

Securities code: 6504

To Our Shareholders
143rd Term (Fiscal 2018) Annual Business Report

(April 1, 2018–March 31, 2019)

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Business Report (April 1, 2018–March 31, 2019)

[Business Overview] Overview

In the fiscal year ended March 31, 2019, the outlook for the Company's operating environment overseas saw a trend toward limited investment emerge in the Chinese market during the second half of the fiscal year amid the trade friction between the United States and China. In Japan, meanwhile, robust demand was seen for investments in replacements of aged equipment, production equipment automation aimed at productivity improvements, labor saving, and energy conservation, although there was slowdown in certain sectors.

In this environment, we sought to complete the measures put forth in the FY2018 Medium-Term Management Plan, Renovation 2018, which concluded with the fiscal year ended March 31, 2019. To this end, we strengthened the power electronics systems business and aggressively invested in the expansion of our power semiconductors operations while also pursuing increased profitability by further enhancing manufacturing capabilities and re-energizing the Companywide Pro-7 Activities that are aimed at improving work quality.

Consolidated net sales in the fiscal year ended March 31, 2019, increased ¥21.5 billion year on year, to ¥914.9 billion, due to higher demand centered on the Power Electronics Systems Energy Solutions segment, the Power and New Energy segment, and the Electronic Devices segment. Despite the impacts of slowdown in demand seen in the second half of the fiscal year as well as increased costs associated with a large-scale project in the Power and New Energy segment, consolidated operating profit in the fiscal year ended March 31, 2019, rose ¥4.0 billion year on year, to ¥60.0 billion, and ordinary profit was up ¥7.4 billion, to ¥63.5 billion, due to higher sales and the benefits of cost reduction efforts. Both of these figures represented new record highs. Meanwhile, profit attributable to owners of parent increased ¥2.5 billion, to ¥40.3 billion.

In this manner, the targets of the FY2018 Medium-Term Management Plan—net sales of ¥900.0 billion, operating profit of ¥54.0 billion, and profit attributable to owners of parent of ¥34.0 billion—were achieved.

Consolidated results of operations for the fiscal year ended March 31, 2019, were as follows.

Fiscal 2018 (April 1, 2018 to March 31, 2019)

Classification	143rd term Fiscal 2018	Increase/Decrease
Net sales	¥914.9 billion	Up ¥21.5 billion YoY
Operating profit	¥60.0 billion	Up ¥4.0 billion YoY
Ordinary profit	¥63.5 billion	Up ¥7.4 billion YoY
Profit attributable to owners of parent	¥40.3 billion	Up ¥2.5 billion YoY
Basic earnings per share	¥281.89	Up ¥17.55 YoY
Total assets	¥952.7 billion	Up ¥37.9 billion YoY

Business Segment Overview

(¥ billion)

Business segment	Classification	142nd term Fiscal 2017	143rd term Fiscal 2018	Change (%)
Power Electronics Systems Energy Solutions	Net sales	217.6	224.8	103%
	Operating profit	14.0	16.9	120%
Power Electronics Systems Industry Solutions	Net sales	321.0	321.9	100%
	Operating profit	18.9	19.4	103%
Power and New Energy	Net sales	96.9	107.0	110%
	Operating profit	5.5	4.8	86%
Electronic Devices	Net sales	126.9	137.3	108%
	Operating profit	13.7	15.6	114%
Food and Beverage Distribution	Net sales	117.8	113.6	96%
	Operating profit	6.2	5.8	92%
Others	Net sales	60.4	62.2	103%
	Operating profit	2.9	2.8	97%
Sub-total	Net sales	940.5	966.9	103%
	Operating profit	61.3	65.1	106%
Eliminate/Corporate	Net sales	(47.1)	(52.0)	—
	Operating profit (loss)	(5.3)	(5.2)	—
Total	Net sales	893.5	914.9	102%
	Operating profit	56.0	60.0	107%

(Note) From the beginning of the current fiscal year, the businesses contained within the “Power Electronics Systems Energy Solutions” and the “Power Electronics Systems Industry Solutions” segments were changed to reflect a structural reorganization. The figures of “Change” have been calculated after reclassifying the figures for fiscal 2017 in accordance with the classification of business segments after such change.

Results by Business Segment

[Power Electronics Systems Energy Solutions]

Net sales increased 3% year on year, to ¥224.8 billion, and operating profit increased ¥2.8 billion year on year, to ¥16.9 billion.

In the Power Electronics Systems Energy Solutions segment, net sales and operating profit were up year on year due to strong performance in the power supply and facility systems business and the ED&C components business.

- In the energy management business, net sales decreased year on year primarily as a result of the rebound from a large-scale project undertaken overseas during the previous fiscal year and reduced demand for smart meters. However, operating results improved year on year due to the benefits of cost reduction efforts.
- In the power supply and facility systems business, net sales and operating results improved year on year due to an increase in large-scale orders in Japan.
- In the ED&C components business, net sales and operating results improved year on year because of strong demand from distribution panel manufacturers.

TOPICS

Expansion of orders received for “sets of electrical equipment” from Japanese and overseas customers

Reflecting the environmental problems, particularly with respect to global warming, there are growing needs for energy saving and optimization of electric power supplies. Under these circumstances, the Group has received an expansion of orders for “sets of electrical equipment” from Japanese and overseas customers for semiconductor plants, oil storage terminals and data centers.

