Fuji Electric

Innovating Energy Technology

Fuji Electric Report

2018

Corporate Philosophy

Corporate Mission

We, Fuji Electric, pledge as responsible corporate citizens in a global society to strengthen our trust with communities, customers and partners.
Our mission is to:

Contribute to prosperity

Encourage creativity

Seek harmony with the environment

Slogan

To be enthusiastic, ambitious and sensitive.

Management Policies

- Through our innovation in energy and environment technology, we contribute to the creation of responsible and sustainable societies.
- Achieve further growth through our global business expansion.
- Maximize our strengths as a team, respecting employees' diverse ambition.

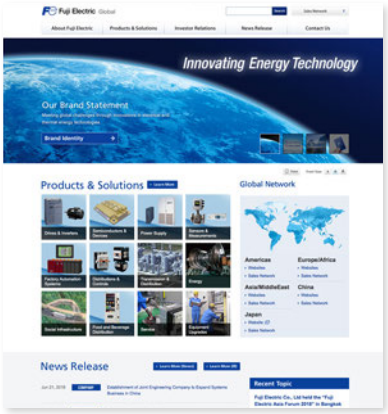
Brand Statement

Innovating Energy Technology

Contents

Objectives of This Report

The Fuji Electric Report is published to help shareholders, investors, and other stakeholders gain deeper insight into the Company's management activities. The report provides wide-ranging coverage of key points regarding our management policies and strategies, as well as our business results, financial position, and our environmental and social initiatives for the realization of sustainable societies.



Detailed information is available on our website:
https://www.fujielectric.com

- **About Fuji Electric**
- **Investor Relations**
- **CSR**
- **Research & Development**

Fuji Electric's Energy and Environment Businesses

With energy and environment technology as its core technology, Fuji Electric contributes to the creation of responsible and sustainable societies through its four businesses—Power Electronics Systems, Power and New Energy, Electronic Devices, and Food and Beverage Distribution—which have been arranged into five segments. The Company combines IoT and control technologies with components using key devices to supply a wide range of solutions required by industries and society in fields spanning from social infrastructure to industrial distribution.

Four Businesses in Five Segments

Power and New Energy

Clean energy

Power and new energy

- Thermal power
- Geothermal power
- Hydro power
- Solar and wind power
- Fuel cells

Power Electronics

Energy Solutions

Stable supply and optimization of energy

Energy management

- Energy management systems
- Power distribution
- Transmission and distribution
- Smart meters

Power supply and facility systems

- Data centers
- Uninterruptible power systems (UPSs)
- Switchboards
- Cold chain systems
- Plant factories

ED&C components

- Power distribution and control equipment

System Solutions

System solutions combining components with engineering services and IoT* technologies

System

* Internet of Things: Framework for fundamentally revolutionizing business and our daily lives by connecting various objects through networks and enabling them to achieve optimal, autonomous control of one another

Engineering

Components

Components for measuring instruments and control equipment and ED&C components that use key devices to contribute to optimization, stabilization, automation, efficiency improvements, and energy savings in facilities and plants

Control

Steam turbines

Motors

Inverters

FA components

UPS

Transformers

Key Devices

Power semiconductors for controlling power and sensors employing various applied technologies for supporting safe operation in social infrastructure and industrial fields

Power semiconductors

Systems

Industry Solutions

Automation and energy saving



Factory automation	Process automation	Social solutions
● Inverters ● Motors ● FA components ● FA systems ● Distribution systems ● Exhaust gas cleaning system for ships	● Drive control ● Measurement and control	● Electrical equipment for railcars ● Electric vehicle systems ● Radiation monitoring systems

Electronic Devices

Miniaturization and energy saving

Semiconductors
● Power semiconductors

Food and Beverage Distribution

Labor and energy saving


Vending machines	Store distribution
● Vending machines	● Store equipment ● Currency handling equipment

IoT

Services

equipment


ED&C components

Smart meters

Measuring instruments

Electrical equipment for railcars

Vending machines

Showcases

Sensors


Consolidated Financial Highlights

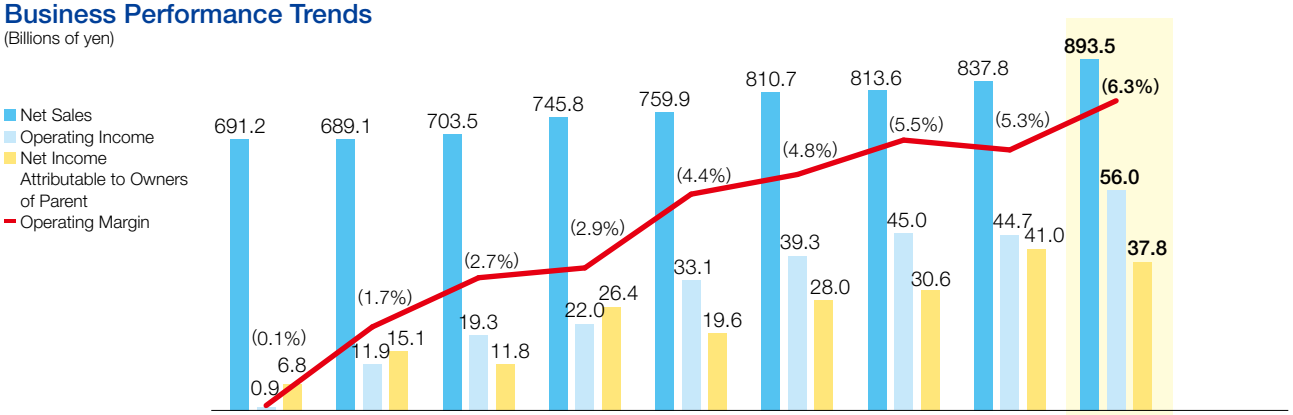
Financial Highlights

Fiscal year	2009	2010	2011	2012
Operating Results				
Net sales	691,223	689,065	703,534	745,781
Japan	513,616	510,843	525,096	567,314
Overseas	177,607	178,221	178,437	178,466
Operating income	924	11,917	19,252	21,992
Net income attributable to owners of parent	6,757	15,104	11,801	26,368
R&D and Capital Investment				
R&D expenditures	24,296	32,568	32,247	31,160
Plant and equipment investment*2	19,124	27,223	24,989	31,771
Depreciation and amortization*3	26,053	27,945	29,755	31,054
Cash Flows				
Cash flows from operating activities	11,923	53,853	28,314	55,342
Cash flows from investing activities	(528)	84,241	(13,489)	(24,286)
Free cash flow	11,395	138,094	14,825	31,055
Cash flows from financing activities	(62,575)	(93,468)	(32,593)	(56,827)
Financial Position				
Total assets	908,938	805,797	792,848	765,563
Total net assets	196,134	174,935	183,217	215,672
Shareholders' equity	178,866	155,355	163,576	194,572
Net Interest-bearing debt	347,749	225,059	225,227	217,417
Interest-bearing debt	385,032	306,856	289,489	257,105
Financial Indicators				
Ratio of operating income to net sales (%)	0.1	1.7	2.7	2.9
ROE (Return on equity) (%)	4.4	9.0	7.4	14.7
ROA (Return on assets) (%)	0.7	1.8	1.5	3.4
Equity ratio (%)	19.7	19.3	20.6	25.4
Net debt-equity ratio (times)*4	1.9	1.4	1.4	1.1
Debt-equity ratio (times)*5	2.2	2.0	1.8	1.3
Per Share Data				
Net income	9.46	21.14	16.52	36.90
Net assets	250.28	217.40	228.91	272.29
Cash dividends	1.50	4.00	4.00	5.00
Others				
Employees	23,524	24,562	24,973	24,956
Japan	18,692	18,002	17,933	18,271
Overseas	4,832	6,560	7,040	6,685

