

Securities code: 6504

To Our Shareholders
146th Term (Fiscal 2021) Annual Business Report

(April 1, 2021–March 31, 2022)

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Business Report (April 1, 2021–March 31, 2022)

[Business Overview]

Overview

In the fiscal year ended March 31, 2020, Fuji Electric launched “Reiwa Prosperity 2023,” a new five-year medium-term management plan slated to conclude with the fiscal year ending March 31, 2024, the year in which we celebrate the centennial anniversary of Fuji Electric’s founding. Under this plan, the Company is implementing growth strategies prescribing the concentration of resources on growth fields, namely the power electronics and power semiconductor businesses, and the expansion of overseas businesses.

In the fiscal year ended March 31, 2022, an ongoing recovery trend was seen in capital investment in the manufacturing industry that was stimulated by the global decarbonization movement and the resumption of economic activities. Against this backdrop, a consistently high level of demand was seen for machine tools while demand for other articles rose rapidly in response to the growing needs for automobile electrification and energy saving. Nevertheless, the outlook for the operating environment remains opaque due to rising material prices and shortages as well as other global supply chain issues resulted from the COVID-19 pandemic and changes in the international political climate.

In this environment, production capacity increases for power semiconductors were instituted ahead of schedule in response to robust demand while steps were taken to optimize supply chains, including forming relationships with multiple suppliers and altering designs to use alternative parts in order to address the difficulties in procuring certain parts. Due to these factors, large increases were seen in the sales of the Power Electronics Energy, Semiconductor, and Food and Beverage Distribution segments, resulting in consolidated net sales in the fiscal year ended March 31, 2022, rising ¥34.3 billion year on year, to ¥910.2 billion.

Although high material prices impacted income, overall income benefited from sales volume growth coupled with the benefits of increases to product sales prices and cost reduction activities centered on strengthening factory structure. As a result, consolidated operating income rose ¥26.2 billion year on year, to ¥74.8 billion; ordinary income was up ¥28.9 billion, to ¥79.3 billion; and net income attributable to owners of parent increased ¥16.7 billion, to ¥58.7 billion. All three figures represented record highs.

In addition, an operating margin of 8.2% was posted, accomplishing the target of 8% or more put forth in the medium-term management plan two years ahead of schedule.

Consolidated results of operations for the fiscal year ended March 31, 2022, were as follows.

Fiscal 2021 (April 1, 2021 to March 31, 2022)

Classification	146th term Fiscal 2021	Increase/Decrease
Net sales	¥910.2 billion	Up ¥34.3 billion YoY
Operating profit	¥74.8 billion	Up ¥26.2 billion YoY
Ordinary profit	¥79.3 billion	Up ¥28.9 billion YoY
Profit attributable to owners of parent	¥58.7 billion	Up ¥16.7 billion YoY
Basic earnings per share	¥410.68	Up ¥117.16 YoY
Total assets	¥1,117.1 billion	Up ¥65.2 billion YoY

Business Segment Overview

(¥ billion)

Business segment	Classification	145th term Fiscal 2020	146th term Fiscal 2021	Change (%)
Power Electronics Energy	Net sales	209.2	240.6	115%
	Operating profit	14.0	21.4	152%
Power Electronics Industry	Net sales	345.9	314.3	91%
	Operating profit	21.8	23.7	109%
Semiconductors	Net sales	157.5	178.8	114%
	Operating profit	17.7	27.1	154%
Power Generation	Net sales	80.4	78.6	98%
	Operating profit	2.5	3.1	124%
Food and Beverage Distribution	Net sales	76.6	90.8	119%
	Operating profit	(5.3)	3.0	—
Others	Net sales	52.7	54.7	104%
	Operating profit	2.2	2.8	128%
Sub-total	Net sales	922.2	957.7	104%
	Operating profit	52.9	81.1	153%
Eliminate/Corporate	Net sales	(46.3)	(47.5)	—
	Operating profit (loss)	(4.3)	(6.3)	—
Total	Net sales	875.9	910.2	104%
	Operating profit	48.6	74.8	154%

Results by Business Segment

[Power Electronics Energy]

Net sales increased 15% year on year, to ¥240.6 billion, and operating profit increased ¥7.3 billion year on year, to ¥21.4 billion.

In the Power Electronics Energy segment, net sales and operating income were up year on year primarily as a result of higher demand in the ED&C components business and the power supply and facility systems business

- In the energy management business, net sales and operating results were down year on year as a result of the absence of large-scale orders for substation equipment for industrial and railway applications recorded in the previous fiscal year.
- In the power supply and facility systems business, net sales and operating results improved year on year as a result of increased demand for projects from data centers and semiconductor manufacturers.
- In the ED&C components business, net sales and operating results improved year on year due to significantly higher demand from domestic and overseas manufacturers of machine tools and other finished equipment.

[Power Electronics Industry]

Net sales decreased 9% year on year, to ¥314.3 billion, and operating profit increased ¥1.9 billion year on year, to ¥23.7 billion.

In the Power Electronics Industry segment, net sales were down year on year, despite demand growth in the automation systems business and other areas, due to the absence of large-scale orders recorded in the IT solutions business in the previous fiscal year. Conversely, operating income was up year on year as the reduction to the income of the IT solutions business was outweighed by the benefits of the expansion of physical product volume, centered on the automation systems business, cost reduction activities and alterations to designs to use alternative parts in order to address the difficulties in procuring certain parts.

- In the automation systems business, net sales and operating results improved year on year due to the higher demand seen centered on low-voltage inverters and factory automation components.
- In the social solutions business, net sales were down year on year, despite an increase in large-scale projects for electrical equipment for railcars, because of a reduction in orders for exhaust gas cleaning systems for ships. Operating results, meanwhile, improved year on year due to differences in profitability between projects.
- In the equipment construction business, net sales and operating results improved year on year due to higher demand for electrical and air-conditioning equipment construction.
- In the IT solutions business, net sales and operating results decreased year on year due to the absence of the large-scale academic- and public-sector projects recorded in the previous fiscal year.

Power Electronics' Topics

Contribute to energy savings and stable operation of data centers and factories

The Company is expanding efforts in “Comprehensive Business” in which batch-orders are received for electrical facilities such as substation equipment/ power distribution equipment and uninterruptible power systems (UPS) for data centers and semiconductor manufacturing factories, which continue to experience high market growth.

The Company will continue to increase the range of proposals and products and develop new customers to expand orders received and contribute to energy savings and stable operation of customer facilities.

Strengthening operating foundation in India

In India, a region which is experiencing ongoing economic growth, Fuji Electric India Private Ltd. and Fuji Electric Consul Neowatt Private Limited completed a management integration. The Company will expand business through local production for local consumption, including design and development of inverters and UPS, manufacturing, and services, and contribute to energy savings for industrial equipment and the stable operation of facilities in the Indian market.

Initiatives to stable procurement of materials

The Company is working to expand business globally based on our policy of local production for local consumption and promoting purchasing from multiple suppliers to ensure stable procurement of materials. Recently, the supply of electronic parts, resins, metals, and other materials has been strained due to disruptions in the global supply chain. At the Suzuka Factory, which manufactures inverters, servo systems, and other products, the procurement divisions and the development, design, manufacturing, and quality assurance divisions collaborate and work to minimize procurement risk by altering product designs in addition to swiftly selecting alternative materials.

[Semiconductors]

Net sales increased 14% year on year, to ¥178.8 billion, and operating profit increased ¥9.5 billion year on year, to ¥27.1 billion.

- In the semiconductor business, net sales increased year on year, despite the repercussions of withdrawing from magnetic disk operations, due to production capacity increases undertaken in response to substantial growth in demand for power semiconductors for electrified vehicles (xEVs) and for industrial applications. As a result, high operating ratios were able to be maintained leading to massive increases in sales volumes and subsequently improvements in operating results, regardless of the rise in expenses for bolstering power semiconductor production capacity and for conducting research and development.