Fuji SMBE Pte. Ltd. provides low-voltage panels, transmission and distribution systems, power supply systems, air conditioning systems and power monitoring systems.

[Power Electronics Systems Industry Solutions]

Net sales were relatively unchanged year on year, to ¥321.9 billion, and operating profit increased ¥0.5 billion year on year, to ¥19.4 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, the equipment construction business, and the IT solutions business.

- In the factory automation business, net sales and operating results improved year on year due to increased domestic demand centered on inverters, motors, and factory automation systems, the benefits of which outweighed the impacts of the bearish trends seen overseas during the second half of the fiscal year.
- In the process automation business, net sales and operating results worsened year on year due to the absence of a large-scale order recorded in the previous fiscal year.
- In the social solutions business, net sales and operating results worsened year on year primarily as a result of lower demand for electrical equipment for railcars.
- In the equipment construction business, net sales and operating results improved year on year following an increase in orders for construction of electrical equipment such as factory power distribution equipment.
- In the IT solutions business, net sales and operating results improved year on year due to an increase in orders from the academic sector and the public sector.

TOPICS

Development and initial shipment of SOx scrubbers

International Maritime Organization; IMO will tighten the limits on emission of sulfur oxides (SOx), an environmental contaminant, in all sea areas from 2020. The Company developed and started shipping of the exhaust gas purifying system for vessels equipped with the world's smallest exhaust gas purifying device for vessels (SOx scrubbers), which reduces SOx contained in exhaust gas emitted from vessels by utilizing seawater.

[Power and New Energy]

Net sales increased 10% year on year, to ¥107.0 billion, and operating profit decreased ¥0.8 billion year on year, to ¥4.8 billion.

- In the power and new energy business, net sales increased year on year following growth in orders for solar power generation systems, but operating results worsened year on year due to higher costs associated with a large-scale order.

TOPICS

Focusing on renewable energy business

The Company is focusing on business regarding power generation facilities that use environment-friendly renewable energy, such as geothermal power, hydro

power, and solar power.

While solar power generation systems with storage batteries that contribute to smoothing output fluctuations are spreading, the facility in Tomakomai City, Hokkaido, that we received an order for, commenced operation.

In addition, local construction has started for geothermal power plant in Kenya, our first order received in Africa.

[Electronic Devices]

Net sales increased 8% year on year, to ¥137.3 billion, and operating profit increased ¥1.9 billion year on year, to ¥15.6 billion.

- In the electronic devices business, net sales and operating results improved year on year thanks to higher demand for products for automotive applications, amid the trend toward electric vehicles, and for magnetic disks. These factors offset the impacts of the sluggish demand seen in the domestic industrial power semiconductor market during the second half of the fiscal year.

TOPICS

Proactive investment for power semiconductors for automotive applications

With the backdrop of global environment regulations, there is an accelerating shift to electric vehicles.

Preparing for significant growth in demand for power semiconductors for electric vehicles, we invested in production capacity expansion for semiconductors and promoted development of IGBT module for automotive applications that enables downsizing and reducing weight.

[Food and Beverage Distribution]

Net sales decreased 4% year on year, to ¥113.6 billion, and operating profit decreased ¥0.5 billion year on year, to ¥5.8 billion.

- In the vending machine business, net sales and operating results improved year on year largely thanks to increased demand from domestic customers.
- In the store distribution business, net sales and operating results worsened year on year because of a decline in demand such as for store equipment for convenience stores.

TOPICS

Launch of store equipment for convenience stores to help counter the shortage of workers

As the shortage of workers in convenience stores deepens, there is an increasing

demand for automation and labor-saving solutions in the convenience store market. The Company has developed and delivered vending machine convenience stores that utilizes the Company's knowhow of food and goods automatic vending machines and prototypes for sliding display shelves that help store personnel restock shelves with greater efficiency.

[Others]

Net sales increased 3% year on year, to ¥62.2 billion, and operating profit decreased ¥0.1 billion year on year, to ¥2.8 billion.

Research and Development Activities

In fiscal 2018, 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 participated in the Virtual Power Plant (VPP) establishment demonstration project initiated by the Ministry of Economy, Trade and Industry, and co-developed with JAPAN BENEX CORPORATION and SUMITOMO CORPORATION and released a storage battery system for VPP-compatible customers that reuses electric vehicle storage cells. The basic system is packaged based on charge and discharge control technologies of the Company, and has various functions such as VPP linkage. In addition, we developed and released the “F-QuiQ series” spring terminal equipment that includes magnetic switches and circuit breakers. Secure wiring is possible by simply inserting the cable.

In the Power Electronics Systems Industry Solutions business, we developed and shipped an “exhaust gas purifying system for vessels,” which reduces sulfur oxides (Sox) contained in exhaust gases emitted from vessels. As for the railway field, we developed and delivered a high-efficiency, compact, and lightweight VVVF inverter drive device mounted with a SiC (silicon carbide) hybrid module for Sanyo Electric Railway 5000 series railcars and commercial operation has commenced. We also developed and released the “OnePackEdge” system solution which consists of data gathering terminals and analysis software. This solution provides gathering and analysis of data in one package, which enables product quality improvement and operational efficiency improvement at production sites.

In the Power and New Energy business, we are developing technologies for efficiency improvement and deterioration diagnoses in maintenance services for thermal and geothermal power generation systems.