*1 The U.S. dollar amounts represent the arithmetic results of translating yen into dollars at ¥106 = U.S. $1, the approximate exchange rate at March 31, 2018.
*2 Plant and equipment investment is the total of investment in tangible fixed assets, including acquisition amounts for lease contracts.
*3 Depreciation and amortization expense is the total of the depreciation of tangible fixed assets and amortization of intangible assets.
*4 Net debt-equity ratio: Net interest-bearing debt (interest-bearing debt + lease obligations – cash and cash equivalents) / Shareholders' equity
*5 Debt-equity ratio: Interest-bearing debt / Shareholders' equity

Business Performance Trends

(Billions of yen)

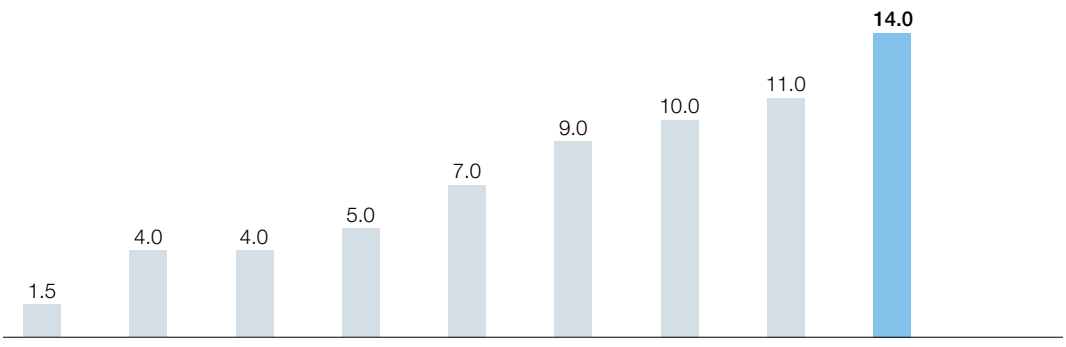


Financial Indicators	2009	2010	2011	2012	2013	2014	2015	2016	**2017**	(FY)
Equity ratio	20%	19%	21%	25%	28%	32%	27%	33%	**36%**	
ROE	4%	9%	7%	15%	9%	11%	12%	16%	**12%**	

				(Millions of yen)	(Thousands of U.S. dollars*1)
2013	2014	2015	2016	**2017**	**2017**
759,911	810,678	813,550	837,765	**893,451**	**8,428,790**
582,223	605,763	597,757	632,723	**674,744**	**6,365,513**
177,688	204,915	215,793	205,042	**218,707**	**2,063,277**
33,136	39,316	45,006	44,709	**55,962**	**527,944**
19,582	27,978	30,644	40,978	**37,763**	**356,263**
32,029	35,023	35,949	34,910	**35,620**	**336,045**
26,916	29,041	27,650	27,149	**26,465**	**249,679**
30,849	33,615	29,723	29,445	**30,151**	**284,451**
53,651	51,459	48,450	58,185	**53,146**	**501,386**
(9,649)	(22,750)	(19,410)	9,748	**(14,550)**	**(137,265)**
44,002	28,708	29,040	67,934	**38,596**	**364,121**
(50,570)	(33,827)	(31,567)	(56,082)	**(46,887)**	**(442,336)**
810,774	904,522	845,378	886,663	**918,859**	**8,668,487**
251,225	319,636	260,980	323,863	**366,546**	**3,457,989**
227,181	290,339	230,399	291,216	**330,636**	**3,119,207**
200,340	194,579	189,374	141,578	**130,177**	**1,228,094**
233,753	226,474	220,213	183,465	**163,507**	**1,542,527**
4.4	4.8	5.5	5.3	**6.3**	**—**
9.3	10.8	11.8	15.7	**12.1**	**—**
2.5	3.3	3.5	4.7	**4.2**	**—**
28.0	32.1	27.3	32.8	**36.0**	**—**
0.9	0.7	0.8	0.5	**0.4**	**—**
1.0	0.8	1.0	0.6	**0.5**	**—**
				(Yen)	(U.S. dollars*1)
27.41	39.16	42.90	57.36	**52.87**	**0.499**
317.96	406.39	322.52	407.68	**462.90**	**4.367**
7.00	9.00	10.00	11.00	**14.00**	**0.132**
				(Headcount)	
25,524	25,740	26,508	26,503	**27,009**	**—**
18,022	17,814	17,635	17,716	**17,704**	**—**
7,502	7,926	8,873	8,787	**9,305**	**—**

Cash Dividends per Share

(Yen)



	2009	2010	2011	2012	2013	2014	2015	2016	**2017**
Dividend payout ratio	15.9%	18.9%	24.2%	13.6%	25.5%	23.0%	23.3%	19.2%	**26.5%**

President's Message

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.

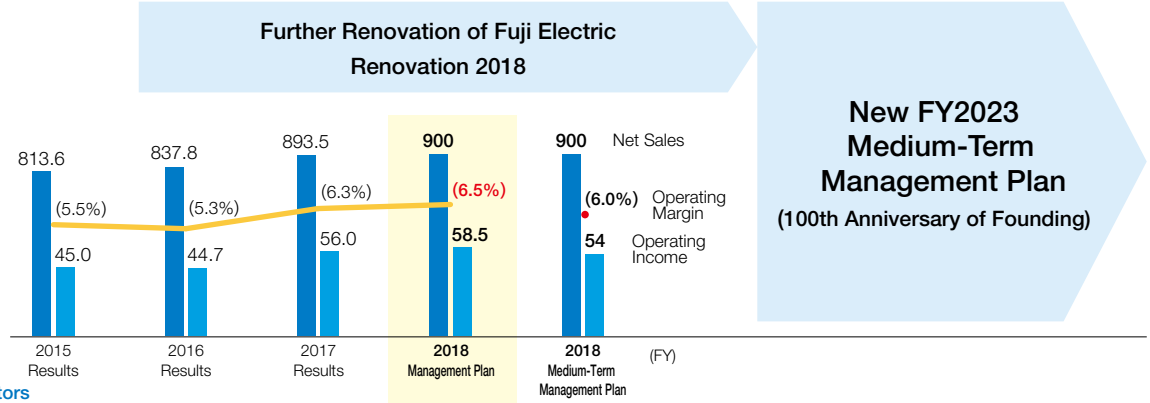
In this environment, net sales increased ¥55.7 billion year on year, to ¥893.5 billion. Meanwhile, operating income rose ¥11.3 billion year on year, to ¥56.0 billion, and the operating margin climbed to 6.3%. These figures represented record highs for both items, with operating income setting a new record 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