TOPICS

Investment in increasing SiC power semiconductor production to realize significant energy savings

In response to the demand for improved power conversion efficiency in various fields such as automobiles, industrial equipment, and renewable energy, the Company decided to invest in increased production of SiC* power semiconductors, which offer significant performance improvements over conventional silicon power semiconductors, including high-voltage capacities, reduced losses, high-speed operation, and stable operations in high temperature environments. We will proceed to construct a production system at Fuji Electric Tsugaru Semiconductor Co., Ltd. to launch mass production in fiscal 2024.

*SiC: Silicon Carbide

[Power Generation]

Net sales decreased 2% year on year, to ¥78.6 billion, and operating profit increased ¥0.6 billion year on year, to ¥3.1 billion.

- In the power generation business, net sales were down year on year due to the rebound from a large-scale renewable energy project recorded in the previous fiscal year. Operating results were up year on year because of differences in profitability between projects and the benefits of cost reductions activities.

TOPICS

Contributing to stable supply of energy for regional communities

The Company has focused on renewable energy businesses such as geothermal power, hydro power, and solar power. As the risk presented by natural disasters, etc. on the provision of a stable supply of energy becomes a considerable issue, the Company received batch-orders for solar power generation systems with storage batteries that can supply power even during power outages, covering everything from design to construction and installation. We are contributing to the construction of a microgrid that aims to achieve local production for local consumption for regional energy supplies through distributed power sources.

[Food and Beverage Distribution]

Net sales increased 19% year on year, to ¥90.8 billion, and operating profit increased ¥8.3 billion year on year, to an operating profit of ¥3.0 billion.

- In the vending machine business, net sales were up year on year following growth in demand in Japan and overseas while operating results improved due to the higher sales and the benefits of cost reduction activities.
- In the store distribution business, net sales and operating results were up year on year because of an increase in demand for store equipment for convenience stores.

TOPICS

Contributing to labor saving and safety improvements at stores

In response to the labor shortage in stores and the expansion of contact-free, non-face-to-face needs due to the COVID-19 pandemic, we have worked to increase sales of automatic change dispensers for self-checkout registers. In this way, we are contributing to labor savings and safety improvements in the operation of registers.

[Others]

Net sales increased 4% year on year, to ¥54.7 billion, and operating profit increased ¥0.6 billion year on year, to ¥2.8 billion.

Research and Development Activities

In fiscal 2021, our efforts were focused on research and development to realize many advanced systems, from energy creation to energy supply stabilization, energy saving, automation and mobility electrification, utilizing core technologies in such areas as power semiconductors, power electronics, measurement and control, and heating and cooling.

The following provides an overview of these activities.

In the Power Electronics Energy business, we have developed an oil directed FR3 transformer that uses soy-derived natural ester insulating fluid (FR3) for cooling. FR3 is more biodegradable and has a higher flash point than conventional mineral oil-based insulating fluid, contributing to reduced environmental impact and improved safety.

In the Power Electronics Industry business, we have started trials of a self-operated 5th generation mobile communication system (local 5G) at the Tokyo Factory, the mother factory for system products in the power electronics business, toward the realization of smart factories. We are examining the transmission of radio waves in an environment with a high quantity of obstructions such as machine tools and metal parts being processed to demonstrate the effectiveness of high-capacity data transmissions between core systems that manage information for the entire factory, such as production management systems, and the facilities and equipment at machining sites. In addition to utilizing the knowledge gained from these trials in our production activities, we will develop products, engineering services, and other solutions that take advantage of the unique features of local 5G networks, including ultra-high speed, high-capacity, ultra-low latency, and multiple simultaneous connections.

Aiming to improve both product quality and productivity, we have also developed and launched a “diagnostic solution” that utilizes the programmable logic controller “MICREX-SX series” to collect data from production sites to detect and analyze abnormalities in product processing. Our abnormality detection technology uses analytics and AI to provide a real-time comparison of data from operating equipment with that of diagnostic models which are generated based on data during normal operations, detecting deviations and providing an alert on potential abnormalities to inhibit leakage of defective products.

In the Semiconductor business, for 2022 models of electric vehicles and hybrid vehicles, we have developed and started mass production of next-generation chips that serve to further reduce losses and direct liquid cooling modules that offer higher power density, as well as low-capacity intelligent power modules (IPM) for small

motor drives. Through these products, we are contributing to improving the efficiency and reducing the weight of electrified vehicles (xEVs).

In the Power Generation business, we are developing technologies to inhibit damage and extend the life of steam turbines for geothermal power generation, as well as technologies to increase the efficiency of steam turbines. Through these efforts, we will contribute to the popularization of renewable energy.

In the Food and Beverage Distribution business, we have developed a cashless device for vending machines that enables users to make payments via smartphone. The system consists only of a multi-communications unit called an “MCU” developed in-house and a two-dimensional code (QR code) attached to the surface of the vending machine as a sticker, etc., and can be installed at a low cost. We will contribute to improving user convenience by further expanding the potential of cashless payments.

Capital Investment

In fiscal 2021, we made investments totaling ¥59.3 billion, including capital investment and leasing mainly for production capacity expansion of semiconductors, as well as for expanding profit of power electronics.

Key investments were as follows.

In the Semiconductor business, we made new large-scale investments in Fuji Electric Tsugaru Semiconductor Co., Ltd. for bolstering the production capacity of power semiconductor chips in upstream processes in response to the shift to electrified vehicles and rising demand for renewable energy. With respect to back-end processes, we made investments to increase production of IGBT modules in Japan and overseas.

In the Power Electronics business, we completed construction of a plant system building at the Tokyo Factory to strengthen our development and production system for plant systems in Japan. In response to growing demand in the data center market, we made investments toward enhancing the capacity of system tests and achieving further rationalization of UPS (uninterruptible power systems) at the Kobe Factory. Overseas, we consolidated the production of switchgears and controlgears as well as molded transformers, which had been distributed across multiple bases in Southeast Asia, into Fuji Electric Manufacturing (Thailand) Co., Ltd. and bolstered the production capacity of inverters and measuring instruments at Fuji Electric India Pvt. Ltd. We will continue to expand our system business globally.

As part of our investments for environmental measures to reduce greenhouse gas emissions, we switched to LED lighting, improved the efficiency of air conditioning systems, and installed greenhouse gas removal equipment at our factories.

Financing

In fiscal 2021, we repaid loans payable using free cash flows.

As a result, our consolidated bonds and loans payable as of the end of March 2022 decreased by ¥7.2 billion year on year to ¥146.3 billion.

Initiatives contributing to ESG

In order to achieve sustainable growth, companies must ensure proper governance and implement initiatives toward resolving environmental and social issues.

In the “FY2023 Medium-Term Management Plan” announced in 2019, Fuji Electric committed to promoting measures from the perspectives of the environment, human rights and human resources, and governance as part of the endeavor toward “strengthening our operating foundation” for sustainable growth.

In this section, we will explain Fuji Electric’s major initiatives in regard to the environment, human rights and human resources, and governance.

Initiatives contributing to the environment

In light of the global movement toward carbon neutrality and the Japanese government’s “Decarbonization” targets, we have revised our “Environmental Vision 2050” and “Fiscal 2030 Goals.”

In our “Environmental Vision 2050,” which outlines the long-term direction of our environmental activities, we have clearly stated our commitment to “target carbon neutrality in our entire supply chain,” and in the interim “Fiscal 2030 Goals,” we have established a new reduction goal for greenhouse gas emissions throughout the supply chain, including not only our own operations but reaching our business partners as well.

In addition, we have established goals for contributions to CO2 emissions reduction in society through our products.

We will continue our efforts to achieve the “Fiscal 2030 Goals” through our energy and environment businesses.