In the Electronic Devices business, we are expanding the series of products that adopts the latest 7th generation IGBT technology that enables low loss and high temperature operation, and have completed the series of standard products of IGBT modules from 650V to 1700V. The 650V low loss discrete IGBT “XS series” contributes to reducing loss and improving efficiency in compact uninterrupted power systems (UPS), solar power conditioner (PCS), servers, EV chargers, etc.

In the Food and Beverage Distribution business, we are promoting interactive functions by utilizing the cloud. We also enable cashless payments at vending machines using QR codes and distribution of digital signage, etc., utilizing liquid crystal displays. In addition, the open showcase with built-in freezer, “Non-leak showcase,” which does not need piping construction by use of CFC-free refrigerants, has received an award of excellence from the “the 21st Ozone Layer Protection and Global Warming Prevention Awards” by The Nikkan Kogyo Shimbun, Ltd. (The Daily Industrial News).

Capital Investment

In fiscal 2018, we made investments totaling ¥43.3 billion, mainly in the Electronic Devices business and the Power Electronics Systems business, including investment for expanding production capacity and investment for automation of production line, as well as those for leasing.

Key investments were as follows.

In the Electronic Devices business, we made large-scale investment in the Yamanashi Factory for production capacity expansion of power semiconductor chips mainly for automotive applications. With respect to back-end processes, we made capital investments in facilities in Japan and overseas for increasing production of intelligent power modules (IPM), a power semiconductor element, and investment in factories in Japan for the launch of production lines of new automotive products.

In the Power Electronics Systems Energy Solutions business, we invested in earthquake countermeasures at the Chiba Factory and started construction of a new building at the factory in Thailand, aiming to strengthen plant system products.

In the Power Electronics Systems Industry Solutions business, we made capital investments for the expansion of mass production of printed boards in Thailand. In addition, we made capital investments for automation of the Suzuka Factory in order to reduce costs in motor model products.

In the Food and Beverage Distribution business, we invested in cutting-edge servo presses, aiming to improve production efficiency of vending machines.

Financing

In fiscal 2018, we issued the 31st series of unsecured bonds in the amount of ¥10.0 billion in May 2018 and redeemed the 27th series of unsecured bonds in the amount of ¥20.0 billion in June 2018.

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

As a result, our consolidated bonds, commercial papers and loans payable as of the end of March 2019 decreased by ¥11.5 billion year on year to ¥116.8 billion.

Initiatives contributing to the environment and society

To contribute to environment and social issues through corporate activities, 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 all corporate activities, Fuji Electric endeavors to contribute to the achievement of the Sustainable Development Goals (SDGs) adopted by the United Nations.

● Environment

Efforts to protect the global environment are a key management issue for Fuji Electric, and we have established our Basic Environmental Protection Policy. Following the Paris Agreement adopted by the United Nations, we have also worked on the formulation of Environmental Vision 2050 as our long-term environmental targets, and have formulated medium- to long-term targets regarding reduction of greenhouse gases.

Through our own production activities and by providing our technologies and products, we promote the reduction of CO₂ emissions in society.

In our production activities, we worked on the visualization and optimization of energy usage at factories and utilization of renewable energies such as solar power. WUXI FUJI ELECTRIC FA CO., LTD. began to use solar power generation systems that utilize new PCS developed by the Company, as power supply systems. In addition, we contributed to the annual reduction of 150,000 tons of CO₂ per year through renewal of hydro power generation systems at the Akiha No. 1 Power Station of Electric Power Development Co., Ltd. in Shizuoka prefecture.

■ Society (Involvement with employees)

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

In order to expand opportunities for young and mid-career female employees to be promoted to managerial positions, we are engaged in awareness reforms for female employees through education and training. We also promote a workstyle of focusing on one’s job while at work and resting properly outside of work by reducing excessive work hours and encouraging employees to take initiative in planning for using paid vacation, and in addition striving to establish systems to support employees to realize their work-life balance between their job and nursing care by taking measures such as establishment of consultation services and enhancement of information provision, in preparation for an increase in employees who need to give nursing care while employed.

As a result of initiatives for proactively promoting women’s active participation, the Company was selected jointly by METI and the Tokyo Stock Exchange for inclusion in the “Nadeshiko Brand” for three consecutive years, and for inclusion in the “Semi-Nadeshiko” in 2018.

In addition, we conduct employee awareness surveys as a part of measures to establish a working environment where employees can maximize their potential. By

taking into consideration changes in employee awareness that can be seen in the result of the surveys, we work to solve challenges in the workplace.

Challenges to Be Addressed

The Company has worked for innovation of 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 products and systems globally, with our core businesses, power electronics systems business and power semiconductor business, to help solve energy and environmental issues faced by the global society and contribute to realizing a safe and secure, and sustainable society.

In fiscal 2019, we will engage in the following measures.

- Further strengthening of the power electronics systems business

We will expand the systems business that combines components utilizing power semiconductors with engineering service IoT (Internet of Things) technologies in order to solve clients' issues such as energy saving, automation and stable operation of production factories and social infrastructures. In pursuing expansion of overseas business, we will promote automation at the regional mother factories that play key roles in manufacturing overseas, and strengthen production capacity by constructing a new building at the factory in Thailand. The production technologies cultivated at the regional mother factories are transferred to related overseas factories, and each site works in cooperation to enable global and optimized production activities.

