power Electronics Systems — Energy Solutions business, we invested in production capacity expansion aimed to strengthen product competitiveness in the transmission and distribution business segment and automation of testing process in the power supply systems business segment. In the ED&C components business segment, we made capital investment in new product lines of labor-saving earth leakage circuit breakers and magnetic switches.

In the Power Electronics Systems — Industry Solutions business, we made capital investment in energy-saving facilities at factories.

In the Power and New Energy business, we invested in replacement of machine processing facilities as measures for rationalizing in-house production.

In the Electronic Devices business, we made upfront investments in facilities for new product development and SiC development, a new technology. We also invested in the mass production of power semiconductor chips in Matsumoto Factory and Yamanashi Factory. In addition, we made capital investment for responding to BCP 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 intelligent power module (IPM), a power semiconductor element.

In the Food and Beverage Distribution business, we invested in rationalization of in-house production of new vending machine models and in testing facilities for convenience stores aimed to increase sales in the store distribution business segment. In overseas, we completed the first phase construction of our second factory in Dalian aimed at expanding the vending machine business in China.

Financing

In fiscal 2017, we issued the 30th series of unsecured bonds in the amount of ¥10.0 billion in May 2017 and redeemed the 26th series of unsecured bonds in the amount of ¥5.0 billion in June 2017.

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

As a result, our consolidated bonds and loans payable as of the end of March 2018 decreased by ¥22.9 billion year on year to ¥128.3 billion.

CSR Activities

To promote CSR (Corporate Social Responsibility) on a global basis, the Company has established and is implementing the Fuji Electric Code of Conduct, a guideline for all employees that encourages them to share the principles of the corporate philosophy and management policies.

Through its business, Fuji Electric endeavors to contribute to the achievement of the Sustainable Development Goals (SDGs) adopted by the United Nations, and is thereby striving to help realize a sustainable society.

- Environment

Efforts to protect the global environment are a key management issue for Fuji Electric, and we have established our Basic Environmental Protection Policy. We have also formulated Environmental Vision 2020, as our environmental targets.

In addition to reducing the environmental footprint of our own production activities, we seek to help achieve sustainable societies by providing our technologies and products.

In our efforts to reduce CO₂ emissions, we established a reduction target to be achieved through expansion of the sales of energy-saving and energy-creating products as well as our global production activities. As part of our energy-saving efforts in our production activities, we introduced FEMS (factory energy management systems) which apply our technologies and products for the visualization and optimization of energy usage at the Suzuka Factory and the Fukiage Plant.

At our factory in Malaysia, we promoted the recycling of sludge (industrial waste) generated by treatment of wastewater, and achieved zero emission of landfill waste.

- Society

- Involvement with people (employees)

Based on our management policy of “Maximize our strengths as a team, respecting employees’ diverse ambition,” we are actively promoting diversity, workstyle reforms toward developing a supportive workplace environment, and support for work-life balance.

In terms of strengthening diversity, we promoted women’s active participation by proactively hiring female science and engineering graduates and expanded opportunities for young and mid-career female employees to be promoted to managerial positions. To promote the hiring of people with disabilities, we worked on widening job categories and continuing employment. We also introduced Location Flexible working systems, enabling work via satellite or at home, to promote flexible workstyles, and worked to reduce excessive work hours and encouraged employees to take consecutive days of paid vacation to promote a workstyle of focusing on one’s job while at work and resting properly outside of work.

As a result of the initiatives for promoting women’s active participation, the Company was selected jointly by METI and the Tokyo Stock Exchange for inclusion in the “Nadeshiko Brand” for the third consecutive year, and received the highest-rank “Eruboshi” certification and the “Platinum Kurumin” certification by the Minister of Health, Labour and Welfare.

■ Involvement with local communities

Striving to further strengthen its bonds of trust with society, Fuji Electric uses the human resources and technologies nurtured through the Company's business activities to promote activities such as protecting the natural environment and promoting youth development in Japan and overseas.

We conducted science classes for elementary school children at our major factories in Japan with the aim of promoting youth development and contribution to local communities. Overseas, we provided support for science and engineering students in Asia to learn electrical engineering technologies.

We donated systems to Hanoi University of Science and Technology in Vietnam that combine inverters, controllers, control equipment, etc. as educational equipment to provide an opportunity to learn the latest automation technologies. In addition, we provided equipment, cooperated in technology seminars, and co-sponsored award winners' study tours for the National Skills Competition in Cambodia.

