



Through our innovation in energy and environment technology, we are contributing to the creation of responsible and sustainable societies.

On behalf of Fuji Electric, I would like to express our sincere gratitude to our stakeholders for their continued support and commitment to the Company.

Turning an eye to the international stage, we will see a movement to realize a sustainable society by achieving economic growth, while also addressing social issues pertaining to energy, the environment, human rights, and other areas. This movement is exemplified by the adoption of the Paris Agreement, an international agreement to reduce greenhouse gas emissions, and the United Nations Sustainable Development Goals, a set of international goals to be accomplished in order to realize a sustainable society.

Efforts to address global warming, air pollution, and other environmental issues are being advanced through the spread of renewable energy, the development of more energy efficient equipment and devices, and the promotion of electric vehicles, or EVs. At the same time, the evolution of IoT, AI, and other technologies bring with them the potential to revolutionize manufacturing. These factors are driving the transformation of society as a whole.

In the midst of this progress, Fuji Electric remains committed to further developing the energy and environment technology it has honed over the more than 90 years since its founding in 1923. Through this process, we will turn a sincere eye to the issues faced by our customers and the ever-changing society as we work together with them to resolve these issues. As responsible corporate citizens in a global society, we pledge to strengthen our trusting relationships with stakeholders and contribute to the creation of responsible and sustainable societies.

Michihiro Kitazawa
President and
Chairman of the Board of Directors

Completion of the Medium-Term Management Plan to Form Foundations for Future Growth

Record-Breaking Operating Income and Operating Margin Achieving Targets Ahead of Schedule

Fuji Electric is moving ahead with the FY2018 Medium-Term Management Plan, Renovation 2018, which has fiscal 2018 as its final year. Acting in accordance with the plan's basic policy of "further renovation of Fuji Electric," we are implementing growth strategies and pursuing improved profitability.

In fiscal 2017, a gentle recovery trend was seen in our operating environment. This trend was supported by factors such as increased production facility automation and labor-saving needs in China, and higher demand for replacements of aged facility and for investments in automation and labor saving in Japan.

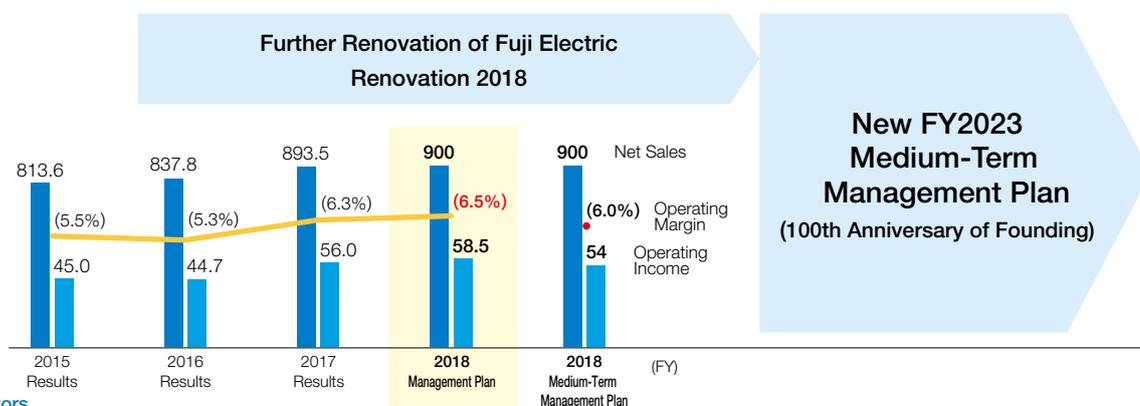
In this environment, net sales increased ¥55.7 billion year on year, to ¥893.5 billion. Meanwhile, operating income rose ¥11.3 billion year on year, to ¥56.0 billion, and the operating margin climbed to 6.3%. These figures represented record highs for both items, with operating income setting a new record for the first time in 11 years, the previous record being from fiscal 2006, while the operating margin broke the record from fiscal 2015, two years ago. Moreover, both figures reached the level targeted in the Medium-Term Management Plan, a year ahead of schedule.

As for financial indicators, the equity ratio rose to 36% and, even as we boosted equity, we were still able to secure return on equity of 12% thanks to income growth. As for shareholder returns, we have decided to issue a full-year dividend of ¥14 per share, comprising an interim dividend of ¥6 and a year-end dividend of ¥8. This amount will represent an increase of ¥3 per share above the previous fiscal year and make for a dividend payout ratio of 26.5%.

Establishment of New FY2023 Medium-Term Management Plan

We are committed to the completion of the FY2018 Medium-Term Management Plan in fiscal 2018, which will entail addressing the four priority issues I will explain later on in order to achieve our targets, ¥900.0 billion for net sales, ¥58.5 billion for operating income, and specifically record highs of 6.5% for the operating margin. Also, during this fiscal year, we will begin preparing a new medium-term management plan, which will kick off in fiscal 2019 and end in fiscal 2023, the 100th anniversary of Fuji Electric's founding. Our preliminary targets for the final year of this plan are net sales of ¥1 trillion and, based on the operating margin of 6.3% achieved in fiscal 2017, an operating margin of 8.0% or more.