We work for the following measures in each business field.

In the power electronics systems energy business, we will strengthen comprehensive equipment solutions that combine strong components such as transformers, distribution panels, and uninterrupted power systems with systems such as energy management systems and will make comprehensive proposals to customers that include installation work and maintenance services.

Renewable energy such as solar power generation and wind power generation is expected to be used as distributed power supply by combining power storage technologies to enable stable operation, in Japan and overseas. The power electronics systems energy business and power plant business will cooperate to expand the business.

In the power electronics systems industry business, we will strive to expand the systems business in China, Southeast Asia, and India by combining drive control and measuring devices (process control). In addition, we will pursue business expansion by strengthening production and engineering structures of the exhaust gas purifying systems for vessels that comply with exhaust gas regulations for vessels starting from 2020.

- Proactive investment and expansion of power semiconductor business

In the electronic devices business, we will promote sales expansion of the 7th generation IGBT products for industry, targeting industrial machinery, for which

energy saving and automation are advancing, as well as renewable energy facilities such as wind power generation and solar power generation. Furthermore, in preparation for demand for electric vehicles, whose market is expected to grow rapidly in the future, we will make investments in production capacity expansion and promote the commencement of mass production of new products to expand business.

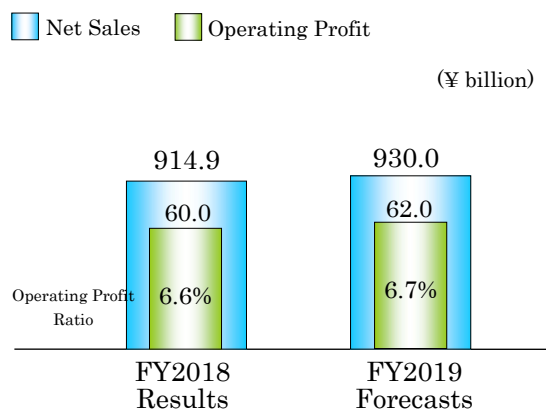
- Improvement of both work efficiency and quality through Pro-7 Activities

The “Pro-7 Activities” in which all employees conduct a zero-based review of all costs of business activities promote expansion of RPA (Robotic Process Automation) implementation and workstyle reforms to improve productivity. We will strive for improvement of efficiency of work hours and product quality by expanding introduction of test and inspection automation and digitization of records.

■ Consolidated business results forecasts

The consolidated business results forecasts for fiscal 2019 are as follows.

Consolidated business results forecasts



Net sales are expected to be ¥930.0 billion for fiscal 2019, up 1.7% year on year.
Operating profit is projected to be ¥62.0 billion, up ¥2.0 billion year on year.

[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 shares as a flexible mechanism to supplement dividends when warranted by the cash flow position.

Moreover, the capital strategies as prescribed by Article 459, Paragraph 1 of the Companies Act, shall be conducted with a view to strengthening consolidated shareholders' equity.

Also the matters prescribed by Article 459, Paragraph 1 of the Companies Act 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, 2019

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 ¥40 per share at the meeting of the Board of Directors held on May 23, 2019, with due consideration given to the consolidated operating results for the current and next period, financial conditions, and other factors.

Effective October 1, 2018, the Company conducted a one-for-five reverse share split pertaining to common shares. The interim dividend for the fiscal 2018 (¥8 per share) amounts to ¥40 per share, when calculated to reflect this reverse share split. As a result, the annual dividend for the fiscal 2018 amounted to ¥80 per share including the amount of interim dividend.

[Consolidated Financial Results and Trends in Assets]

Classification	140th term Fiscal 2015	141st term Fiscal 2016	142nd term Fiscal 2017	143rd term Fiscal 2018
Net sales (¥ billion)	813.6	837.8	893.5	914.9
Operating profit (¥ billion)	45.0	44.7	56.0	60.0
Ordinary profit (¥ billion)	45.6	46.3	56.0	63.5
Profit attributable to owners of parent (¥ billion)	30.6	41.0	37.8	40.3
Basic earnings per share (¥)	214.48	286.82	264.34	281.89
Total assets (¥ billion)	845.4	886.7	914.7	952.7
Annual dividend per share (¥)	50.0	55.0	70.0	80.0

(Note) Effective October 1, 2018, the Company conducted a one-for-five reverse share split pertaining to common shares. Basic earnings per share is calculated assuming that the reverse share split was executed at the beginning of fiscal 2015 (140th term). As for annual dividend per share, the amounts of dividends paid before the reverse share split are presented to reflect the effect of the reverse share split retrospectively.

[Remuneration for Directors and Audit & Supervisory Board Members]

Policy on the Determination of Remuneration for Directors and Audit & Supervisory Board Members

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

In paying remuneration etc. to Directors and Audit & Supervisory Board Members 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 Audit & Supervisory Board Members

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

Outside Directors and Audit & Supervisory Board Members may acquire shares in the Company at their own discretion.

Total Amount of Remuneration Paid to Directors and Audit & Supervisory Board Members for Fiscal 2018

	Payees (persons)	Payment (¥ million)
Directors	8	269
(Outside)	(3)	(29)
Audit & Supervisory Board Members	5	80
(Outside)	(3)	(22)

(Notes) 1. The amounts of remuneration for Directors shown above do not include performance-related remuneration for fiscal 2018 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 ¥116 million in performance-related remuneration to Standing Directors (five Directors) for fiscal 2017.