Environmental Vision 2050

We aim to contribute to the achievement of a decarbonized society, a recycling-oriented society, and a society that is in harmony with nature by expanding the use of Fuji Electric's innovative clean energy technologies and energy-saving products.	
Realize a Decarbonized Society	Target carbon neutrality across the supply chain
Realize a Recycling-Oriented Society	Promote green supply chains and 3R activities to reduce the environmental impact to zero
Realize a Society in Harmony with Nature	Aim for zero impact on the ecosystem through corporate activities that contribute to biodiversity

Fiscal 2030 Goals

To suppress the temperature rise to 1.5°C above pre-industrial levels, we aim to achieve the following goals.

- Reduce greenhouse gas emissions throughout the supply chain by over 46% [from FY2019]
- Reduce greenhouse gas emissions in production by over 46% [from FY2019]
- Contribute to reducing society's CO₂ emissions through our products by over 59 million tons per year

Measures for human rights and employees' success

In addition to declaring our commitment to “maximize our strengths as a team, respecting employees' diverse ambition” in Fuji Electric's management policies, we clearly state our respect for human rights, health and safety and protecting employee health in the “Fuji Electric Code of Conduct” which sets forth our guidelines for the conduct of employees, and consider “respect and value all people” = “Employees first” as a key issue for management in promoting the creation of a positive work environment.

Seeking the growth of our employees leading to the sustainable growth and prosperity of our company, aiming to a virtuous cycle in which profits earned through our business activities are returned to employees, shareholders, and society, we are actively “investing in our human resources” by encouraging employees' advancement and developing human resources.

- Measures for respecting human rights

Based on the “Policy for Human Rights of the Employees,” human rights due diligence* measures were conducted for offices and consolidated subsidiaries in Japan and overseas. In fiscal 2021, we identified consolidated subsidiaries overseas that were found to be needing improvement with regard to their efforts in respect for human rights, and provided guidance for improvement to each site. Going forward, we will increase the frequency of human rights due diligence measures and further enhance efforts to fulfill our responsibility as a company regarding respect for human rights.

*: Human rights due diligence: measures to recognize, prevent, and deal with adverse human rights harm

- Measures for promoting the advancement of women

We believe promoting the advancement of female employees is vital to achieving our full potential as a company, and we are pursuing the three initiatives of (i) proactive recruitment, (ii) provision of career advancement opportunities for motivated employees, and (iii) support in terms of environments and systems, such as balancing work and family obligations, improving workplace environments, and providing career continuity. In fiscal 2021, we strengthened support systems for balancing work and childcare obligations, including easing conditions for teleworking and granting special paid vacation days, to assist female employees on leave from the Company for an extended period of time due to childbirth or childcare in returning to work when possible.

- Fostering Next-Generation Management

We are taking active measures to foster future management candidates. Selecting candidates from the three levels of general manager, manager, and assistant manager, based on the plan, the Company provides growth opportunities by trainings, OJT* and rotation and conducts programs to acquire required experiences and skills. In fiscal 2021, we registered 91 new management candidates, bringing the total number of candidates registered since fiscal 2017 to 445.

*OJT: “On-the-Job Training,” a method of developing employees through practical experience on site

Measures for Governance

For realizing the Corporate Philosophy and sustainable growth, based on the “Fuji Electric Code of Conduct,” the Company establishes and promotes a healthy, efficient, transparent and effective governance framework and a compliance framework to ensure and full compliance with laws and social norms, and is engaged in thorough risk management. In addition, the Company appropriately responds to “Japan’s Corporate Governance Code” stipulated by Tokyo Stock Exchange.

- Improving the effectiveness of governance

The Company evaluates the effectiveness of the Board of Directors with the use of a third-party survey and makes improvements to address the identified issues. In fiscal 2021, in order to invigorate discussion on medium- and long-term management issues, the Board of Directors held deliberations on material issues related to the environment raised by the SDGs Promotion Committee and reported on IR activities.

- Strengthen capability to cope with risks

Based on the “Risk Management Rules,” we are working to prevent risks from materializing and to minimize their impact by thoroughly and appropriately managing and countering various risks.

In fiscal 2021, we revised the “Risk Management Rules” to include climate change risk, and analyzed and disclosed climate-related risks and opportunities throughout the value chain in line with the recommendations of the TCFD (the Task Force on Climate-related Financial Disclosures), an international framework.

In order to strengthen our business continuity capabilities, we reinforced our measures against natural disaster risk at each of our base locations. We also strengthened our initiatives to ensure stable procurement by promoting the use of the BCP system which quickly and accurately grasps the potential impact of a disaster on the safety and production operations of our business partners and multi-sourcing our procurement of materials.

We ask our business partners to cooperate in a “self-assessment of CSR procurement” in order to reduce risks involved in CSR in a supply chain. In fiscal 2021, we surveyed 749 companies in Japan and overseas, which made up the top 80% of our suppliers over the past two years. The survey found that 27 business partners needed to work on improvements, and we made sure that these partners were interviewed in order to support their improvement.

- Reducing cross-shareholding

We are engaging in a reduction of our cross-shareholdings from the perspective of capital efficiency. In fiscal 2021, we sold multiple listed stocks that were held and sought further reduction (we hold 45 listed stocks as of the end of fiscal 2021, a reduction of 29 stocks year on year).

TOPICS

Selection as an “A List (climate change)” company by CDP for the third consecutive year

Out of the nearly 12,000 companies scored by the CDP* worldwide, we were selected as a “climate change A List” company in fiscal 2021.

The A List recognizes companies pioneering action on climate change and transparent information disclosure. 200 companies made this year’s list, including 55 companies in Japan.

This marks the third consecutive year that we have been selected since first being recognized in fiscal 2019.

* CDP is an international environmental NGO that investigates, evaluates and discloses companies’ environmental measures.

Challenges to Be Addressed

The Company is implementing “Reiwa Prosperity 2023,” a five-year medium-term management plan slated to conclude with the fiscal year ending March 31, 2024. Aiming to achieve net sales of ¥1 trillion and an operating profit ratio of 8% or more, we work for the “promotion of growth strategies” centered on the expansion of the power electronics business and the power semiconductor business, “further improvement of profitability” by strengthening manufacturing globally, and “ongoing reinforcement of operating foundations” centered on ESG (environment, society and governance).

While investments in decarbonization and digitalization are expanding, the environment surrounding the Company’s operations continues to be increasingly uncertain due to factors such as the prolongation of the COVID-19 pandemic and heightened geopolitical risks including Russia’s invasion of Ukraine. Under these circumstances, we will further strengthen our ability to adapt to changes in the external environment, seize the trend toward decarbonization as an opportunity to expand our business, and accelerate our efforts to create a safe, secure and sustainable society.

1. Promotion of growth strategies

Priority measures by business are as follows:

[Power Electronics]

We will work to expand the system business and overseas businesses by launching new products at an early stage and uncovering customer issues in order to expand sales.

To strengthen the competitiveness of our components, we will seek to improve development efficiency and reduce costs through platform development that standardizes the basic composition of products, and expand global products such as inverters and substation equipment.

We will expand the comprehensive business both in Japan and overseas to support the stable operation of facilities by providing uninterruptible power systems (UPS), substation equipment, and other products in batch-orders to data centers and semiconductor manufacturing factories, which are continuing to make active investment. As climate control becomes an increasingly important topic in the international community, we will establish a new specialized department dedicated to meeting the various decarbonization needs of our customers and expand our scale of business activities.

Furthermore, to enhance the after-sales business which contributes to stable earnings, we will expand services that support the efficiency of all aspects of equipment maintenance operations and facility degradation diagnostics to prevent accidents and problems with aging facilities.

In overseas businesses, we are focusing on business expansion in Southeast Asia and

India. We will promote efforts to strengthen the system for our basic policy of manufacturing that facilitates local production for local consumption, expand production models, and strengthen cooperation among regional sales and manufacturing bases as we aim to expand sales in data centers and the renewable energy and material plants fields, which are expected to grow.