	2015 Results	2016 Results	2017 Results	2018 Management Plan	2018 Medium-Term Management Plan
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 CO_2 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

Review of Operations (By Segment)

Power Electronics Systems (Energy Solutions / Industry Solutions)

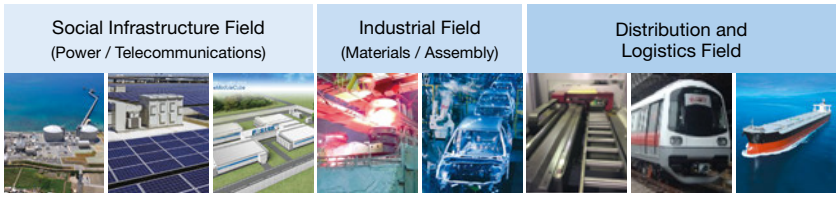
In the Energy Solutions segment, Fuji Electric supports power infrastructure with its proven technologies to contribute to the stable supply, optimization, and stabilization of energy for customers. In the Industry Solutions segment, we combine power electronics with measuring instruments and IoT technologies to contribute to improved productivity and energy savings with factory automation and monitoring.

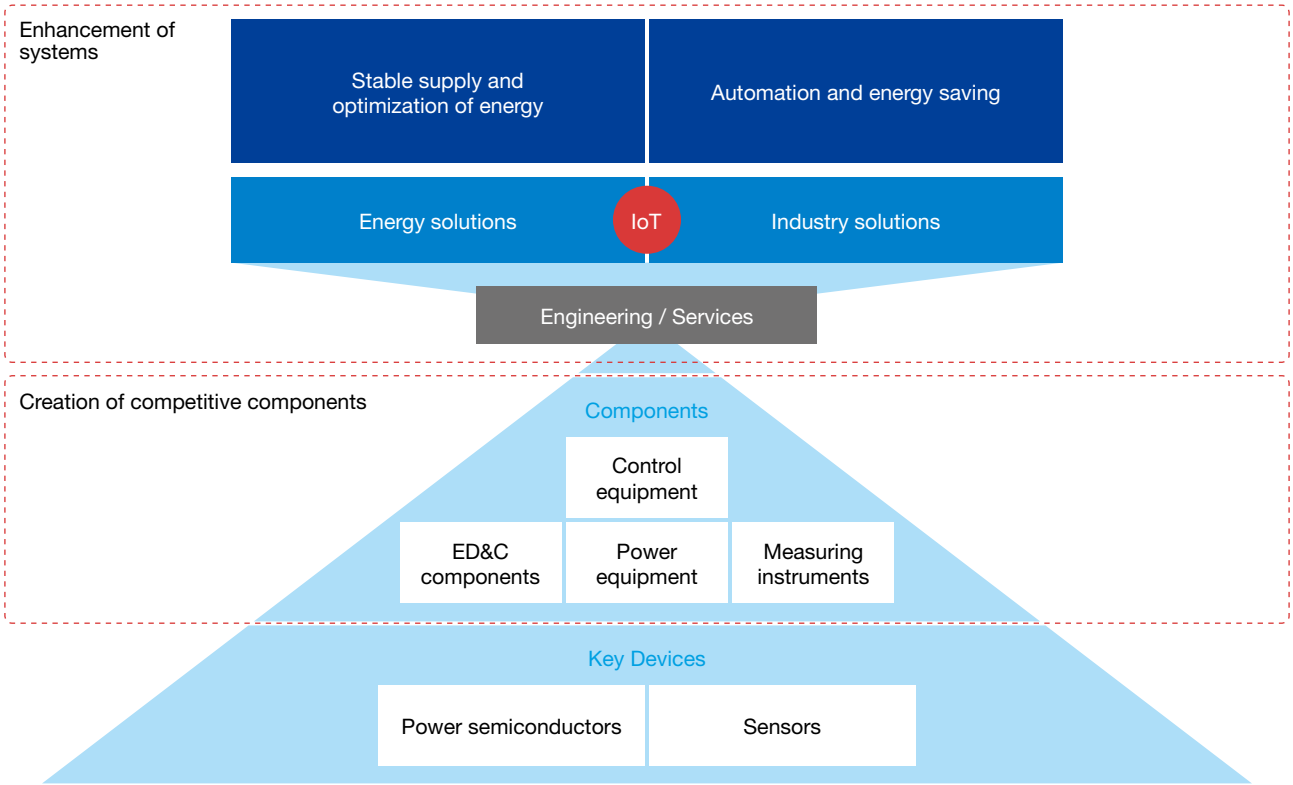
Power Electronics Systems Business Policy

Strengthen systems operations using competitive components, expand overseas businesses by leveraging systems

Priority Measures for Fiscal 2018

- Develop and introduce global products
- Promote standardization and bundling of system solutions
- Strengthen systems operations by utilizing overseas engineering companies partnered with or acquired through M&A activities
- Pursue local production and consumption in Asia





Creation of Competitive Components

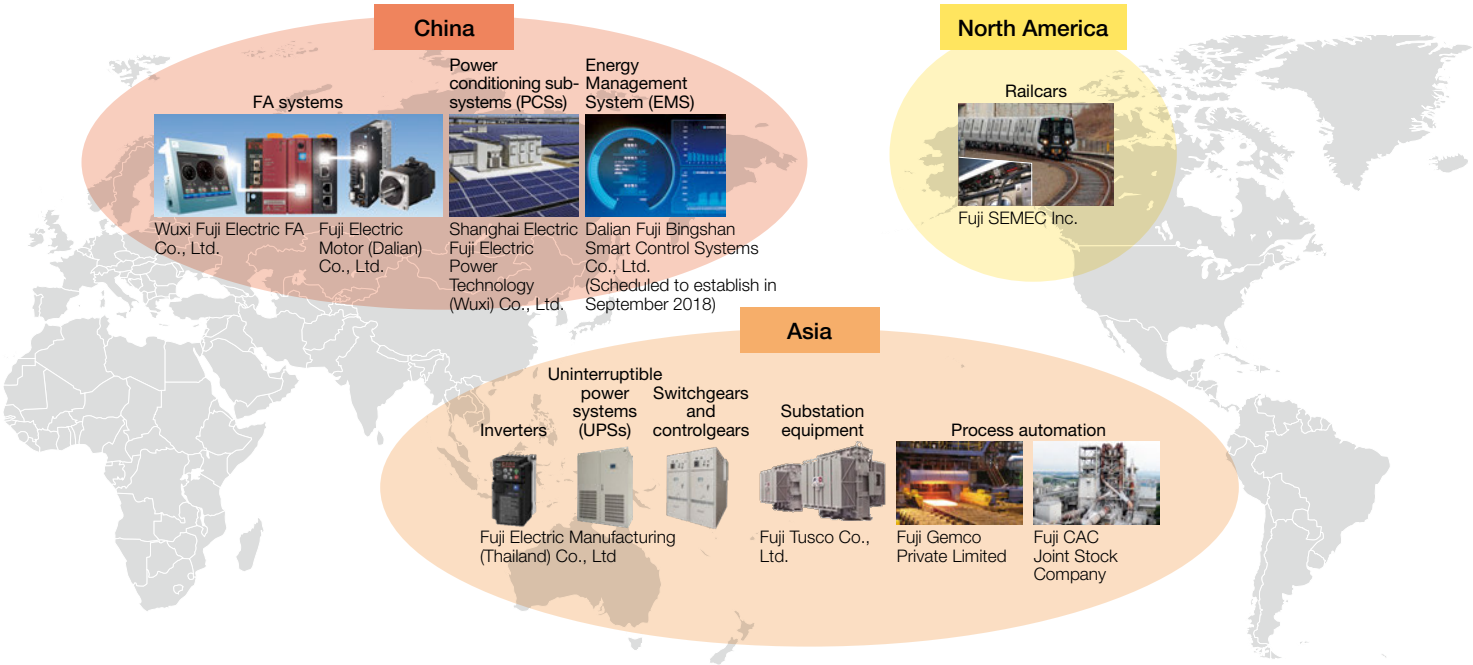
The systems that support the optimal operation of customers' production facilities and plants require unique, competitive, and differentiated components. Fuji Electric's factory automation business is focused on the development of servos, which need the most precise control technologies among FA components; sensors for monitoring temperature, vibration, and electricity; and programmable logic controllers (PLCs), a type of control device that regulates the operations of production lines and material plants to guarantee safety. In addition, we are accelerating the creation of global products based on international specifications to expand overseas operations.