3. As described earlier in “Policy on the Determination of Remuneration for Directors and Audit & Supervisory Board Members,” a portion of the base remuneration of Standing Directors shall be contributed to the Director Shareholding Association with the obligation to acquire shares of the Company. The following table shows the amount contributed to the Director Shareholding Association, including voluntary contributions, together with the amount of shares of the Company acquired.

	Contribution to Director Shareholding Association (¥ million)	Shares of the Company acquired (hundreds of shares)
Directors	20	54
Audit & Supervisory Board Members	4	9

4. Effective October 1, 2018, the Company conducted a one-for-five reverse share split pertaining to common shares. The amounts of shares of the Company acquired in the table above are presented to reflect the effect of the reverse share split.

(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]

Share Information (as of March 31, 2019)

1. Authorized shares: **320,000,000**
2. Issued shares: **149,296,991**
3. Number of shareholders: **36,564**
(a decrease of 4,975 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	156	64,808,745	43.41
Other domestic corporations	466	14,100,181	9.45
Foreigners	627	46,271,318	30.99
Individuals and others	35,315	24,116,747	16.15
Total	36,564	149,296,991	100.00

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

5. Top ten shareholders

Name	Number of shares (thousands of shares)	Ratio of shareholding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	14,072	9.85
The Master Trust Bank of Japan, Ltd. (Trust Account)	13,449	9.42
FUJITSU LIMITED	4,066	2.85
Asahi Mutual Life Insurance Company	3,955	2.77
FANUC CORPORATION	2,684	1.88
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,545	1.78
Japan Trustee Services Bank, Ltd. (Trust Account 7)	2,414	1.69
Mizuho Bank, Ltd.	2,250	1.58
FURUKAWA CO., LTD.	2,205	1.54
JP MORGAN CHASE BANK 385151	1,944	1.36

(Notes) 1. Treasury shares of 6,451,315 shares are excluded from the above list of top ten shareholders.

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

6. Other Important Matters Concerning Shares

Effective October 1, 2018, the Company changed the trading unit from 1,000 shares to 100 shares and conducted a one-for-five reverse share split pertaining to common shares. Consequently, the number of authorized shares was changed from 1,600,000,000 to 320,000,000 and the number of issued shares was changed from 746,484,957 to 149,296,991.

Type of Bonds with Share Acquisition Rights (as of March 31, 2019)

Not applicable.

Status of Directors and Audit & Supervisory Board Members

1. Directors and Audit & Supervisory Board Members

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	
Naomi Tachikawa	Outside Director	
Yoshitsugu Hayashi	Outside Director	
Michio Abe	Director	Senior Managing Executive Officer Corporate General Manager, Production and Procurement Group
Masatsugu Tomotaka	Director	Senior Managing Executive Officer Corporate General Manager, Power Electronics Systems Business 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
Yoshio Okuno	Standing Audit & Supervisory Board Member	
Junichi Matsumoto	Standing Audit & Supervisory Board Member	
Yoshiki Sato	Outside Audit & Supervisory Board Member	
Akiko Kimura	Outside Audit & Supervisory Board Member	
Tetsuo Hiramatsu	Outside Audit & Supervisory Board Member	

(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. Naomi 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. Naomi 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 Audit & Supervisory Board Members, 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 Audit & Supervisory Board Members at the General Meeting of Shareholders upon obtaining approval at a meeting of the Audit & Supervisory Board 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 Audit & Supervisory Board Member is as follows:

- Standing Audit & Supervisory Board Member 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 Audit & Supervisory Board Member 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 Audit & Supervisory Board Member 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 Audit & Supervisory Board Member 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 Audit & Supervisory Board Member 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. Positions and direct duties of Directors in the Company were changed as follows on April 1, 2019.

Kenzo Sugai	Representative Director	Executive Vice President Assistant to President Sales Management
Michio Abe	Director	Senior Managing Executive Officer In charge of Production and Procurement and Power Plant Business
Masatsugu Tomotaka	Director	Senior Managing Executive Officer In charge of Power Electronics Systems Energy Business and Power Electronics Systems Industry Business

2. Significant Concurrent Positions of Directors and Audit & Supervisory Board Members

(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	Senior Advisor, TOTOKU ELECTRIC CO., LTD. (retired on June 28, 2018) Advisor, Furukawa Electric Co., Ltd. (assumed office on June 28, 2018) 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. Mr. Masatsugu Tomotaka retired as Representative Director of Shanghai Electric Fuji Electric Power Technology (Wuxi) Co., Ltd. as of April 1, 2019.
3. 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) Audit & Supervisory Board Members

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 (retired on March 28, 2019) 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 (retired on June 18, 2018)
Tetsuo Hiramatsu	Representative Director and President, Nippon Tochi-Tatemono Co., Ltd.

- (Notes) 1. Information in parenthesis () describes Audit & Supervisory Board Members who assumed office of, or retired from concurrent positions during the period under review.
2. Mr. Yoshiki Sato retired as Representative Director of Asahi Mutual Life Insurance Company as of April 1, 2019.
3. The Company has a business relationship that includes borrowing funds with Asahi Mutual Life Insurance Company, where Mr. Yoshiki Sato served a concurrent position. Asahi Mutual Life Insurance Company holds a 2.65% interest in the total issued shares of the Company. Meanwhile, the Company has made a contribution equivalent to 0.55% to the total foundation funds of Asahi Mutual Life Insurance Company.
4. 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 Audit & Supervisory Board Members serve concurrent positions.