Challenges to Be Addressed

Under the Medium-Term Management Plan “Renovation 2018,” which reaches its final year in fiscal 2018, guided by the basic policy “Further Renovation of Fuji Electric,” the Company is making efforts to “Advance growth strategies” and “Strengthen profitability.” In fiscal 2018, we will work to complete this Medium-Term Management Plan and establish a new five-year Medium-Term Management Plan with an eye to fiscal 2023, when the Company will mark the 100th anniversary of its foundation. The Company has innovated energy and environmental technologies and widely contributed to society in the fields of industrial and social infrastructures. We will continue to provide and propagate high value-added and environment-friendly products and systems globally to help solve energy and environmental issues faced by the global community and contribute to realizing a sustainable society.

- Strengthening of the power electronics systems business

The power electronics systems business is conducted by capitalizing on the Company’s comprehensive capabilities by combining components and systems that provide stabilization and optimization of power supply and automation and energy saving of production facilities for customers in wide sectors of industry. In order to strengthen this business, we will enhance our product designing capabilities, create optimal supply chains, and create competitive components by launching global products. In addition, we will put together our engineering know-how cultivated heretofore into a standard package, and provide a set of electrical equipment for factories as a system to customers. We will pursue expansion of overseas business by using engineering companies in Asia and China as the core bases.

- Proactive investment in expansion of power semiconductor business

The power semiconductors market is expected to show steady growth for the industrial field, and a rapid market expansion is forecast for the automotive field with the shift to electric vehicles. The Company will invest in increasing production to meet the current increase in demand in the industrial and automotive fields, as well as strengthening production capacity and optimizing production sites as proactive investment, with an eye toward future business expansion in the automotive field.

- Further strengthening of manufacturing capabilities

With a view to promoting local production and local consumption, the Company is advancing efforts to optimize global operations at our global mother factories in Japan and overseas production sites in China, Asia and other locations, and construct a structure to respond to a wide range of needs in Japan and abroad. We will further enhance manufacturing capabilities by working on improvement of value-added productivity through automation and in-house production, utilization of IoT, cost reduction by getting procurement department involved from development and designing stages, and cultivation of human resources at overseas production bases.

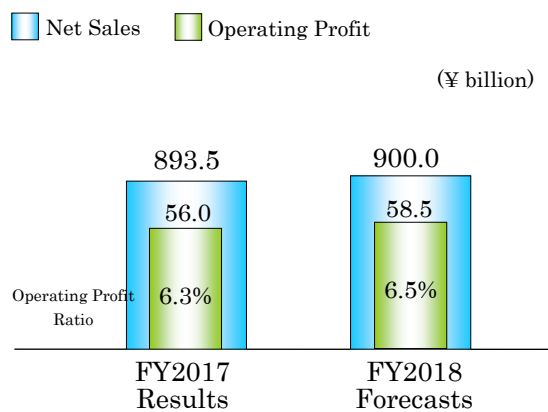
- Revitalization of Pro-7 Activities

As a company-wide movement, we have been promoting the “Pro-7 Activities” in which we conduct a zero-based review of all costs of business activities. With employee awareness reforms, to reenergize the Pro-7 Activities, we will promote improvement of work quality and increase profits as we monitor work, analyze, revise and improve operations. Moreover, we will expand our initiatives in overseas locations and engage in improving profitability.

■ Consolidated business results forecasts and priority measures by business segment

The consolidated business results forecasts for fiscal 2018 and priority measures by business segment are as follows.

Consolidated business results forecasts



Net sales are expected to be ¥900.0 billion for fiscal 2018, up 0.7% year on year. Operating profit is projected to be ¥58.5 billion, up ¥2.5 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 incorporating domestic replacement demand in the energy management business while expanding its operations in Asia. This segment will also enhance its overseas engineering and manufacturing capabilities in the power supply and facility systems business and work to take advantage of demand from domestic and overseas machinery manufacturers as well as domestic construction demand in the ED&C components business.

- **Power Electronics Systems — Industry Solutions**

The Power Electronics Systems — Industry Solutions business segment will endeavor to expand its factory automation systems operations in response to the automation needs of the Japanese and Chinese markets in the factory automation business. At the same time, this segment will seek to augment its overseas engineering and manufacturing capabilities and grow plant system orders in the process automation business. The focus of the social solutions business will be to accelerate the development of new products for expanding overseas railroad operations.