[Semiconductors]

We will respond to demand for power semiconductors that exceeds estimates in the medium-term management plan, further bolster production capacity, and expand sales.

We will maximize earnings by maintaining high operations ratios through promoting flexible production to meet current demand fluctuations. In response to world-wide rapid growth in demand for electrified vehicles (xEVs), we will steadily invest in bolstering production capacity while preparing to build further production systems to meet market demand.

Amid the demand for higher power conversion efficiency, we will promote the development of SiC and other new products in addition to building systems for mass production.

[Power Generation]

The Company will expand the renewable energy business and after-sales business to meet the demand for decarbonization. We will further strengthen project management to minimize risks such as project postponements caused by changes in the external environment.

[Food and Beverage Distribution]

In light of changing customer needs such as contact-free, non-face-to-face requirements due to the prolongation of the COVID-19 pandemic, we will leverage our strengths in automation and heating and cooling technologies to develop sales channels to new customers while improving profitability through the development and deployment of high-value-added products.

2. Further improvement of profitability

[Minimization of supply chain risks]

Aiming to further improve profitability, we are working to minimize the impact on our business performance of disruptions in the supply chain caused by changes in the external environment. In order to address the high prices of materials, we will focus on concluding long-term contracts and adjusting product prices to be in line with rising costs, while in the endeavor to address strained material supplies, we will proceed to secure supplies by using alternative materials and purchasing from

multiple suppliers as we make alterations to designs.

[The digital innovation of manufacturing]

To achieve medium- and long-term improvements in productivity and reliability, we will promote DX* by expanding the application for digital and AI technologies for manufacturing reforms and human resource development. We also strive to strengthen quality management in every process from design and manufacturing to inspection.

* DX: Digital transformation

3. Continuous strengthening of the management base with a focus on ESG

We are advancing activities globally for addressing key issues related to ESG to reinforce our operating foundations.

Regarding the environment, based on our “Environmental Vision 2050,” we will work to reduce greenhouse gas emissions in production activities and contribute to the reduction of CO₂ emissions in society by providing energy-saving products, while striving to reduce greenhouse gas emissions throughout the entire supply chain. Specifically in our own production, we will expand the introduction of equipment for generating renewable energy at our production bases and promote the purchase of renewable energy in order to achieve our Fiscal 2030 Goals.

For society (Human Resources), we are actively “investing in our human resources” by encouraging employees’ advancement and developing human resources based on the motto of “Employees first.”

Regarding governance, we will work to improve the effectiveness of the Board of Directors, enhance compliance, and further strengthen our capability to cope with risks based on diversified management risks.

[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, 2022

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 ¥55 per share at the meeting of the Board of Directors held on May 26, 2022, 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 2021 amounted to ¥100 per share including the amount of interim dividend.

[Consolidated Financial Results and Trends in Assets]

Classification	143rd term Fiscal 2018	144th term Fiscal 2019	145th term Fiscal 2020	146th term Fiscal 2021
Net sales (¥ billion)	914.9	900.6	875.9	910.2
Operating profit (¥ billion)	60.0	42.5	48.6	74.8
Ordinary profit (¥ billion)	63.5	44.5	50.4	79.3
Profit attributable to owners of parent (¥ billion)	40.3	28.8	41.9	58.7
Basic earnings per share (¥)	281.89	201.57	293.52	410.68
Total assets (¥ billion)	952.7	996.8	1,052.0	1,117.1
Annual dividend per share (¥)	80.0	80.0	85.0	100.0

(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 2018 (143rd 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

(1) Details of the policy

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, and at certain time of the month.

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, and at certain time of the year. 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.

Performance-related remuneration was decided by taking into consideration consolidated results (net sales, operating profit, profit, dividends, etc.) for the previous year using, as a basis, provision standards where the ratio of performance-related remuneration increases due to the increase of the consolidated ratio of operating income to net sales, which was set as a key target in the medium-term management plan. In the consolidated ratio of operating income to net sales for results in the fiscal year ended March 31, 2022, of 8.2%, the ratio of performance-related remuneration to remuneration was 53%.

2. Standing Audit & Supervisory Board Members

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

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

3. Outside Directors and Outside Audit & Supervisory Board Members

Remuneration for Outside Directors and Outside Audit & Supervisory Board Members shall be paid, at certain time of the month, as base remuneration as a monthly financial sum determined in advance, applicable to their senior management rank, since Outside Directors and Outside 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 Outside Audit & Supervisory Board Members may acquire shares in the Company at their own discretion.

The Board of Directors has resolved to delegate the decision on amount of remuneration for each Director to Representative Director Michihiro Kitazawa. The scope of his authority is to reflect evaluations of the performance in direct duties by each Director in line with the resolution passed in the Board of Directors, which is based on report by the Nomination and Remuneration Committee. To ensure this authority be exercised appropriately, the Nomination and Remuneration Committee has decided on a range within which performance-related remuneration shall be determined based on individual evaluation and the delegated authority shall be exercised within said range.

(2) Method for determining the policy

The Company has established the Nomination and Remuneration Committee to discuss policies and standards relating to remuneration of Directors and Audit & Supervisory Board Members and details of remuneration of Directors and Audit & Supervisory Board Members. Consisting of a majority of Outside Directors and chaired by an Outside Director, the Nomination and Remuneration Committee considers changes in the business environment and data objectively compiled by third parties and discusses the suitability of policies and standards relating to remuneration and the remuneration levels before reporting to the Board of Directors. Thereby, the Board of Directors resolves on policy on the determination respecting details of said report.

(3) Reasons for which the Board of Directors judges details of remuneration of Directors and Audit & Supervisory Board Members are in line with the policy for fiscal 2021

Regarding determination of remuneration for Directors and Audit & Supervisory Board members, the Nomination and Remuneration Committee makes consideration from various perspectives in matters such as whether is it in line with the policy on the determination and the Board of Directors respects the Committee's report and judges it in line with the policy on the determination.

Total Amount, etc. of Remuneration Paid to Directors and Audit & Supervisory Board Members for Fiscal 2021

Classification	Total Remuneration (¥ million)	Remuneration by Type (¥ million)		Number of Recipients
		Base Remuneration	Performance-related remuneration	
Directors	640	299	341	9
(Outside)	(29)	(29)	(-)	(3)
Audit & Supervisory Board Members	80	80	-	5
(Outside)	(22)	(22)	(-)	(3)
Total	720	379	341	14
(Outside)	(50)	(50)	(-)	(6)

(Notes) 1. The amounts of remuneration for Directors were resolved as follows at the 131st Ordinary General Meeting of Shareholders held on June 26, 2007 and at the 137th Ordinary General Meeting of Shareholders held on June 25, 2013.

(1) Directors (excluding Outside Directors)

Total amount of the fixed amount (i) and performance-related amount (ii) as below

(i) within ¥450 million per annum

(ii) within one percent of the consolidated profit for the fiscal year prior to the date of payment

(2) Outside Directors

within ¥30 million per annum

The number of Directors at the conclusion of the 131st Ordinary General Meeting of Shareholders was eight (of which, two Outside Directors) and the number of Directors at the conclusion of the 137th Ordinary General Meeting of Shareholders was ten (of which, three Outside Directors).

2. The amounts of remuneration for Audit & Supervisory Board Members were resolved as ¥120 million per annum at the 131st Ordinary General Meeting of Shareholders held on June 26, 2007. The number of Audit & Supervisory Board Members at the conclusion of said General Meeting of Shareholders was five.
3. Representative Director Michihiro Kitazawa decides the amount of remuneration for each Director based on the resolution to delegate the decision to him by the Board of Directors. The scope of his authority is to reflect evaluations of the performance in duties by each Director in line with the resolution passed in the Board of Directors, which is based on report by the Nomination and Remuneration Committee. The reason for delegating this authority to a Representative Director is that the Company judges a Representative Director most suitable to make comprehensively evaluations based on the operating environment, the Company's business results, and performance in direct duties by each Director. To ensure this authority be exercised appropriately, the Nomination and Remuneration Committee has decided on a range within which performance-related remuneration shall be determined based on individual evaluation and the delegated authority shall be exercised within said range.