3. Status of Outside Directors and Outside Audit & Supervisory Board Members**(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	10/13	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. <ul style="list-style-type: none"> - Appropriate way of research and development strategy - Initiatives to reduce environmental impact

(ii) Outside Audit & Supervisory Board Members

Name	Number of attendance at the Board of Directors meetings Number of attendance at the Audit & Supervisory Board meetings (attended/held)	Opinions offered
Yoshiki Sato	11/13 7/8	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 Audit & Supervisory Board, confirmed the legality of business activities overall from the viewpoint of ensuring legal compliance, and offered appropriate opinions.
Akiko Kimura	13/13 8/8	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 Audit & Supervisory Board, confirmed the legality of business activities overall from the viewpoint of ensuring legal compliance, and offered appropriate opinions.
Tetsuo Hiramatsu	13/13 8/8	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 Audit & Supervisory Board, 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 Audit & Supervisory Board Members

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 Audit & Supervisory Board Member 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 Audit & Supervisory Board Member 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 Audit & Supervisory Board Member.

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	175
(ii) Total profit on cash and other financial assets payable by the Company and its subsidiaries	332

- (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 Audit & Supervisory Board 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 Audit & Supervisory Board 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 adoption of new accounting standard, 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 Audit & Supervisory Board will dismiss the accounting auditor with the consent of all of the Audit & Supervisory Board Members.

In addition, if it is deemed impossible for the accounting auditor to perform its duties properly, the Audit & Supervisory Board 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, 2019)

Fuji Electric

Power Electronics Systems Energy Solutions

Fuji Electric Meter Co., Ltd.	Fuji Electric FA (Asia) Co., Ltd.
Fuji Electric Technica Co., Ltd.	Fuji SMBE Pte. Ltd. and other 16 companies
Fuji Electric (Changshu) Co., Ltd.	Fuji Electric FA Components & Systems Co., Ltd.
Fuji Tusco Co., Ltd.	Fuji Electric Dalian Co., Ltd.
Ibarakifuji Co., Ltd.	Fuji Electric Manufacturing (Thailand) Co., Ltd.
CHICHIBU FUJI CO., LTD.	

Power Electronics Systems Industry Solutions

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

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 SERVICE Co., Ltd.*
METAWATER Co., Ltd.*	Fuji Office & Life 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 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.

Production facilities company

Fuji Electric F-Tech Co., Ltd.

- (Notes) 1. The number of consolidated subsidiaries for fiscal 2018 including those above is 72 and the number of equity method affiliates is 4.
2. Companies marked with an asterisk (*) are accounted for as equity method affiliates.

Important Subsidiaries of the Corporate Group

(as of March 31, 2019)

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)	50.1	Net assets (¥ billion)	37.9
Operating profit (loss) (¥ billion)	5.2	Capital (¥ billion)	7.6
Profit (loss) (¥ billion)	4.4	Number of employees	904

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)	75.5	Net assets (¥ billion)	20.5
Operating profit (loss) (¥ billion)	4.1	Capital (¥ billion)	2.0
Profit (loss) (¥ billion)	2.9	Number of employees	1,115

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)	73.6	Net assets (¥ billion)	6.9
Operating profit (loss) (¥ billion)	2.1	Capital (¥ billion)	1.0
Profit (loss) (¥ billion)	1.4	Number of employees	617

Specified Wholly Owned Subsidiaries

Not applicable.

Important Corporate Realignments

Not applicable.

Main Facilities of the Group (as of March 31, 2019)

1. Power Electronics Systems Energy Solutions

Domestic facilities

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

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

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 CAC Joint Stock Company (Vietnam), 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 Gemco Private Limited (India), 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.

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., HOEI HONG KONG CO., LTD. (China)
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Employees of Fuji Electric (as of March 31, 2019)

(Persons)

Business segment	Number of employees	Year-on-year change
Power Electronics Systems Energy Solutions	6,591	118
Power Electronics Systems Industry Solutions	8,312	127
Power and New Energy	1,295	(45)
Electronic Devices	6,782	276
Food and Beverage Distribution	2,522	(52)
Others	1,914	(17)
Total	27,416	407

(Note) The number of employees of the Company at the end of March 2019 is 10,539 (a decrease of 206 from the end of the previous year).

Major Lenders (as of March 31, 2019)

Name of lenders	Balance of loans (¥ billion)
Mizuho Bank, Ltd.	16.3
MUFG Bank, Ltd.	9.2
Resona Bank, Limited	6.4
The Norinchukin Bank	3.4

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 audit & supervisory board members 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 Audit & Supervisory Board Members acquire knowledge of records. The regulations establish procedures for Directors, Audit & Supervisory Board Members, and managers involved in saving and storing records regarding access to information. Audit & Supervisory Board Members 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 Audit & Supervisory Board Members, their independence from Directors, and ensuring the effectiveness of instructions to these employees

(i) Audit & Supervisory Board Members 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 Audit & Supervisory Board Members by Directors and employees, system for reporting to Audit & Supervisory Board Members by subsidiaries' Directors, Audit & Supervisory Board Members, and employees or those who have received report from these persons, and other matters pertaining to reporting to Audit & Supervisory Board Members

Internal regulations will be established to ensure Audit & Supervisory Board Members acquire sufficient information for them to fulfill their duties. The regulations establish specific methods for ensuring Audit & Supervisory Board Members 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 Audit & Supervisory Board Members, and for making it possible for Audit & Supervisory Board Members 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 Audit & Supervisory Board Members and

other matters pertaining to the policy for processing costs or liabilities arising from the execution of Audit & Supervisory Board Members' duties

When Audit & Supervisory Board Members 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 Audit & Supervisory Board Members.