Enhancement of Systems Using Competitive Components

The systems project track record, technologies, and expertise Fuji Electric has cultivated to date are being utilized to promote the standardization and bundling of hardware and software in an effort to step up development of high-value-added systems. Furthermore, we are backing these systems with engineering and other services.

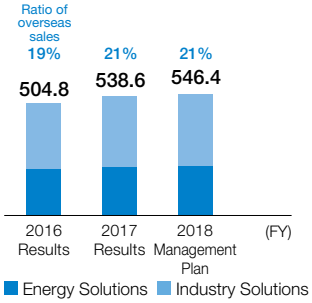
Expansion of Overseas Businesses by Leveraging Systems

Fuji Electric is focusing on developing its transmission and distribution systems, process automation, and FA systems primarily in China and other parts of Asia. In these operations, we take advantage of overseas engineering companies acquired through M&A activities, namely Fuji Tusco Co., Ltd.; Fuji Gemco Private Limited; Fuji CAC Joint Stock Company; and Fuji SEMEC Inc. At Fuji Electric Manufacturing (Thailand) Co., Ltd., meanwhile, we have begun constructing switchgear and controlgear system factories (third factory scheduled to commence operation in 2019). These facilities are anticipated to help us cater to demand for the switchboards that control power at factories; this demand is rising in Asia, where factories and buildings are being constructed at a rapid pace. In addition to these undertakings, we are applying standardized and bundled systems to focus areas, such as steel, cement, and chemicals, to increase orders overseas, where systems often must be delivered on tight schedules.



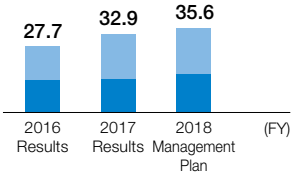
Net Sales

(Billions of yen)

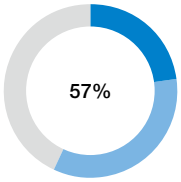


Operating Income

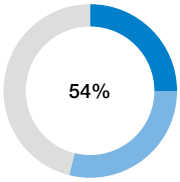
(Billions of yen)



Net Sales Composition Ratio (Management Plan in FY2018)



Operating Income Composition Ratio (Management Plan in FY2018)



Note: Figures for FY2016 and FY2017 reflect the organizational restructuring conducted in FY2018

Energy Solutions

Operating Environment

In Japan, demand is rising for solutions to stabilize power supplies and optimize the energy supply and demand in order to maintain reliable operations of equipment at factories and facilities. At the same time, the shortage in facility management personnel is stimulating demand for IoT to be utilized in all service areas, including after-sales services, in order to monitor and optimize operations while saving energy.

In rapidly growing Southeast Asia and other emerging countries, the acceleration of investment in social infrastructure and in production facilities is creating issues related to the stability and efficiency of power supplies that need to be addressed.

Business Areas

- **Energy Management**
  Power distribution, Smart meters, Industrial substation, Railway substation, Industrial power supplies
- **Power Supply and Facility Systems**
  Data centers, UPS, Electrical facilities, Switchgears and Controlgears
- **ED&C Components**
  Power distribution and control equipment

Review of Operations in Fiscal 2017

In the Energy Solutions segment, net sales were up year on year. Sales benefited from large-scale orders for substation equipment for the power and industrial fields overseas. In addition, this segment enjoyed increased demand from machine tool and other equipment manufacturers and from overseas in the ED&C components business.

Operating income in this segment increased due to higher sales in the ED&C components business as well as due to cost reductions.

Major Initiatives in Fiscal 2017

Expansion of Orders Amid Substation Equipment Replacement Demand

In Japan, replacement demand is rising as existing facility and plants age. In fiscal 2017, Fuji Electric increased in orders for substation equipment centered on steel, chemical, and other material industries. This feat was accomplished by proposing renovations and replacements of customers' aged facilities.

Substation equipment

Plant System Order Acquisition with a Focus on Energy Management Systems

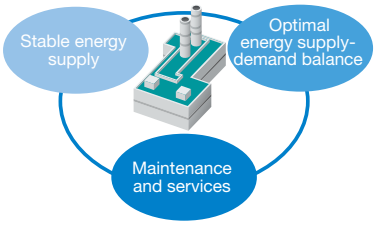
In fiscal 2017, Fuji Electric bundled energy management systems, which optimize electricity and heat usage within factories, and combined heat and power supply equipment, such as cogeneration systems that up self-sufficiency in terms of energy, to provide comprehensive energy optimization packages. We also developed control software that was ideally suited to specific industries.

With focused on energy management systems, we sought to capture plant system orders by proposing combinations of substation and power supply equipment to customers.

Priority Measures for Fiscal 2018

Grow Comprehensive Factory and Facility Electrical Equipment Orders

In fiscal 2018, Fuji Electric will pursue growth in comprehensive electrical equipment orders. Focused on the five target fields of steel, semiconductors, buildings and facilities, assembly, and food, we will propose bundles that combine the substation, power supply, and air-conditioning equipment that underpin the stable supply and optimization of power at factories and facilities with energy management systems customized for specific industries. Furthermore, we will seek to expand our business through the provision of comprehensive energy solutions that encompass everything up to and including maintenance and other services.