In regard to shareholder returns, we will continue to adhere to our current policy, which is to pay a stable, continuous dividend, while strengthening our management base and maintaining sufficient internal reserves for research and development, capital investment, mergers and acquisitions, and human resource development from a medium-to-long-term perspective. Given the anticipated improvements to our financial base from income growth, we will target a dividend payout ratio of around 30%.



Financial Indicators

Equity ratio	27%	33%	36%	37%	32%
ROE	12%	16%	12%	12%	12%

Global Business Growth Supported by Even Stronger Operations

The key issues that have been defined for fiscal 2018 are to strengthen the power electronics systems business, proactively invest in the expansion of our power semiconductor business, further enhance our manufacturing capabilities, and reenergize the Pro-7 Activities.

Key Issues for Fiscal 2018

- Strengthen power electronics systems business
- Proactively invest in expansion of power semiconductor business
- Further enhance manufacturing capabilities
- Reenergize the Pro-7 Activities

Strengthening of Power Electronics Systems Business

In fiscal 2017, we reorganized and integrated our social infrastructure, industrial infrastructure, and power electronics operations to form the Power Electronics Systems Business Group. This new group accounts for roughly 60% of the Company's total net sales and thus represents the backbone of our business. In this group, we will create competitive components, enhance systems through combinations of these competitive components, and expand overseas businesses by leveraging systems.

In Japan, the Power Electronics Systems Business Group has been successful at incorporating facility replacement demand from customers while capitalizing on the benefits of its newly integrated operations to receive comprehensive electrical equipment orders. A future goal will be to expand such comprehensive electrical equipment orders, which entails bundling substation and power supply equipment that support power stability with energy management systems that control electricity and heat at facilities.

The track record and expertise we have cultivated in Japan will be utilized in the standardization of systems and the development of system bundles as well as in efforts to acquire system solutions in China and other parts of Asia. We will simultaneously promote local production and consumption and accelerate the enhancement of manufacturing and engineering capabilities at overseas production bases.



Proactively Invest in Expansion of Power Semiconductor Business

A new issue to be addressed in fiscal 2018 is the proactive investment in expanding our power semiconductor business and thereby reinforcing this already strong business.

Semiconductor businesses inherently face the risk of fluctuations in sales volumes. Previously, Fuji Electric has chosen to limit the scale of its semiconductor operations to a size that would enable it to compensate for this risk. As such, our semiconductor operations have fulfilled the role of providing the key power control and conversion devices crucial to supporting the competitiveness of our power electronics systems operations. Recently, however, the structure of the power semiconductor market has been undergoing substantial changes. Factors behind these changes include the brisk investment in automation in the industrial field as well as the rapid proliferation of EVs around the world.

In light of these changes, we have chosen to alter our approach to commence proactive investment in manufacturing and research and development in relation to power semiconductors, an area in which Fuji Electric boasts world-leading technologies and a high market share for its mainstay IGBT modules. Through these efforts, we aim to boost both sales and profitability in this area. Specifically, we are planning capital expenditures of approximately ¥20.0 billion for augmenting production capacities and installing production facility that is compatible with new products. As for research and development, we will invest in the development of power semiconductors for automotive and railroad applications as well as next-generation SiC power semiconductors. These investments are slated to begin producing results within the period of the new FY2023 Medium-Term Management Plan.

Further Enhancement of Manufacturing Capabilities

Manufacturing is how a manufacturer makes its money. Previously, our focus in manufacturing reforms has been monitoring techniques for identifying issues along with the promotion of in-house manufacturing and automation. Through these efforts, we have proceeded to cut fixed and other costs.

In fiscal 2018, we will endeavor to further enhance our manufacturing capabilities by realizing more efficient and higher value production through automation and in-house production and by utilizing IoT. Meanwhile, increased coordination will be promoted between domestic mother factories and overseas production bases as well as among overseas production bases themselves to fortify the foundations of our global supply chain. Human resources development will be of the utmost importance to accomplishing these objectives. For example, Fuji Electric Manufacturing (Thailand) Co., Ltd., as a regional mother factory for overseas production bases, provided guidance to an Indian factory of Fuji Electric India Private Ltd. as well as to Fuji Electric France S.A.S. when this company was attempting to start up a new low voltage inverter production line. Staff from Fuji Electric Manufacturing (Thailand) played a central role in the latter undertaking. In the past, we primarily trained local overseas hires in Japan. Going forward, however, we will step up education programs for manufacturing staff on a global basis. We anticipate that these efforts will help us continue to supply customers products with quality they can trust.