4. 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	37
Audit & Supervisory Board Members	5	8

(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, 2022)

1. Authorized shares: **320,000,000**
2. Issued shares: **149,296,991**
3. Number of shareholders: **37,567**
(an increase of 1,792 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	138	66,712,843	44.69
Other domestic corporations	426	9,725,063	6.51
Foreigners	758	51,846,961	34.73
Individuals and others	36,245	21,012,124	14.07
Total	37,567	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 (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	25,632	17.95
Custody Bank of Japan, Ltd. (Trust Account)	16,152	11.31
Asahi Mutual Life Insurance Company	3,955	2.77
National Mutual Insurance Federation of Agricultural Cooperatives	3,059	2.14
GOVERNMENT OF NORWAY	2,723	1.91
FANUC CORPORATION	2,684	1.88
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	2,601	1.82
STATE STREET BANK AND TRUST COMPANY 505001	2,235	1.57
FURUKAWA CO., LTD.	2,205	1.54
STATE STREET BANK WEST CLIENT – TREATY 505234	2,055	1.44

(Notes) 1. Treasury shares of 6,461,058 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.

Type of Bonds with Share Acquisition Rights (as of March 31, 2022)

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 Nomination and Remuneration Committee member
Kenzo Sugai	President and Director	
	Representative Director	Executive Vice President Assistant to President Nomination and Remuneration Committee member
Toshihito Tamba	Outside Director	Nomination and Remuneration Committee chairman
Naomi Tachikawa	Outside Director	Nomination and Remuneration Committee member
Yoshitsugu Hayashi	Outside Director	Nomination and Remuneration Committee member
Michio Abe	Director	Senior Managing Executive Officer Corporate General Manager, Production & Procurement Group In charge of Power Generation Business
Masatsugu Tomotaka	Director	Senior Managing Executive Officer In charge of Power Electronics Sales, Power Electronics Energy Business and Power Electronics Industry Business
Junichi Arai	Director	Senior Managing Executive Officer Corporate General Manager, Corporate Management Planning Headquarters General Manager, Export Administration Office In charge of compliance management and crisis management
Shiro Kondo	Director	Managing Executive Officer Corporate General Manager, Corporate R&D Headquarters
Yoshio Okuno	Standing Audit & Supervisory Board Member	
Junichi Matsumoto	Standing Audit & Supervisory Board Member	
Tetsuo Hiramatsu	Outside Audit & Supervisory Board Member	
Hirohiko Takaoka	Outside Audit & Supervisory Board Member	
Yuko Katsuta	Outside Audit & Supervisory Board Member	

(Notes) 1. The term of Directors has been set as one (1) year in order to clarify the management responsibilities of individual Directors with regard to each given fiscal year and construct a management system that can quickly respond to changes in the operating environment.

2. The Company has established the Nomination and Remuneration Committee as an advisory body to the Board of Directors to further enhance corporate governance by strengthening the fairness, transparency and objectivity of the procedures relating to the nomination and remuneration of Directors and Audit & Supervisory Board Members.

The majority of Nomination and Remuneration Committee members are Outside Directors and it is chaired by an Outside Director.

3. 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, who is management executives of a listed company, Mr. Naomi Tachikawa, who is an experienced manager in listed companies, and Mr. Yoshitsugu Hayashi, who is an expert of environmental engineering, transportation engineering and sustainable development, 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.

4. 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. Tetsuo Hiramatsu, who is a corporate manager, Mr. Hirohiko Takaoka, who is an experienced Audit & Supervisory Board Member for a listed company, and Ms. Yuko Katsuta, who is an attorney-at-law, 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. Tetsuo Hiramatsu, Mr. Hirohiko Takaoka, and Ms. Yuko Katsuta are reported as Independent Officers as stipulated by the Securities Listing Regulations of the Financial Instruments and Securities Exchange.

5. 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 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.
- Outside Audit & Supervisory Board Member Hirohiko Takaoka is highly knowledgeable about auditing and overall corporate management, which he has gained from his career history having been a management executive of a company and an Audit & Supervisory Board Member for a listed company.
- Outside Audit & Supervisory Board Member Yuko Katsuta is highly knowledgeable about overall corporate legal matters thanks to her involvement as an attorney-at-law in many corporate legal matters.

6. As below, positions and direct duties of the Directors have been changed as of April 1, 2022.
- | | | |
|--------------------|------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Michihiro Kitazawa | Representative Director
Chairman of the Board and
CEO (Chief Executive
Officer) | Nomination and Remuneration Committee
member |
| Shiro Kondo | Representative Director
President and COO
(Chief Operating Officer) | President
In Charge of Corporate R&D |
| Kenzo Sugai | Director | Nomination and Remuneration Committee
member |
| Michio Abe | Director | Senior Managing Executive Officer
In charge of Production & Procurement and
Power Generation Business |
| Masatsugu Tomotaka | Director | Senior Managing Executive Officer
In charge of Power Electronics Sales, Power
Electronics Energy Business, Power
Electronics Industry Business and Fuji
Electric FA Components & Systems Co.,
Ltd. |
| Junichi Arai | Director | Senior Managing Executive Officer
Corporate General Manager, Corporate
Management Planning Headquarters
General Manager, Export Administration
Office
In charge of compliance management |

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

(1) Directors

Name	Significant concurrent positions
Toshihito Tamba	Director, Tokyo Century Corporation

(Note) There is no noteworthy relationship based on Article 124 of the Ordinance for Enforcement of the Companies Act between the Company and the other company where Outside Director serves concurrent position.

(2) Audit & Supervisory Board Members

Name	Significant concurrent positions
Tetsuo Hiramatsu	President, Nippon Tochi-Tatemono Co. Ltd President, Chuo-Nittochi Group Co., Ltd.
Yuko Katsuta	Attorney-at-law (Partner, ITN Partners)

(Note). 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. Overview of Directors and Officers Liability Insurance Policy

The Company has concluded a Directors and Officers liability insurance policy with an insurance company, under which if claim for damages is made against the insured when such damage is caused by actions (including inactions) taken when performing duties as a Director or an Audit & Supervisory Board Member of the Company, compensations for such damages and court costs, etc. shall be reimbursed by said insurance. All Directors (including Outside Directors) and Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members) are insured, and for all who are insured under this insurance, the insurance premium shall be fully borne by the Company.

4. 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 and overview duties performed regarding expected roles as an Outside Director
Toshihito Tamba	13/13	<p>Mr. Toshihito Tamba is expected to fulfill the management supervisory function and has offered necessary opinions concerning the overall business management 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. He has played an appropriate role in strengthening the management supervisory function and ensuring adequacy and appropriateness of important decision-making of Fuji Electric.</p> <ul style="list-style-type: none"> - Formulation of business plans by taking into account changes in the market environment - Appropriate way of IR activities <p>Moreover, he attended all three Nomination and Remuneration Committee meetings held in the current fiscal year as the chairman and led the supervisory function in appointment of candidates for Directors and Audit & Supervisory Board Members and the process of determining remunerations for Directors and Audit & Supervisory Board Members from an objective and neutral standpoint.</p>
Naomi Tachikawa	13/13	<p>Mr. Naomi Tachikawa is expected to fulfill the management supervisory function and has offered necessary opinions concerning the overall business management including the following items at the Board of Directors meetings as appropriate, based on his extensive experience and considerable insight as someone experienced as management executive of a listed company. He has played an appropriate role in strengthening the management supervisory function and ensuring adequacy and appropriateness of important decision-making of Fuji Electric.</p> <ul style="list-style-type: none"> - Management of progress of management plan - Management of progress large-scale orders <p>Moreover, he attended all three Nomination and Remuneration Committee meetings held in the current fiscal year as a member of the committee and fulfilled the supervisory function in appointment of candidates for Directors and Audit & Supervisory Board Members and the process of determining remunerations for Directors and Audit & Supervisory Board Members from an objective and neutral standpoint.</p>
Yoshitsugu Hayashi	13/13	<p>Mr. Yoshitsugu Hayashi is expected to fulfill the management supervisory function and has offered necessary opinions concerning the overall business management including the following items at the Board of Directors meetings as appropriate, based on his professional standpoint and considerable insight in environmental engineering, transportation engineering and sustainable development. He has played an appropriate role in strengthening the management supervisory function and ensuring adequacy and appropriateness of important decision-making of Fuji Electric.</p> <ul style="list-style-type: none"> - Initiatives to realize a Decarbonized Society - Appropriate way of discussing sustainability at meetings of the Board of Directors <p>Moreover, he attended all three Nomination and Remuneration Committee meetings held in the current fiscal year as a member of the committee and fulfilled the supervisory function in appointment of candidates for Directors and Audit & Supervisory Board Members and the process of determining remunerations for Directors and Audit & Supervisory Board Members from an objective and neutral standpoint.</p>