(11) Other systems to ensure audits are conducted effectively by Audit & Supervisory Board Members

- (i) The Company recruits outside audit & supervisory board members who understand the management of the Company and its subsidiaries and have expertise and experience necessary to conduct audits.
- (ii) A committee comprising Audit & Supervisory Board Members from the Company and subsidiaries, which are large companies as defined by the Companies Act, and a committee comprising Audit & Supervisory Board Members, 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 Audit & Supervisory Board Members, their independence from Directors, and ensuring the effectiveness of instructions to these employees

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

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

Each Audit & Supervisory Board Member 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 Audit & Supervisory Board Members disadvantageously.

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

The Company promptly processes costs arising from the execution of duties by Audit & Supervisory Board Members based on requests from Audit & Supervisory Board Members.

(11) Other systems to ensure audits are conducted effectively by Audit & Supervisory Board Members

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

A committee comprising Audit & Supervisory Board Members from the Company and subsidiaries, which are large companies as defined by the Companies Act, and a committee comprising Audit & Supervisory Board Members, 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 share 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 shares 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 an Audit & Supervisory Board 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. The number of shares shown in the Business Report are rounded down to the nearest whole unit.
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, 2019)

(¥Millions)

[Assets]		[Liabilities]	
Current assets	573,096	Current liabilities	425,894
Cash and deposits	29,304	Notes and accounts payable-trade	196,669
Notes and accounts receivable-trade	308,831	Short-term loans payable	48,296
Merchandise and finished goods	62,185	Commercial papers	8,000
Work in process	63,914	Lease obligations	11,991
Raw materials and supplies	50,871	Accrued expense	40,099
Other	60,072	Income taxes payable	10,892
Allowance for doubtful accounts	(2,084)	Advances received	45,496
		Other	64,446
Noncurrent assets	379,410	Noncurrent liabilities	134,704
Property, plant and equipment	182,124	Bonds payable	50,000
Buildings and structures	80,894	Long-term loans payable	10,548
Machinery, equipment and vehicles	20,868	Lease obligations	25,148
Tools, furniture and fixtures	5,899	Deferred tax liabilities	475
Land	35,032	Provision for directors' retirement benefits	215
Leased assets	30,220	Net defined benefit liability	45,794
Construction in progress	9,210	Other	2,521
		Total liabilities	560,598
Intangible fixed assets	17,843		
Software	8,082	[Net assets]	
Other	9,761	Shareholders' equity	310,276
		Capital stock	47,586
Investments and other assets	179,442	Capital surplus	46,067
Investment securities	133,348	Retained earnings	223,940
Long-term loans receivable	710	Treasury shares	(7,316)
Net defined benefit asset	16,382		
Deferred tax assets	16,825	Accumulated other comprehensive income	42,645
Other	12,659	Valuation difference on available-for-sale securities	43,974
Allowance for doubtful accounts	(484)	Deferred gains or losses on hedges	(280)
		Foreign currency translation adjustments	368
		Remeasurements of defined benefit plans	(1,417)
Deferred assets	152		
Bond issue expenses	152	Non-controlling interests	39,139
		Total net assets	392,061
Total assets	952,659	Total liabilities and net assets	952,659

Consolidated Statements of Income

(from April 1, 2018 to March 31, 2019)

(¥Millions)

Net sales		914,915
Cost of sales		679,876
Gross profit		235,038
Selling, general and administrative expenses		175,066
Operating profit		59,972
Non-operating income		
Interest and dividends income	3,122	
Miscellaneous income	2,868	5,991
Non-operating expenses		
Interest expense	1,377	
Miscellaneous expenses	1,106	2,483
Ordinary profit		63,479
Extraordinary income		
Gain on sales of noncurrent assets	96	
Gain on sales of investment securities	1,055	
Gain on reversal of foreign currency translation adjustments	1,299	2,451
Extraordinary loss		
Loss on disposal of noncurrent assets	1,121	
Loss on valuation of investment securities	279	
Impairment loss	2,242	3,643
Profit before income taxes		62,287
Income taxes-current	16,051	
Income taxes-deferred	1,165	17,216
Profit		45,070
Profit attributable to non-controlling interests		4,802
Profit attributable to owners of parent		40,267

Consolidated Statement of Changes in Net Assets

(from April 1, 2018 to March 31, 2019)

(¥ Millions)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2018	47,586	45,986	195,517	(7,284)	281,805
Changes of items during the period					
Dividends from surplus			(11,428)		(11,428)
Profit attributable to owners of parent			40,267		40,267
Purchase of treasury shares				(32)	(32)
Disposal of treasury shares		1		0	2
Change of scope of consolidation			(417)		(417)
Change in ownership interest of parent due to transactions with non-controlling interest		79			79
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	80	28,422	(31)	28,470
Balance at March 31, 2019	47,586	46,067	223,940	(7,316)	310,276