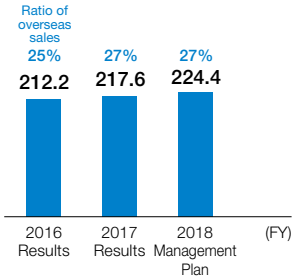
Comprehensive Energy Solutions

Expand Transmission and Distribution Systems Business in Asia

We will reinforce our engineering systems and increase orders of engineering, procurement, and construction (EPC) projects in order to expand our transmission and distribution systems business in Asia. At the same time, the strengths of Fuji Tusco, which manufactures transformers, will be utilized to boost the competitiveness of our product lineup through the promotion of global products and to thereby facilitate the growth of completely local businesses. For replacement projects, we will coordinate with local distributors and trading companies to step up service proposal activities.

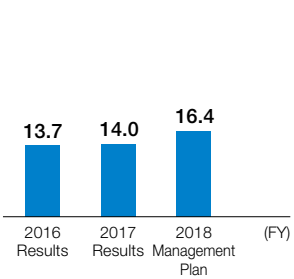
Net Sales

(Billions of yen)

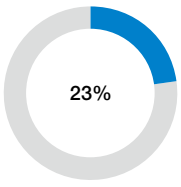


Operating Income

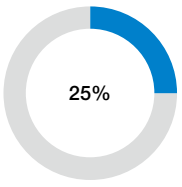
(Billions of yen)



Net Sales Composition Ratio (Management Plan in FY2018)



Operating Income Composition Ratio (Management Plan in FY2018)



Note: Figures for FY2016 and FY2017 reflect the organizational restructuring conducted in FY2018

Industry Solutions

Operating Environment

Labor shortfalls and aging production facilities are stimulating increased demand for automation and labor saving in the domestic industrial field.

In China and other parts of Asia, a lack of production floor staff and the need to improve productivity are creating issues amid the continually robust capital expenditure demand centered on the semiconductor and automotive fields.

Business Areas

- **Factory Automation**
  Inverters, Motors, FA components (servo and controller), Measuring instruments and sensors, FA systems
- **Process Automation**
  Drive control systems, Measuring and control systems
- **Social Solutions**
  Electrical equipment for railcars, Radiation monitoring systems
- **Equipment Construction**
- **IT Solutions**

Review of Operations in Fiscal 2017

In the Industry Solutions segment, net sales increased year on year. Performance was driven by the factory automation business, which benefited from robust demand for the automation of production facilities in Japan and China, and the process automation business, which enjoyed brisk replacement demand in the Japanese market. Another proponent of performance was the IT solutions business, which saw increased demand for tablets in conjunction with the trend toward utilizing IT for education in schools.

Operating income in this segment grew together with net sales.

Major Initiatives in Fiscal 2017

Expansion of Factory Automation Orders

In fiscal 2017, we launched our ALPHA7 series of servo systems boasting industry-leading levels of control performance as well as the MICREX-SX Series SPH3000D motion controller. These products are applicable in a variety of fields, ranging from factory production facility and machine tools to packaging machinery, and we were thus able to expand orders of these products as an integrated motion control system. Orders were primarily centered on China and Japan.

ALPHA7

MICREX-SX Series SPH3000D

Acquisition of Steel Plant Order in India

Fuji Gemco, a company in India acquired through M&A activities, received steel plant orders in fiscal 2017. We filled these orders by delivering a system that bundled software with our PLCs, motors, and inverters for use in steel rod and rolling lines. By shortening development periods to quickly deliver highly reliable systems, Fuji Electric will endeavor to meet the needs of customers requiring quick turnaround times.

Priority Measures for Fiscal 2018

Expand FA Systems

In fiscal 2018, Fuji Electric will undertake the development and supply of testing apparatuses and production line conveyance systems that help resolve customer issues by combining its components, such as inverters, servos, controllers, and sensors, with its control technologies and engineering capabilities.

To support these efforts, we will approach assembly processing industry end users in the automotive and semiconductor fields with the aim of growing FA system orders. At the same time, we will utilize the track record and expertise cultivated in Japan to expand our operations overseas.

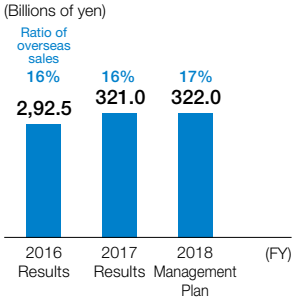
Grow the Process Automation Business in Asia

We are stepping up engineering training at Fuji Gemco of India and Fuji CAC of Vietnam, both acquired through M&A activities, and other overseas engineering companies. We thereby aim to grow overseas operations targeting steel and cement plants and other system fields in which Fuji Electric specializes.

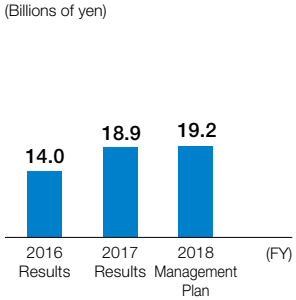
Steel rolling facilities

Fuji Gemco

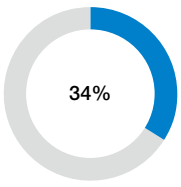
Net Sales



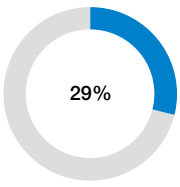
Operating Income



Net Sales Composition Ratio (Management Plan in FY2018)



Operating Income Composition Ratio (Management Plan in FY2018)



Note: Figures for FY2016 and FY2017 reflect the organizational restructuring conducted in FY2018

Systems Project Case Studies

Energy Management

Seeking to reduce energy consumption at the Yamanashi Factory, which produces power semiconductors, Fuji Electric implemented the Smart Factory Initiative at this factory to realize stable power supplies and energy savings.

As part of this undertaking, we actively introduced our energy-saving equipment. In the clean room, conventional motors for fan and pump were replaced with the Company's high-efficiency inverter motors. Meanwhile, air-conditioning equipment, which consumes massive amounts of power, was replaced with systems that use cold water to cool only the necessary areas.

In addition, we installed our fuel cells and in-house generation equipment at the factory site and introduced a cogeneration system (combined heat and power) to make effective use of exhaust heat. Furthermore, sensors were installed on factory equipment. These sensors, which are an area of strength for the Company, allow for the monitoring and collection of data on energy usage within the factory. By analyzing this data (monitoring and comprehension) and running simulations to achieve optimal operating conditions (optimization), we succeeded in reducing the amount of energy consumed by the Yamanashi Factory and were able to secure all the power that was used through in-house generation.

Optimization of Energy Usage

This optimal energy control system has been dubbed the "Yamanashi Model." We are currently adapting this model into industry-specific systems packages for use at a variety of external facilities, including semiconductor, steel, assembly, and food plants and buildings and other structures.