- **Power and New Energy**

The Power and New Energy business segment will work to expand its thermal and geothermal power generation service operations while increasing domestic and overseas orders in the renewable energy and new energy fields.

- **Electronic Devices**

The Electronic Devices business segment will strive to boost sales in the industrial field, which is seeing increased demand around the world, while also accelerating the development of new products in response to the trend toward electric vehicles in the automotive field and bolstering its production capacity to grow operations in this field.

- **Food and Beverage Distribution**

The aims of the Food and Beverage Distribution business segment's efforts in the vending machine business will be to expand overseas operations centered on China and other parts of Asia and to boost competitiveness by developing high-value-added products and reducing costs. In the store distribution business, the segment will strive to increase orders for store equipment from convenience stores while developing new products that help realize labor savings.

[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, 2018

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 ¥8 per share at the meeting of the Board of Directors held on May 24, 2018, 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 2017 amounted to ¥14 per share including the amount of interim dividend.

[Consolidated Financial Results and Trends in Assets]

Classification	139th term Fiscal 2014	140th term Fiscal 2015	141st term Fiscal 2016	142nd term Fiscal 2017
Net sales (¥ billion)	810.7	813.6	837.8	893.5
Operating profit (¥ billion)	39.3	45.0	44.7	56.0
Ordinary profit (¥ billion)	43.1	45.6	46.3	56.0
Profit attributable to owners of parent (¥ billion)	28.0	30.6	41.0	37.8
Basic earnings per share (¥)	39.16	42.90	57.36	52.87
Total assets (¥ billion)	904.5	845.4	886.7	918.9
Annual dividend per share (¥)	9.0	10.0	11.0	14.0

[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 performance-related 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 2017

	Payees (persons)	Payment (¥ million)
Directors	10	267
(Outside)	(4)	(27)
Auditors	6	80
(Outside)	(3)	(22)

(Notes) 1. The amounts of remuneration for Directors shown above do not include performance-related remuneration for fiscal 2017 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 ¥83 million in performance-related remuneration to Standing Directors (six Directors) for fiscal 2016.
3. In addition to the above payment, the Company paid ¥3 million to one employee who concurrently assumed the office of Director as salary for an employee.
4. As described earlier in "Policy on the Determination of Remuneration for Directors and Auditors," 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	28
Auditors	3	5

(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, 2018)

1. **Authorized shares:** **1,600,000,000**
2. **Issued and outstanding shares:** **746,484,957**
3. **Number of shareholders:** **41,539**
(an increase of 4,626 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	168	290,883,498	38.97
Other domestic corporations	538	72,356,975	9.69
Foreigners	590	249,888,209	33.48
Individuals and others	40,243	133,356,275	17.86
Total	41,539	746,484,957	100.00

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

5. Top ten shareholders

Name	Number of shares (thousands of shares)	Ratio of shareholding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	63,064	8.83
The Master Trust Bank of Japan, Ltd. (Trust Account)	55,738	7.80
FUJITSU LIMITED	20,333	2.85
Asahi Mutual Life Insurance Company	19,775	2.77
FANUC CORPORATION	13,421	1.88
Japan Trustee Services Bank, Ltd. (Trust Account 5)	11,514	1.61
Japan Trustee Services Bank, Ltd. (Trust Account 7)	11,257	1.58
Mizuho Bank, Ltd.	11,254	1.58
FURUKAWA CO., LTD.	11,025	1.54
STATE STREET BANK WEST CLIENT – TREATY 505234	9,602	1.34

(Notes) 1. Treasury stock of 32,215,710 shares is excluded from the above list of top ten 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 Share Acquisition Rights (as of March 31, 2018)

Not applicable.