(¥ 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, 2018	47,665	88	1,572	(496)	48,830	35,910	366,546
Changes of items during the period							
Dividends from surplus					-		(11,428)
Profit attributable to owners of parent					-		40,267
Purchase of treasury shares					-		(32)
Disposal of treasury shares					-		2
Change of scope of consolidation					-		(417)
Change in ownership interest of parent due to transactions with non-controlling interest					-		79
Net changes of items other than shareholders' equity	(3,690)	(369)	(1,204)	(921)	(6,185)	3,228	(2,956)
Total changes of items during the period	(3,690)	(369)	(1,204)	(921)	(6,185)	3,228	25,514
Balance at March 31, 2019	43,974	(280)	368	(1,417)	42,645	39,139	392,061

Non-Consolidated Balance Sheet

(as of March 31, 2019)

(¥ Millions)

[Assets]		[Liabilities]	
Current assets	371,973	Current liabilities	339,752
Cash and deposits	2,757	Notes payable-trade	94
Notes receivable-trade	4,102	Accounts payable-trade	183,050
Accounts receivable-trade	202,645	Short-term loans payable	30,166
Merchandise and finished goods	23,252	Commercial papers	8,000
Work in process	50,713	Current portion of long-term loans payable	26,092
Raw materials and supplies	29,710	Lease obligations	5,776
Advance payments-trade	28,543	Accounts payable-other	7,410
Accounts receivable-others	18,870	Accrued expense	25,368
Other	11,393	Income taxes payable	5,779
Allowance for doubtful accounts	(16)	Advances received	36,561
		Deposits received	7,584
		Other	3,866
Noncurrent assets	327,615	Noncurrent liabilities	101,215
Property, plant and equipment	100,230	Bonds payable	50,000
Buildings	45,642	Long-term loans payable	7,637
Structures	2,001	Lease obligations	10,903
Machinery and equipment	5,969	Provision for retirement benefits	30,582
Vehicles	43	Asset retirement obligations	1,571
Tools, furniture and fixtures	2,594	Other	520
Land	24,410		
Leased assets	14,150		
Construction in progress	5,418		
		Total liabilities	440,968
Intangible fixed assets	8,516	[Net assets]	
Software	4,837	Shareholders' equity	216,211
Other	3,679	Capital stock	47,586
		Capital surplus	56,822
Investments and other assets	218,867	Capital reserve	56,777
Investment securities	104,481	Other capital surplus	44
Shares of subsidiaries and affiliates	87,503	Retained earnings	119,312
Capital contributions	397	Legal reserve	11,515
Long-term loans receivable	550	Other retained earnings	107,797
Prepaid pension cost	11,636	Retained earnings brought forward	107,797
Deferred tax assets	11,136	Treasury shares	(7,509)
Other	3,350		
Allowance for doubtful accounts	(188)		
		Valuation and translation adjustments	42,561
Deferred assets	152	Valuation difference on available-for-sale securities	42,842
Bond issue expenses	152	Deferred gains or losses on hedges	(280)
		Total net assets	258,772
Total assets	699,740	Total liabilities and net assets	699,740

Non-Consolidated Statements of Income

(from April 1, 2018 to March 31, 2019)

(¥ Millions)

Net sales		579,830
Cost of sales		450,238
Gross profit		129,592
Selling, general and administrative expenses		108,546
Operating profit		21,046
Non-operating income		
Interest and dividends income	8,355	
Other	297	8,653
Non-operating expenses		
Interest expense	534	
Other	891	1,426
Ordinary profit		28,272
Extraordinary income		
Gain on sales of noncurrent assets	39	
Gain on sales of investment securities	1,001	1,040
Extraordinary loss		
Loss on disposal of noncurrent assets	697	
Loss on valuation of shares of subsidiaries and affiliates	203	
Impairment loss	701	
Other	64	1,666
Profit before income taxes		27,646
Income taxes-current	5,323	
Income taxes-deferred	229	5,552
Profit		22,094

Non-Consolidated Statement of Changes in Net Assets

(from April 1, 2018 to March 31, 2019)

(¥Millions)

	Shareholders' equity								Total shareholders' equity
	Capital stock	Capital surplus			Legal reserve	Retained earnings		Treasury shares	
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings	Total retained earnings		
Balance at April 1, 2018	47,586	56,777	43	56,820	11,515	97,131	108,647	(7,478)	205,575
Changes of items during the period									
Dividends from surplus				-		(11,428)	(11,428)		(11,428)
Profit for the year				-		22,094	22,094		22,094
Purchase of treasury shares				-				(32)	(32)
Disposal of treasury shares			1	1				0	2
Net changes of items other than shareholders' equity									
Total changes of items during the period	-	-	1	1	-	10,665	10,665	(31)	10,635
Balance at March 31, 2019	47,586	56,777	44	56,822	11,515	107,797	119,312	(7,509)	216,211

	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, 2018	46,743	88	46,832	252,408
Changes of items during the period				
Dividends from surplus			-	(11,428)
Profit for the year			-	22,094
Purchase of treasury shares			-	(32)
Disposal of treasury shares			-	2
Net changes of items other than shareholders' equity	(3,901)	(369)	(4,271)	(4,271)
Total changes of items during the period	(3,901)	(369)	(4,271)	6,364
Balance at March 31, 2019	42,842	(280)	42,561	258,772