Energy Management System

1 Monitoring
Monitoring of energy usage

2 Comprehension
Analysis of energy usage data

3 Optimization
Optimization of energy usage

34% reduction in energy usage in fiscal 2015 (in comparison to fiscal 2010)

Process Automation

Intermediate waste treatment facilities, which primarily treat household garbage, employ a variety of facilities, including incinerators as well as the cranes and conveyors used to transport waste. It is important for these facilities to be able to maintain safe and stable operation while also reducing the impact on the environment from waste incineration. Fuji Electric supplied the system currently used by the Miyanojin Clean Center of Kurume City in Fukuoka Prefecture, which is able to efficiently incinerate massive quantities of waste. This system consists of a decentralized control system equipped with PLCs that achieve optimal control of conveyance speed, air intake, and combustion temperature based on measurements taken by measuring instruments as necessitated by the types of waste being treated. This system has been effective at realizing safe and stable operation and reduced environmental impact. Moreover, the system goes further to make contributions to a low-carbon, recycling-oriented society by generating electricity using the heat energy given off during the waste incineration process. Switchboards are used to distribute the generated electricity for use within the facility, with surplus power being sold. The end result is energy savings and subsequently a smaller environmental footprint.

A major strength of Fuji Electric is its ability to propose systems that combine electrical equipment, measuring instruments, and control equipment. Capitalizing on this strength, we are moving forward with system bundle proposals and order acquisition activities to contribute to the optimization of entire production lines and even entire facilities.

Waste Treatment Facility Control System

Fuji Electric System at Miyanojin Clean Center

1 Decentralized control system (Capable of controlling operations throughout the facility)
2 PLC
3 Generator
4 Switchboard

Factory Automation

Improvement of EV Storage Battery Quality and Productivity

Electric vehicles (EVs) are expected to become increasingly more mainstream going forward. In China, the drive to adopt EVs is being supercharged by plans to introduce regulation on new energy vehicles (NEVs) in 2019. Furthermore, over half of the world's lithium-ion batteries, which are indispensable to EVs, are produced in China. Fuji Electric is supplying major Chinese lithium-ion battery production equipment manufacturers with its motion control systems, which boast industry-leading control capabilities.

Lithium-ion batteries are comprised of coiled layers of film coated in materials that are able to store electricity. If these coils are not sufficiently tight, it can have a significant adverse impact on the lifespan and performance of the battery. For this reason, manufacturing these batteries requires sophisticated technological capabilities to control the strength and speed at which film is stretched.

Fuji Electric's motion control systems contribute to improved product quality and productivity for customers with their ability to realize high-precision, high-speed motion control.

When it comes to business negotiations related to systems, the competitiveness of proposals hinges on the ability to swiftly meet customers' needs. In this regard, Fuji Electric's in-house design and production of equipment is a huge advantage.

By merging our control technologies with mechatronic technologies, we are able to achieve timely development and proposal of systems matched to the needs of each customer.

Verification-use film coiling system

Motion control system

Factory Automation

Ship Exhaust Gas Cleaning Systems

There are currently around 110,000 ships at sail around the world, and another 2,000 ships are built each year. Sulfur oxide (SOx), a pollutant contained in ship exhaust gas, is damaging to the environment and to people's health. Seeking to reduce such damages, the International Maritime Organization plans to implement regulations on SOx, as well as particulate matter, another pollutant, in 2020. These regulations will call for a 95% reduction in fuel oil SOx content. Complying with these regulations will require ship operators to switch to costly low-sulfur fuels, resulting in a massive increase in running costs. Another approved option is to use ship exhaust gas cleaning systems, of which SOx scrubbers are a key component. The market for these systems is expected to grow rapidly as they represent a SOx reduction solution that enables ship operators to continue using the same fuel.

Fuji Electric has developed SOx scrubbers that employ a proprietary cyclone technology. We offer these scrubbers to domestic ship operators and have been moving forward with verification tests, leading to the acquisition of our first order in fiscal 2017.

Conventional SOx scrubbers utilize a technology in which seawaters is sprayed on exhaust gas to remove SOx by taking advantage of a chemical reaction between SOx and the alkalis in the seawater. As such, achieving large processing capacities required massive overhauls to ships, which was a significant obstacle to introduction. Fuji Electric's cyclone SOx scrubbers have garnered attention across the industry for their compact size, which enables them to fit in the engine rooms of most ships. Another benefit of using Fuji Electric scrubbers is that they can be supplied in system bundles that contribute to energy savings. These bundles combine gas analyzers and other measuring instruments that monitor the status of SOx scrubbers in real-time as well as inverters for controlling seawater intake and other peripheral equipment. In the future, we hope to incorporate IoT technologies into our ship exhaust gas cleaning systems to help automatically monitor the operating status of systems to prevent malfunctions or otherwise add value through after sales businesses.

Main unit of ship exhaust gas cleaning system (upper right)

Electronic Devices

Across the industrial and automotive fields, Fuji Electric contributes to high power conversion efficiency and energy savings by supplying power semiconductors, which are key devices in power electronics.

Business Areas

- **Semiconductors**
  Industrial and Automotive fields
- **Magnetic disks**

Operating Environment

A trend toward automation and labor saving is currently being seen in the industrial field centered on Japan and China, stimulating growth in demand for power semiconductors for motor control applications of machine tool and robots.

In the automotive field, Germany, the United Kingdom, and France have announced future bans on the sales of conventional fossil fuel vehicles. Meanwhile, China, the world's largest automotive market, is advancing a national movement to promote EVs. These trends are accelerating the shift toward EVs, which is expected to drive rapid growth in demand for power semiconductors for automotive applications.

Review of Operations in Fiscal 2017

In the Electronic Devices segment, net sales were up year on year. Sales of semiconductors for machine tools and other areas of the industrial field showed substantial growth on the back of increased automation and labor-saving investment in the Chinese and Japanese markets. In addition, demand for semiconductors for automotive applications was firm.

Operating income rose due to the higher net sales and the benefits of favorable foreign exchange influences.

Major Initiatives in Fiscal 2017

Expansion of Domestic and Overseas Power Semiconductor Production Capacities

We bolstered our series of 7th-generation IGBT modules, which contribute to more compact equipment as well as to greater energy and space savings in comparison to previous offerings, while also expanding our 8-inch wafer production capacity and improving productivity. In addition, we boosted back-end processing capabilities overseas to address growth in inverter air conditioner unit demand in China. These efforts contributed to higher sales.

Development and Mass Production of Automotive Power Semiconductors

Fuji Electric developed an automotive IGBT module utilizing the Company's direct liquid cooling technology and RC-IGBT chip technology and commenced mass production. These technologies helps EVs drive for longer distances while making their motor drive units smaller. Moreover, they are top in their class in terms of output electric power density.

Priority Measures for Fiscal 2018

Invest in Production Capacity Increases for Expanding Power Semiconductor Operations

We plan to conduct aggressive investment in power semiconductor production equipment in preparation for the projected growth in industrial field demand and the full-fledged proliferation of EVs. In regard to front-end processes, we will invest in increasing 8-inch wafer production capacity. As for back-end processes, investment will be mainly directed toward production facilities for modules for industrial, automotive, and air conditioning applications. We will thereby seek to expand domestic and overseas production levels.