Status of Directors and Auditors

1. Directors and Auditors

Name	Positions and direct duties in the Company	
Michihiro Kitazawa	Representative Director	President General Management
	President and Director	
Kenzo Sugai	Representative Director	Executive Vice President Assistant to President Corporate General Manager, Sales Group
Toshihito Tamba	Outside Director	
Naoomi Tachikawa	Outside Director	
Yoshitsugu Hayashi	Outside Director	
Michio Abe	Director	Senior Managing Executive Officer Corporate General Manager, Production and Procurement Group
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 Systems Business Group
Yoshio Okuno	Standing Auditor	
Junichi Matsumoto	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. Toshihito Tamba and Mr. Naoomi Tachikawa, who are management executives of listed companies, and Mr. Yoshitsugu Hayashi, who is an expert of environmental engineering, which is closely related to Fuji Electric's business activities 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. Toshihito Tamba, Mr. Naoomi Tachikawa and Mr. Yoshitsugu Hayashi 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 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.
 - Standing Auditor Junichi Matsumoto is highly knowledgeable about financial and accounting matters and overall corporate management, which he has gained from his longstanding career in Fuji Electric as person in charge of finance and accounting division, including Director.
 - 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 Toshihiko Ishihara resigned his office as Standing Auditor at the conclusion of the 141st Ordinary General Meeting of Shareholders held on June 27, 2017.
5. Positions and direct duties of Directors in the Company were changed as follows on April 1, 2018.
- | | | |
|-----------|----------|---|
| Masatsugu | Director | Senior 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
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	Chairman of the Board, TOTOKU ELECTRIC CO., LTD. (retired on June 28, 2017) Senior Advisor, TOTOKU ELECTRIC CO., LTD. (assumed office on June 28, 2017) 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	Chairman of the Board and Representative Director, Asahi Mutual Life Insurance Company Outside Audit & Supervisory Board Member, The Yokohama Rubber Company, Limited External Auditor, 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. 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.

2. 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
Toshihito Tamba	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 extensive experience and considerable insight as a management executive of a listed company. <ul style="list-style-type: none"> - Formulation of business plans by taking into account changes in the market environment - Appropriate way to carry out IR activities
Naomi Tachikawa	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 extensive experience and considerable insight as a management executive of a listed company. <ul style="list-style-type: none"> - Management of progress of large-scale deals - Necessity of paying attention to material procurement and human resources
Yoshitsugu Hayashi	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 professional standpoint and considerable insight in the environmental engineering. <ul style="list-style-type: none"> - Appropriate way of research and development strategy - Approach to demand forecast

Note: Since Mr. Yoshitsugu Hayashi newly assumed the office of Director at the conclusion of the 141st Ordinary General Meeting of Shareholders held on June 27, 2017, the above status on attendance at the Board of Directors meetings refers to those meetings held after his 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 8/9	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	12/13 8/9	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	12/13 8/9	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.

(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	170
(ii) Total profit on cash and other financial assets payable by the Company and its subsidiaries	322

- (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 remuneration 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.

[The Fuji Electric Group] Group Companies

(as of March 31, 2018)

Fuji Electric

Power Electronics Systems — Energy Solutions

Fuji Electric Meter Co., Ltd.	CHICHIBU FUJI CO., LTD.
Fuji Electric Technica Co., Ltd.	Fuji Electric Dalian Co., Ltd.
Fuji SMBE Pte. Ltd. and other 15 companies	Fuji Electric FA Components & Systems Co., Ltd.
Fuji Electric FA (Asia) Co., Ltd.	Fuji Tusco Co., Ltd.
Ibarakifuji Co., Ltd.	Fuji Electric (Changshu) Co., Ltd.

Power Electronics Systems — Industry Solutions

Fuji IT Co., Ltd.	WUXI FUJI ELECTRIC FA CO., LTD.
Fuji Electric IT Solutions Co., Ltd.	Fuji SEMEC Corp.
Fuji Electric Motor (Dalian) Co., Ltd.	FUJI FURUKAWA E&C (THAILAND) CO., LTD.*
Fuji SEMEC Inc.	Fuji Electric FA Service Co., Ltd.
FUJI FURMANITE CO., LTD.*	Fuji Electric (Zhuhai) Co., Ltd.
Hakko Electronics Co., Ltd.	Shanghai Electric Fuji Electric Power Technology (Wuxi) Co., Ltd.
FUJI ELECTRIC FRANCE S.A.S	FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO., LTD.

Power and New Energy

Reliable Turbine Services LLC

Electronic Devices

Fuji Electric Power Semiconductor Co., Ltd.	FUJI ELECTRIC (MALAYSIA) SDN. BHD.
FUJI ELECTRIC PHILIPPINES, INC.	FUJI ELECTRIC (SHENZHEN) CO., LTD.
Fuji Electric Tsugaru Semiconductor Co., Ltd.	FUJI ELECTRIC SEMICONDUCTOR (MALAYSIA) SDN. BHD.