(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
Tetsuo Hiramatsu	13/13 10/10	Offered necessary opinions at meetings of the Board of Directors as appropriate, concerning the contents of meeting items and the Fuji Electric's business activities, based on 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.
Hirohiko Takaoka	13/13 10/10	Offered necessary opinions at meetings of the Board of Directors as appropriate, concerning the contents of meeting items and the Fuji Electric's business activities, based on his extensive experience and considerable insight as an experienced Full-time Audit & Supervisory Board Member, etc. of listed Companies. 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.
Yuko Katsuta	13/13 10/10	Offered necessary opinions at meetings of the Board of Directors as appropriate, concerning the contents of meeting items and the Fuji Electric's business activities, based on her professional experience as an attorney-at-law. 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	179
(ii) Total profit on cash and other financial assets payable by the Company and its subsidiaries	348

- (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.

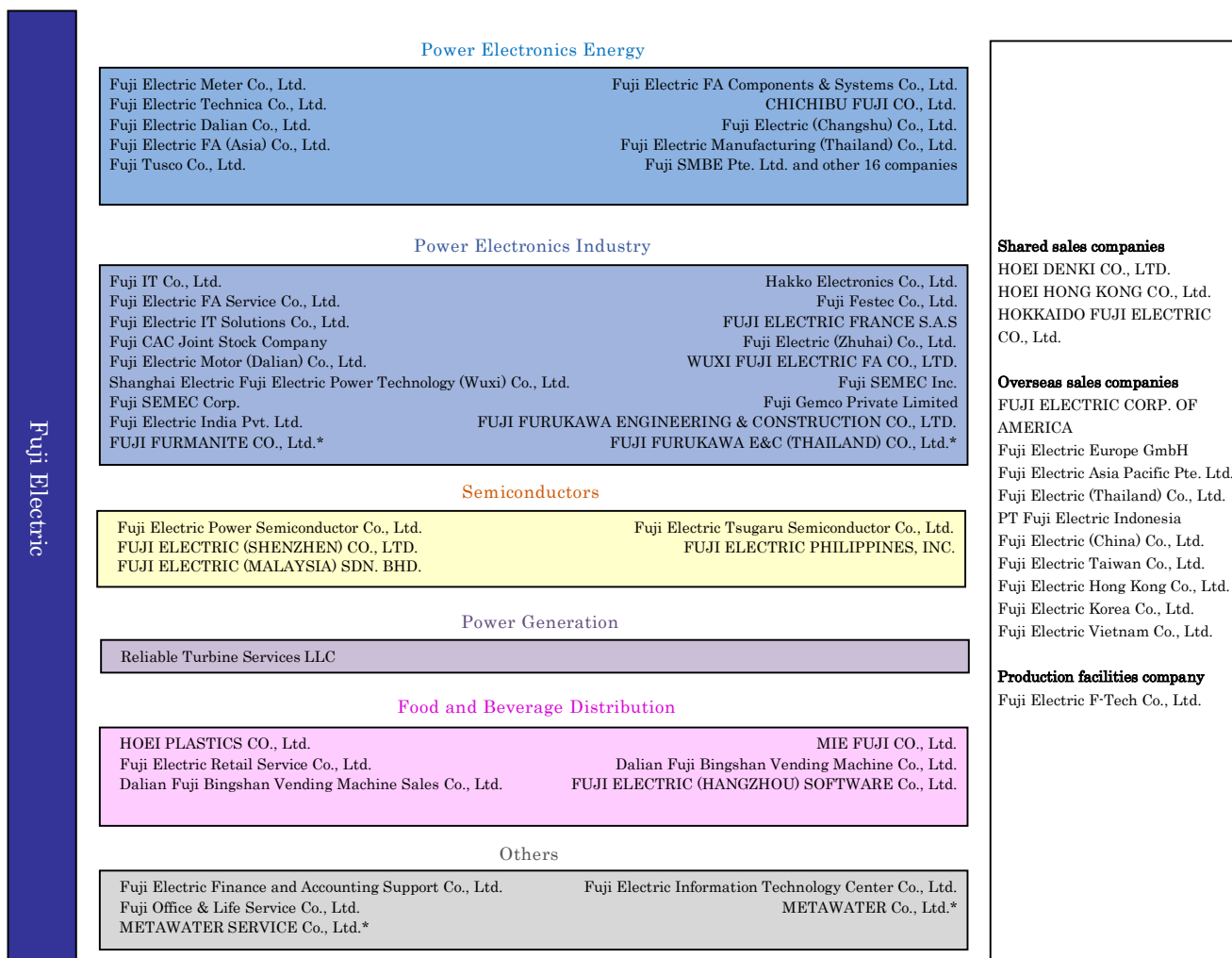
3. Policy for determining accounting auditor dismissal or non-reappointment

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, 2022)



- (Notes) 1. The number of consolidated subsidiaries for fiscal 2021 including those above is 71 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, 2022)

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)	53.0	Net assets (¥ billion)	41.9
Operating profit (loss) (¥ billion)	5.2	Capital (¥ billion)	7.6
Profit (loss) (¥ billion)	5.0	Number of employees	862

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 facilities, electrical engineering work, civil engineering work, solar power facilities, power transmission work, and information and communications work.		
Net sales (¥ billion)	70.7	Net assets (¥ billion)	30.7
Operating profit (loss) (¥ billion)	5.9	Capital (¥ billion)	2.0
Profit (loss) (¥ billion)	4.8	Number of employees	1,142

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)	61.1	Net assets (¥ billion)	13.1
Operating profit (loss) (¥ billion)	3.2	Capital (¥ billion)	1.0
Profit (loss) (¥ billion)	2.2	Number of employees	737

Specified Wholly Owned Subsidiaries

Not applicable.

Important Corporate Realignments

Not applicable.

Main Facilities of the Group (as of March 31, 2022)

1. Power Electronics Energy

Domestic bases

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

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 Industry

Domestic bases

Production bases	Hino, Suzuka
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Overseas bases

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 Electric India Pvt. Ltd., FUJI FURUKAWA E&C (THAILAND) CO., Ltd.

3. Semiconductors

Domestic bases

Production bases	Matsumoto, Minami Alps, Goshogawara
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Overseas bases

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

4. Power Generation

Domestic bases

Production bases	Kawasaki
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Overseas bases

Reliable Turbine Services LLC (U.S.A.)