Accelerate Automotive Power Semiconductor Product Development

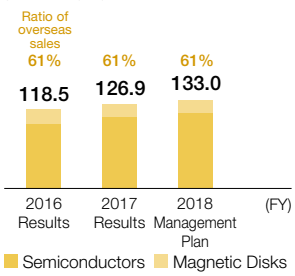
In its R&D, Fuji Electric is shifting development resources to automotive IGBT modules and investing in related development equipment with the aim of growing sales of these modules. In addition, we have commenced mass production of SiC trench gate MOSFETs* in the form of an all-SiC module and began employing this module in our power electronics products. When incorporated into an inverter, this module can contribute to power loss reductions of 78% in comparison to prior Fuji Electric Si devices.

* Metal-Oxide-Semiconductor Field-Effect Transister

All-SiC module

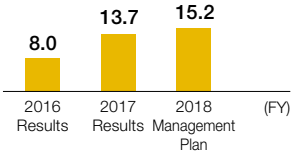
Net Sales

(Billions of yen)

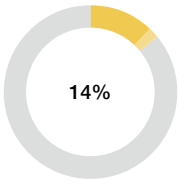


Operating Income

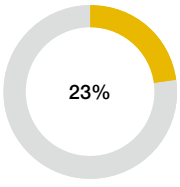
(Billions of yen)



Net Sales Composition Ratio (Management Plan in FY2018)



Operating Income Composition Ratio (Management Plan in FY2018)



Fuji Electric's Power Semiconductors

Semiconductors primarily come in four varieties: microcomputers used to make calculations, memory used to record information, power semiconductors used to control electricity, and optical semiconductors are others.

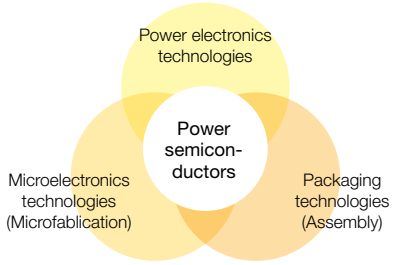
Manufactured with sophisticated production and processing technologies, power semiconductors convert electricity between DC and AC power as well as the voltage and frequency of electricity to realize efficient use of power. These devices are incorporated into robots, machine tools, and other production equipment; data centers; facilities and power sources necessary to maintain stable supplies of renewable energy; railroad equipment; and EVs. In these applications, power semiconductors support industrial and social infrastructure as key devices in realizing energy savings through the control of electricity and its conversion.

Fuji Electric employs power semiconductors in many of its mainstay power electronics products, including inverters, servo motors, UPSs, and PCSs, to realize higher levels of efficiency while also making these products more compact. Moreover, it develops operations using these devices on a global scale.

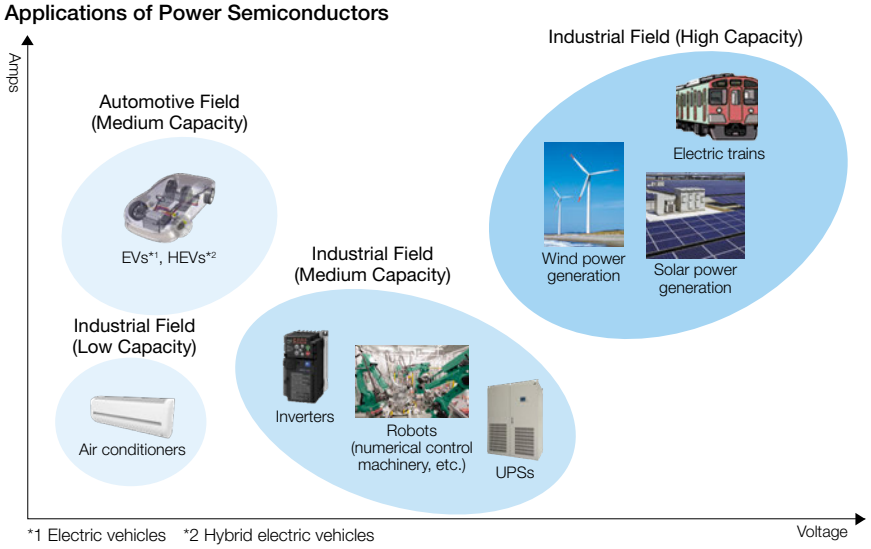
One of Fuji Electric's core strengths is that the Company possesses all of the technologies necessary for the development and production of power semiconductors, specifically power electronics technologies, microelectronics technologies, and packaging technologies. In addition, with front-end and back-end processing equipment at bases in Japan and overseas, we are able to perform all procedures related to the production of power semiconductors in-house. Furthermore, we are diversifying the locations of our production bases to promote local production and consumption while simultaneously planning for business continuity. Meanwhile, increased productivity is being pursued by bolstering 8-inch wafer production capacity. We are also developing SiC* power semiconductors that contribute to more compact and energy efficient devices in order to further boost the competitiveness of our products.

* SiC: Silicon Carbide

Strengths of Fuji Electric's Power Semiconductors

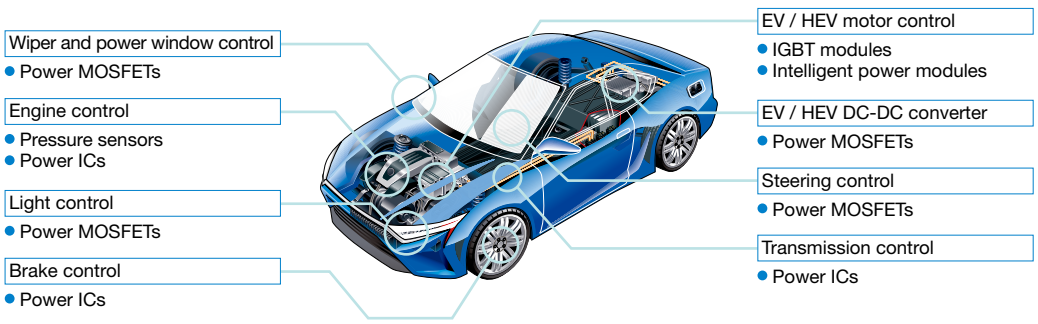


Applications of Power Semiconductors



*1 Electric vehicles *2 Hybrid electric vehicles

Applications of Automotive Semiconductors



Power and New Energy

With its sophisticated plant engineering capabilities, Fuji Electric meets the growing demand for electricity by providing various high-efficiency power generation systems that supply eco-friendly clean power.

Business Areas

- **Thermal power**
- **Renewable and new energy**
  Biomass power generation plants, Geothermal power generation plants, Hydro power generation facilities, Solar power generation systems, Wind power generation systems, Fuel cells
- **Nuclear power-related equipment (fuel handling equipment and waste treatment equipment)**

Operating Environment

We are in the midst of a social movement to combat global warming, with efforts on this front predominantly focused on reducing and eventually eliminating carbon emissions. As power demand and the capacity of generation facilities grow in emerging countries and other parts of the world, the shift from large-scale power sources to distributed power sources is gaining speed. In Japan, which is highly dependent on fossil fuels procured from overseas, there is also a need to establish an ideal energy mix*1 for ensuring reliable supplies of electricity. In light of these trends, Fuji Electric anticipates growth in after-sales businesses in the thermal power field that entail encouraging customers to upgrade to more efficient systems and products along with increased introduction of geothermal power, hydro power, solar power, wind power, and other eco-friendly forms of renewable energy.