Food and Beverage Distribution

Shinshu Fuji Electric Co., Ltd.	Dalian Fuji Bingshan Vending Machine Co., Ltd.
Fuji Electric Retail Service Co., Ltd.	MIE FUJI CO., LTD.
Fuji Electric (Hangzhou) Software Co., Ltd.	Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.
HOEI PLASTICS CO., LTD.	

Others

Fuji Electric Finance and Accounting Support Co., Ltd.	METAWATER Co., Ltd.*
Fuji FESTEC Co., Ltd.	Fuji Office & Life Service Co., Ltd.
Japan AE Power Systems Corporation*	METAWATER SERVICE Co., Ltd.*
Fuji Electric Information Technology Center 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 2017 including those above is 70 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)	50.5	Net assets (¥ billion)	34.9
Operating profit (loss) (¥ billion)	3.7	Capital (¥ billion)	7.6
Profit (loss) (¥ billion)	4.1	Number of employees	910

Company name	FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO., LTD.		
The Company's capital contribution	46.1%		
Major business	Designing and construction of plant facilities, air conditioning systems, electrical engineering work, civil engineering work, solar power facilities, power transmission work, and information and communications work.		
Net sales (¥ billion)	69.8	Net assets (¥ billion)	18.2
Operating profit (loss) (¥ billion)	3.6	Capital (¥ billion)	2.0
Profit (loss) (¥ billion)	2.7	Number of employees	1,117

Company name	Fuji Electric IT Solutions Co., Ltd.		
The Company's capital contribution	91.1%		
Major business	Sales of computer and telecommunication equipment, development of information processing systems and provision of total solutions.		
Net sales (¥ billion)	67.2	Net assets (¥ billion)	5.8
Operating profit (loss) (¥ billion)	1.7	Capital (¥ billion)	1.0
Profit (loss) (¥ billion)	1.2	Number of employees	593

Specified Wholly Owned Subsidiaries

Not applicable.

Important Corporate Realignments

Not applicable.

Main Facilities of the Group (as of March 31, 2018)

1. Power Electronics Systems — Energy Solutions

Domestic facilities

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

Fuji Tusco Co., Ltd. (Thailand), Fuji SMBE Pte. Ltd. (Singapore), Fuji Electric Dalian Co., Ltd. (China), Fuji Electric (Changshu) Co., Ltd. (China), Fuji Electric FA (Asia) Co., Ltd. (China)

2. Power Electronics Systems — Industry Solutions

Domestic facilities

Production facilities	Hino, Suzuka
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Overseas facilities

FUJI ELECTRIC FRANCE S.A.S, Fuji Electric (Zhuhai) Co., Ltd. (China), 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 SEMEC Inc. (Canada), Fuji SEMEC Corp. (U.S.A.), FUJI FURUKAWA E&C (THAILAND) CO., LTD.

3. Power and New Energy

Domestic facilities

Production facilities	Kawasaki
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Overseas facilities

Reliable Turbine Services LLC (U.S.A.)
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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., FUJI ELECTRIC SEMICONDUCTOR (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, 2018)

(Persons)

Business segment	Number of employees	Year-on-year change
Power Electronics Systems — Energy Solutions	6,838	11
Power Electronics Systems — Industry Solutions	7,820	367
Power and New Energy	1,340	33
Electronic Devices	6,506	191
Food and Beverage Distribution	2,574	(18)
Others	1,931	(78)
Total	27,009	506

(Note) The number of employees of the Company at the end of March 2018 is 10,745 (an increase of 25 from the end of the previous year).

Major Lenders (as of March 31, 2018)

Name of lenders	Balance of loans (¥ billion)
Mizuho Bank, Ltd.	18.7
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	8.6
Resona Bank, Limited	6.5
The Norinchukin Bank	3.9

(Note) The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its trade name to MUFG Bank, Ltd. on April 1, 2018.