5. Food and Beverage Distribution

Domestic bases

Production bases	Yokkaichi
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Overseas bases

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 bases

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

FUJI ELECTRIC CORP. OF AMERICA, Fuji Electric Europe GmbH (Germany), Fuji Electric Asia Pacific Pte. Ltd. (Singapore), 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 Vietnam Co., Ltd., HOEI HONG KONG CO., Ltd. (China)

Employees of Fuji Electric (as of March 31, 2022)

(Persons)

Business segment	Number of employees	Year-on-year change
Power Electronics Energy	6,587	(17)
Power Electronics Industry	9,329	194
Semiconductors	5,808	(706)
Power Generation	1,170	(28)
Food and Beverage Distribution	1,932	(238)
Others	1,931	(41)
Total	26,757	(836)

(Note) The number of employees of the Company at the end of March 2022 is 10,566 (an increase of 53 from the end of the previous year).

Major Lenders (as of March 31, 2022)

Name of lenders	Balance of loans (¥ billion)
Mizuho Bank, Ltd.	31.5
MUFG Bank, Ltd.	19.0
Resona Bank, Limited	13.1
The Norinchukin Bank	8.0

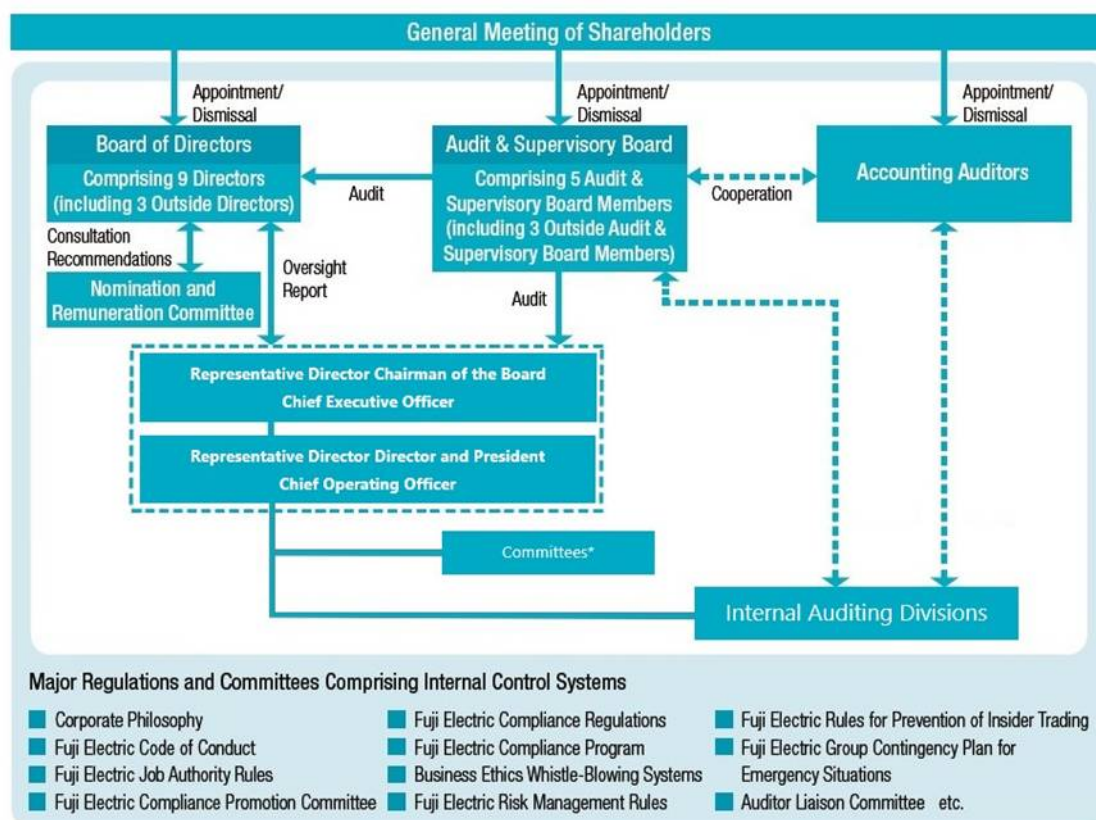
(Reference) The corporate governance system and internal controls system of the Company

The Company’s corporate governance system consists of the Board of Directors, which performs the management supervisory function and important decision-making, and the Audit & Supervisory Board, which is in charge of the management auditing functions. As a company employing the corporate auditor system, the Audit & Supervisory Board suitably undertakes audits of the Company’s Directors and Executive Officers and guarantees objectivity and neutrality.

The Company actively appoints Outside Audit & Supervisory Board Members that satisfy the requirements for Independent Officers, endeavors to strengthen management supervisory and management auditing functions, and has established the Nomination and Remuneration Committee comprising a majority of Outside Officers as an advisory body to the Board of Directors.

Also, in order to separate the roles of management and execution, we have introduced the executive officer structure in an effort to clearly define the responsibilities of each business and streamline business execution. We are endeavoring to build an effective corporate governance system with the use of Executive Committee, which deliberates and reports on important matters related to management as an advisory body to the Chairman of the Board and CEO and the President and COO as well as other committees tasked with planning and promoting key business strategy issues and key external issues, such as legal compliance.

Details on the internal controls system of the Company is as stated in the following pages.



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) 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.
- (ii) 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 and COO of the Company and external attorneys-at-law, 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.
- (iii) Internal auditing divisions of the Company under the jurisdiction of the President and COO 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 and COO.

(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 the Chairman of the Board and CEO, the President and COO, executive officers and employees will be formulated to clarify decision-making authority and locus of responsibilities with regard to business execution.
- (ii) Executive Committee will be established as a permanent corporate body to advise the Chairman of the Board and CEO and the President and COO. It will comprise the Chairman of the Board and CEO, the President and COO, 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 Executive Committee 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, Executive Committee 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) Employees assisting Audit & Supervisory Board Members shall be designated and the treatments for said employees shall respect opinions of Audit & Supervisory Board Members and require consents thereof.
- (ii) Audit & Supervisory Board Members may request the assistance of employees other than the designated employees in (i) above as necessary. Employees carrying out this work may do 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

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

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. 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 once a year.

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 the Executive Committee comprising the Chairman of the Board and CEO, the President and COO and the Company's executive officers and other individuals prior to the Board of Directors meetings. In the current fiscal year, the Executive Committee met 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 the Chairman of the Board and CEO, the President and COO and 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 once a year.

(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 Executive Committee 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

- (i) Employees assisting Audit & Supervisory Board Members shall be designated and the treatments for said employees shall respect opinions of Audit & Supervisory Board Members and require consents thereof.
- (ii) 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 ten 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 contribute to the resolution of social and environmental issues 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. (1) above mean: to maintain and enhance the corporate value of the Company over the medium-term, and ensure that the measures in 2. (2) 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, 2022)

(¥ Millions)

[Assets]		[Liabilities]	
Current assets	681,981	Current liabilities	386,969
Cash and deposits	92,966	Notes and accounts payable - trade	171,749
Notes receivable - trade	75,521	Short-term borrowings	44,984
Accounts receivable - trade	217,731	Lease obligations	19,584
Contract assets	64,088	Accrued expenses	53,192
Merchandise and finished goods	55,051	Income taxes payable	14,879
Work in process	51,827	Contract liabilities	39,443
Raw materials and supplies	63,415	Provision for product warranties	7,280
Other	66,499	Other	35,856
Allowance for doubtful accounts	-5,121		
Non-current assets	435,058	Non-current liabilities	206,413
Property, plant and equipment	233,675	Bonds payable	35,000
Buildings and structures	96,946	Long-term borrowings	66,276
Machinery, equipment and vehicles	31,573	Lease obligations	40,978
Tools, furniture and fixtures	7,494	Deferred tax liabilities	1,580
Land	35,695	Provision for retirement benefits for directors (and other officers)	94
Leased assets	51,779	Retirement benefit liability	57,590
Construction in progress	8,632	Other	4,891
Other	1,553		
Intangible assets	22,504	Total liabilities	593,382
Software	8,638		
Other	13,866	[Net assets]	
Investments and other assets	178,878	Shareholders' equity	405,467
Investment securities	126,316	Share capital	47,586
Long-term loans receivable	817	Capital surplus	45,955
Deferred tax assets	13,286	Retained earnings	319,285
Net defined benefit asset	22,516	Treasury shares	-7,359
Other	16,410	Accumulated other comprehensive income	67,433
Allowance for doubtful accounts	-468	Valuation difference on available-for-sale securities	51,649
Deferred assets	71	Deferred gains or losses on hedges	507
Bond issuance costs	71	Foreign currency translation adjustment	14,169
		Remeasurements of defined benefit plans	1,107
		Non-controlling interests	50,829
Total assets	1,117,112	Total net assets	523,729
		Total liabilities and net assets	1,117,112