Reenergization of the Pro-7 Activities

Fuji Electric's Pro-7 Activities entail all Group employees reviewing the way they work from the ground up in order to improve work quality and efficiency. Key to these activities, I believe, are employee awareness reforms. Based on this belief, we encouraged employees to remind themselves of the basics of their work and practice self-monitoring and self-analysis in their work during fiscal 2017. The efforts helped employees discover new aspects of their job.

Pro-7 Activities have become a fixture of our corporate culture in Japan. By extending these activities to overseas, we hope to realize further improvements to work quality and subsequently profits.

Earnest Effort to Address ESG Issues and Achieve Ongoing Growth

Fuji Electric aspires to build trusting relationships with stakeholders and contribute to the resolution of social issues as a responsible member of society. Exercising its corporate philosophy and management policies how Fuji Electric fulfills its corporate social responsibilities. Moreover, the Company participates in the United Nations Global Compact, and has incorporated the Compact's Ten Principles—which pertain to the four areas of human rights, labor, environment, and anti-corruption—into its Code of Conduct, which sets forth guidelines for the conduct of all employees, to promote adherence with these principles.

Guided by the Code of Conduct, we have reorganized our key CSR issues from the perspective of environmental, social, and governance (ESG) concerns. Through earnest efforts to address these ESG issues, we aim to improve medium-to-long-term corporate value. At the same time, we are making future contributions to the realization of a sustainable society by working toward the accomplishment of the United Nations Sustainable Development Goals in our business activities.

Appointment of Independent Outside Directors and Reinforcement of Governance at Overseas Subsidiaries

The Company is taking steps to reinforce corporate governance, such as by appointing outside directors that are also designated as independent directors. Our goal in these undertakings is to improve management transparency and facilitate ongoing growth through enhanced oversight.

Governance reinforcement initiatives are being extended to all subsidiaries, whether in Japan or overseas. Daily monitoring, audits, and education as well as efforts to entrench awareness regarding our various rules are carried out on a steady, ongoing basis. Particular attention is paid to companies acquired through mergers and acquisitions. From the moment such companies become members of the Fuji Electric Group, we work to reinforce corporate governance through internal audits and other means.

Respect for Human Rights and Promotion of Diversity and Workstyle Reforms

As we develop our business on a global scale, we find ourselves interacting with various stakeholders. In these relationships, Fuji Electric views respect for basic human rights to be among the most fundamental values of a functioning member of society. For this reason, we conduct human rights training at domestic and overseas bases in accordance with the Fuji Electric Compliance Program and implement other initiatives to ensure that human rights are respected.

We also place importance on respect for diversity, and we are actively fostering a workplace environment that is conducive to utilizing diverse values to improve teamwork within the Company and to drive growth. Fuji Electric actively recruits female employees and systematically develops female leaders. In addition, we are broadening the scope of duties that can be performed by differently abled employees, which now includes work on manufacturing lines, in order to increase employment of such individuals. We also seek to assist employees in balancing their work while looking after small children or caring for family members. To support such employees, we are enhancing our range of teleworking and satellite office working systems. Moreover, we have been expanding the scope of employees that we encourage to take five consecutive days of paid leave a year since I became president, and this scope now includes all employees. One goal of these efforts is to create frameworks and workplace environments that enable employees to function as a team to prevent work from being delayed should someone take time off. Another goal is to facilitate workstyles that achieve a better balance between work and private life by having employees take consecutive days off to spend with their families and then come back refreshed. These paid leave practices have become entrenched in our corporate culture.



Fuji Electric's DNA of Being “Enthusiastic, Ambitious and Sensitive”

Formulation of New Environmental Vision

Fuji Electric is working toward Environmental Vision 2020, which is centered on the three pillars of stopping global warming, creating a recycling-oriented society, and meeting our corporate social responsibilities. However, we have also begun working on a new environmental vision that sets its sights on fiscal 2050 in light of the adoption of global frameworks pertaining to climate change issues. Looking ahead, we will continue our efforts to contribute to the realization of a low-carbon and eventually carbon-free society by expanding sales of energy-creating and energy-conserving products that help protect the environment and by reducing CO₂ emissions through energy-saving efforts in our global production activities.

I believe it is important for all employees to contribute to society and grow through their work. It is for this reason that I take every opportunity, whether in Japan or overseas, to encourage people to act in accordance with the slogan contained in our corporate philosophy of “to be enthusiastic, ambitious and sensitive.” As encapsulated in this slogan, employees should be “enthusiastic” toward creating new products and services that contribute to society, “ambitious” in the goals they set and committed to overcoming obstacles to achieve these goals, and “sensitive” in their ability to appreciate customers, colleagues and the members of their family that support them. This is the DNA of Fuji Electric.

Our goal is to ensure our prosperity as a company, returns to our shareholders, and the happiness of our employees and their families, while contributing to the achievement of a sustainable society through our energy and environment businesses. In closing, we would like to ask for the continued support of our shareholders, investors, and all of our other stakeholders.

July 2018

Michihiro Kitazawa
President and
Chairman of the Board of Directors