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 nine 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, 2018)

(¥Millions)

[Assets]		[Liabilities]	
Current assets	536,234	Current liabilities	405,236
Cash and deposits	33,372	Notes and accounts payable-trade	183,976
Notes and accounts receivable-trade	287,084	Short-term loans payable	33,865
Merchandise and finished goods	57,821	Current portion of bonds	20,000
Work in process	50,372	Lease obligations	12,153
Raw materials and supplies	41,564	Accrued expense	40,106
Deferred tax assets	17,763	Income taxes payable	8,293
Other	49,538	Advances received	48,569
Allowance for doubtful accounts	(1,280)	Other	58,270
Noncurrent assets	382,487	Noncurrent liabilities	147,076
Property, plant and equipment	174,600	Bonds payable	40,000
Buildings and structures	82,809	Long-term loans payable	34,435
Machinery, equipment and vehicles	19,384	Lease obligations	23,053
Tools, furniture and fixtures	6,077	Deferred tax liabilities	4,376
Land	34,947	Provision for directors' retirement benefits	185
Leased assets	28,982	Net defined benefit liability	42,519
Construction in progress	2,399	Other	2,506
		Total liabilities	552,312
Intangible fixed assets	19,330		
Software	8,140	[Net assets]	
Other	11,189	Shareholders' equity	281,805
Investments and other assets	188,556	Capital stock	47,586
Investment securities	135,914	Capital surplus	45,986
Long-term loans receivable	731	Retained earnings	195,517
Net defined benefit asset	40,109	Treasury stock	(7,284)
Deferred tax assets	2,263	Accumulated other comprehensive income	48,830
Other	10,022	Valuation difference on available-for-sale securities	47,665
Allowance for doubtful accounts	(486)	Deferred gains or losses on hedges	88
		Foreign currency translation adjustments	1,572
		Remeasurements of defined benefit plans	(496)
Deferred assets	137	Non-controlling interests	35,910
Bond issue expenses	137		
		Total net assets	366,546
Total assets	918,859	Total liabilities and net assets	918,859

Consolidated Statements of Income

(from April 1, 2017 to March 31, 2018)

(¥Millions)

Net sales		893,451
Cost of sales		661,824
Gross profit		231,627
Selling, general and administrative expenses		175,665
Operating profit		55,962
Non-operating income		
Interest and dividends income	2,503	
Miscellaneous income	2,160	4,664
Non-operating expenses		
Interest expense	1,621	
Miscellaneous expenses	2,957	4,579
Ordinary profit		56,047
Extraordinary income		
Gain on sales of noncurrent assets	209	
Gain on sales of investment securities	1,691	1,900
Extraordinary loss		
Loss on disposal of noncurrent assets	366	
Loss on valuation of investment securities	776	1,142
Profit before income taxes		56,805
Income taxes-current	13,738	
Income taxes-deferred	1,064	14,803
Profit		42,001
Profit attributable to non-controlling interests		4,237
Profit attributable to owners of parent		37,763

Consolidated Statement of Changes in Net Assets

(from April 1, 2017 to March 31, 2018)

(¥ Millions)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2017	47,586	45,985	166,289	(7,241)	252,619
Changes of items during the period					
Dividends from surplus			(8,571)		(8,571)
Profit attributable to owners of parent			37,763		37,763
Purchase of treasury stock				(43)	(43)
Disposal of treasury stock		0		0	0
Change of scope of consolidation			36		36
Change in ownership interest of parent due to transactions with non-controlling interest		0			0
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	0	29,228	(42)	29,186
Balance at March 31, 2018	47,586	45,986	195,517	(7,284)	281,805

(¥ 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, 2017	42,751	(1,600)	175	(2,730)	38,596	32,647	323,863
Changes of items during the period							
Dividends from surplus					-		(8,571)
Profit attributable to owners of parent					-		37,763
Purchase of treasury stock					-		(43)
Disposal of treasury stock					-		0
Change of scope of consolidation					-		36
Change in ownership interest of parent due to transactions with non-controlling interest					-		0
Net changes of items other than shareholders' equity	4,914	1,688	1,397	2,233	10,233	3,263	13,497
Total changes of items during the period	4,914	1,688	1,397	2,233	10,233	3,263	42,683
Balance at March 31, 2018	47,665	88	1,572	(496)	48,830	35,910	366,546

Non-Consolidated Balance Sheet

(as of March 31, 2018)

(¥ Millions)