Consolidated Statements of Income

(from April 1, 2021 to March 31, 2022)

(¥ Millions)

Net sales		910,226
Cost of sales		657,789
Gross profit		252,436
Selling, general and administrative expenses		177,601
Operating profit		74,835
Non-operating income		
Interest and dividend income	2,885	
Miscellaneous income	4,444	7,329
Non-operating expenses		
Interest expenses	1,744	
Miscellaneous expenses	1,122	2,867
Ordinary profit		79,297
Extraordinary income		
Gain on sales of non-current assets	179	
Gain on sales of investment securities	10,359	10,538
Extraordinary losses		
Loss on disposal of non-current assets	632	
Loss on valuation of investment securities	239	
Production bases integration expenses	335	
Loss on withdrawal from business	141	1,349
Profit before income taxes		88,487
Income taxes - current	21,846	
Income taxes - deferred	2,085	23,931
Profit		64,555
Profit attributable to non-controlling interests		5,894
Profit attributable to owners of parent		58,660

Consolidated Statement of Changes in Equity

(from April 1, 2021 to March 31, 2022)

(¥ Millions)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2021	47,586	46,003	271,772	-7,340	358,021
Cumulative effects of changes in accounting policies			1,708		1,708
Restated balance	47,586	46,003	273,480	-7,340	359,729
Changes of items during the period					
Dividends of surplus			-12,855		-12,855
Profit attributable to owners of parent			58,660		58,660
Purchase of treasury shares				-19	-19
Disposal of treasury shares		0		0	0
Change in ownership interest of parent due to transactions with non-controlling interests		-49			-49
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-48	45,804	-18	45,737
Balance at March 31, 2022	47,586	45,955	319,285	-7,359	405,467

(¥ 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 adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2021	55,761	322	1,539	1,351	58,975	44,257	461,254
Cumulative effects of changes in accounting policies							1,708
Restated balance	55,761	322	1,539	1,351	58,975	44,257	462,963
Changes of items during the period							
Dividends of surplus					-		-12,855
Profit attributable to owners of parent					-		58,660
Purchase of treasury shares					-		-19
Disposal of treasury shares					-		0
Change in ownership interest of parent due to transactions with non-controlling interests					-		-49
Net changes of items other than shareholders' equity	-4,111	185	12,629	-244	8,457	6,571	15,029
Total changes of items during the period	-4,111	185	12,629	-244	8,457	6,571	60,766
Balance at March 31, 2022	51,649	507	14,169	1,107	67,433	50,829	523,729

Non-Consolidated Balance Sheet

(as of March 31, 2022)

(¥ Millions)

[Assets]		[Liabilities]	
Current assets	384,851	Current liabilities	274,606
Cash and deposits	1,999	Accounts payable - trade	121,559
Notes receivable - trade	36,854	Short-term borrowings	24,229
Accounts receivable - trade	151,455	Current portion of long-term borrowings	29,800
Contract assets	46,853	Lease obligations	13,763
Merchandise and finished goods	18,187	Accounts payable - other	4,858
Work in process	40,622	Accrued expenses	32,384
Raw materials and supplies	33,442	Income taxes payable	6,096
Advance payments - trade	14,701	Contract liabilities	24,028
Short-term loans receivable	2,518	Deposits received	8,380
Accounts receivable - other	25,211	Provision for product warranties	6,996
Other	13,118	Other	2,509
Allowance for doubtful accounts	-114		
Non-current assets	372,093	Non-current liabilities	178,334
Property, plant and equipment	137,320	Bonds payable	35,000
Buildings	58,832	Long-term borrowings	64,700
Structures	2,123	Lease obligations	30,484
Machinery and equipment	8,812	Provision for retirement benefits	41,380
Vehicles	47	Asset retirement obligations	2,019
Tools, furniture and fixtures	3,280	Other	4,750
Land	24,234		
Leased assets	37,695		
Construction in progress	2,293	Total liabilities	452,941
Intangible assets	6,929	[Net assets]	
Software	5,539	Shareholders' equity	252,506
Other	1,389	Share capital	47,586
Investments and other assets	227,843	Capital surplus	56,824
Investment securities	102,045	Legal capital surplus	56,777
Shares of subsidiaries and associates	99,342	Other capital surplus	47
Investments in capital	397	Retained earnings	155,648
Long-term loans receivable	508	Legal retained earnings	11,515
Prepaid pension costs	12,053	Other retained earnings	144,133
Deferred tax assets	10,117	Retained earnings brought forward	144,133
Other	3,736	Treasury shares	-7,552
Allowance for doubtful accounts	-358		
Deferred assets	71	Valuation and translation adjustments	51,568
Bond issuance costs	71	Valuation difference on available-for-sale securities	51,061
		Deferred gains or losses on hedges	507
		Total net assets	304,074
Total assets	757,016	Total liabilities and net assets	757,016

Non-Consolidated Statements of Income

(from April 1, 2021 to March 31, 2022)

(¥ Millions)

Net sales		570,470
Cost of sales		436,127
Gross profit		134,343
Selling, general and administrative expenses		108,288
Operating profit		26,054
Non-operating income		
Interest and dividend income	11,146	
Other	1,073	12,220
Non-operating expenses		
Interest expenses	782	
Other	465	1,248
Ordinary profit		37,026
Extraordinary income		
Gain on sales of non-current assets	70	
Gain on sales of investment securities	4,032	
Gain on sale of shares of subsidiaries and associates	213	
Other	563	4,880
Extraordinary losses		
Loss on disposal of non-current assets	435	
Loss on valuation of investment securities	119	
Loss on valuation of shares of subsidiaries and associates	80	
Other	824	1,460
Profit before income taxes		40,446
Income taxes - current	4,907	
Income taxes - deferred	2,241	7,148
Profit		33,298

Non-Consolidated Statement of Changes in Equity

(from April 1, 2021 to March 31, 2022)

(¥ Millions)

	Shareholders' equity								Total shareholders' equity
	Share capital	Capital surplus			Retained earnings			Treasury shares	
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
Balance at April 1, 2021	47,586	56,777	46	56,824	11,515	122,966	134,481	-7,534	231,358
Cumulative effects of changes in accounting policies						724	724		724
Restated balance	47,586	56,777	46	56,824	11,515	123,690	135,205	-7,534	232,082
Changes of items during the period									
Dividends of surplus				-		-12,855	-12,855		-12,855
Profit for the year				-		33,298	33,298		33,298
Purchase of treasury shares				-		-	-	-19	-19
Disposal of treasury shares			0	0		-	-	0	0
Net changes of items other than shareholders' equity									
Total changes of items during the period	-	-	0	0	-	20,442	20,442	-18	20,424
Balance at March 31, 2022	47,586	56,777	47	56,824	11,515	144,133	155,648	-7,552	252,506

	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, 2021	52,479	322	52,801	284,159
Cumulative effects of changes in accounting policies				724
Restated balance	52,479	322	52,801	284,883
Changes of items during the period				
Dividends of surplus			-	-12,855
Profit for the year			-	33,298
Purchase of treasury shares			-	-19
Disposal of treasury shares			-	0
Net changes of items other than shareholders' equity	-1,418	185	-1,233	-1,233
Total changes of items during the period	-1,418	185	-1,233	19,190
Balance at March 31, 2022	51,061	507	51,568	304,074