[Assets]		[Liabilities]	
Current assets	347,757	Current liabilities	326,110
Cash and deposits	4,556	Notes payable-trade	177
Notes receivable-trade	5,719	Accounts payable-trade	170,110
Accounts receivable-trade	185,945	Short-term loans payable	44,045
Merchandise and finished goods	23,420	Current portion of bonds	20,000
Work in process	41,169	Current portion of long-term loans payable	92
Raw materials and supplies	23,664	Lease obligations	6,622
Advance payments-trade	30,236	Accounts payable-other	8,598
Deferred tax assets	11,402	Accrued expense	26,336
Short-term loans receivable	1,135	Income taxes payable	3,394
Accounts receivable-others	16,540	Advances received	38,879
Other	3,983	Deposits received	7,389
Allowance for doubtful accounts	(16)	Other	463
Noncurrent assets	344,598	Noncurrent liabilities	113,974
Property, plant and equipment	97,534	Bonds payable	40,000
Buildings	46,707	Long-term loans payable	33,729
Structures	2,013	Lease obligations	10,330
Machinery and equipment	6,092	Deferred tax liabilities	1,663
Vehicles	45	Provision for retirement benefits	26,662
Tools, furniture and fixtures	2,861	Asset retirement obligations	1,589
Land	24,429		
Leased assets	14,364		
Construction in progress	1,019		
Intangible fixed assets	7,915	Total liabilities	440,085
Software	5,155		
Other	2,759	[Net assets]	
Investments and other assets	239,149	Shareholders' equity	205,575
Investment securities	108,081	Capital stock	47,586
Stocks of subsidiaries and affiliates	95,125	Capital surplus	56,820
Capital contributions	398	Capital reserve	56,777
Long-term loans receivable	563	Other capital surplus	43
Prepaid pension cost	34,062	Retained earnings	108,647
Other	3,465	Legal reserve	11,515
Allowance for doubtful accounts	(252)	Other retained earnings	97,131
Allowance for loss on investment in subsidiaries and affiliates	(2,295)	Retained earnings brought forward	97,131
		Treasury stock	(7,478)
Deferred assets	137		
Bond issue expenses	137	Valuation and translation adjustments	46,832
		Valuation difference on available-for-sale securities	46,743
		Deferred gains or losses on hedges	88
		Total net assets	252,408
Total assets	692,494	Total liabilities and net assets	692,494

Non-Consolidated Statements of Income

(from April 1, 2017 to March 31, 2018)

(¥Millions)

Net sales		571,101
Cost of sales		438,691
Gross profit		132,409
Selling, general and administrative expenses		109,252
Operating profit		23,156
Non-operating income		
Interest and dividends income	6,934	
Other	75	7,010
Non-operating expenses		
Interest expense	715	
Other	1,109	1,825
Ordinary profit		28,342
Extraordinary income		
Gain on sales of noncurrent assets	182	
Gain on sales of investment securities	1,655	1,838
Extraordinary loss		
Loss on disposal of noncurrent assets	179	179
Profit before income taxes		30,001
Income taxes-current	4,652	
Income taxes-deferred	1,001	5,653
Profit		24,348

Non-Consolidated Statement of Changes in Net Assets

(from April 1, 2017 to March 31, 2018)

(¥Millions)

	Shareholders' equity								Total stockholders' equity
	Capital stock	Capital surplus			Legal reserve	Retained earnings		Treasury stock	
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings	Total retained earnings		
Balance at April 1, 2017	47,586	56,777	42	56,820	11,515	81,355	92,870	(7,435)	189,841
Changes of items during the period									
Dividends from surplus				-		(8,571)	(8,571)		(8,571)
Profit for the year				-		24,348	24,348		24,348
Purchase of treasury stock				-		-	-	(43)	(43)
Disposal of treasury stock			0	0				0	0
Net changes of items other than shareholders' equity									
Total changes of items during the period	-	-	0	0	-	15,776	15,776	(42)	15,733
Balance at March 31, 2018	47,586	56,777	43	56,820	11,515	97,131	108,647	(7,478)	205,575

	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, 2017	42,006	(1,600)	40,406	230,248
Changes of items during the period				
Dividends from surplus			-	(8,571)
Profit for the year			-	24,348
Purchase of treasury stock			-	(43)
Disposal of treasury stock			-	0
Net changes of items other than shareholders' equity	4,737	1,688	6,426	6,426
Total changes of items during the period	4,737	1,688	6,426	22,160
Balance at March 31, 2018	46,743	88	46,832	252,408