*1 Mix of power sources allowing for the balanced use of various power types for maximum benefits

Review of Operations in Fiscal 2017

In the Power and New Energy segment, net sales were up year on year because the benefits of large-scale orders for thermal power generation systems counteracted the impacts of the decline in large-scale orders for hydro power generation systems and solar power generation systems.

However, operating income declined as a result of lower revenues from hydro power generation systems and solar power generation systems and a less favorable sales mix.

Major Initiatives in Fiscal 2017

Expansion of Renewable Energy Orders

In the field of small- to medium-capacity generation systems, an area of expertise for Fuji Electric, we increased in sales for woody biomass power generation facilities and also delivered steam turbines and generators to customers such as Nakayama Nagoya Joint Power Generation of Aichi Prefecture.

In regard to geothermal power generation plants, we delivered Japan's largest binary geothermal power generation plants to the Yamagawa Binary Power Station of Kyuden Mirai Energy Company, Incorporated, located in Ibusuki City, Kagoshima Prefecture. It is able to generate power from low-temperature heated water that previously could not be used for generation.

Nagoya Power Plant 2 (Biomass)

Steam turbine and generator

Priority Measures for Fiscal 2018

Pursue Further Growth in Renewable Energy Orders

Fuji Electric will pursue further growth in orders for geothermal power generation plants by utilizing its anti-corrosion and turbine production technologies and it seeks to explore new markets such as Africa, where increases in energy demand are anticipated.

We also look forward to increases in the introduction of wind power generation systems given the fact that the systems currently operating in Japan only account for a low 12%*2 of the approved generation capacity under the country's feed-in-tariff system. Furthermore, we aim to acquire EPC contracts by addressing issues related to unreliable generation outputs with the strength of our electricity storage systems, which are equipped with Fuji Electric's power semiconductor power conversion technologies.

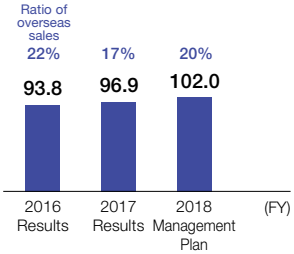
*2 Based on figures released by the Agency for Natural Resources and Energy as of September 30, 2017

Expansion of After-Sales Businesses

We are expanding after-sales businesses in which we provide regular inspections as well as services for boosting generation efficiency and preventing malfunctions. In regard to thermal and geothermal power generation plants, specifically, we will construct networks for providing services that are custom-tailored to the needs of customers in priority regions such as Asia, the Americas, and the Middle East under the guidance of mother factories in Japan. At the same time, we will bolster our lineup of lifespan diagnosis services, IoT-powered remote technical services, and other services.

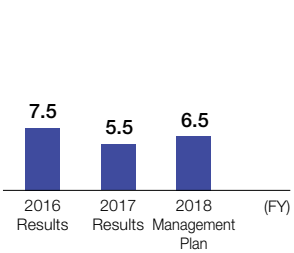
Net Sales

(Billions of yen)

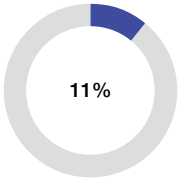


Operating Income

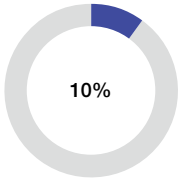
(Billions of yen)



Net Sales Composition Ratio (Management Plan in FY2018)



Operating Income Composition Ratio (Management Plan in FY2018)



Food and Beverage Distribution

In the food and beverage distribution segment, Fuji Electric helps to ensure the safety and security of food and beverage products by combining its core heating and cooling technologies with mechatronic and IoT technologies to provide ideal products and solutions.

Business Areas

- **Vending machines**
  Beverage vending machines, Vending machines for food and other goods
- **Store distribution**
  Showcases, Automatic change dispensers, Eco-friendly stores

Operating Environment

In China and other parts of Asia, the rise in labor costs are driving a rapid trend toward the automation of beverage and other retail sales, which is contributing to the growth of the vending machine market. As a result, the Chinese market features demand for a wide range of vending machines, including can, PET bottle, cup, and food vending machines.

Turning to the domestic convenience store market, we anticipate increased investment in existing stores for the purposes of boosting sales, reducing labor requirements, and conserving energy. At the same time, the increasingly severe shortage of employees to operate stores is stimulating a rise in demand for operating solutions that can be used with fewer employees.

Review of Operations in Fiscal 2017

Net sales in the Food and Beverage Distribution segment increased year on year. Although the revision of customers' plans caused performance in the Chinese market to remain around the same level as in the previous fiscal year in the vending machine business, this business was still able to prosper due to higher demand from customers in the Japanese market. The store distribution business enjoyed increased demand for products for convenience stores.

Operating income was up as the growth in domestic vending machine demand was able to counteract the downward pressure placed on income by a less favorable sales mix in the store distribution business.

Major Initiatives in Fiscal 2017

Overseas Expansion of Vending Machine Business

We bolstered our vending machine production system in China with the completion of our second factory in Dalian City, and we also undertook reinforcements to sales, service, and development systems. Moreover, we succeeded in strengthening overall business systems by supporting local beverage manufacturers in deploying vending machines and by providing operational assistance to local operator companies, which use vending machines as a venue to sell the items contained therein. In addition, a vending machine production and sales company in Indonesia was acquired with an eye to the further enhancement of operating foundations in Southeast Asia.

Priority Measures for Fiscal 2018

Grow Vending Machine Business in China

We will continue to form relationships with new customers in China, including beverage manufactures and operator companies, while introducing cup, food, and other vending machines into the Chinese market to respond to the diverse needs therein. We thereby aim to grow vending machine sales.

Manufacturing floor of second Dalian factory

Creation of Southeast Asian Vending Machine Market

With the aim of creating a Southeast Asian vending machine market, we plan to step up efforts to research the needs of customers in Thailand and other countries while promoting proposals for replacing old vending machines with new models. We will also commence full-fledged operation of our Indonesia Factory, a new production base in Southeast Asia, to quickly cement operating foundations in this region.

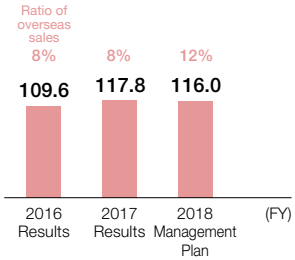
Food and goods vending machine for Southeast Asia

Development of Labor-Saving Products for Next Generation Stores

Fuji Electric is committed to developing and proposing new products that address the labor-saving needs of convenience stores.

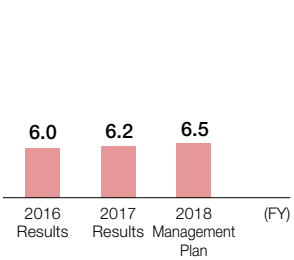
Net Sales

(Billions of yen)

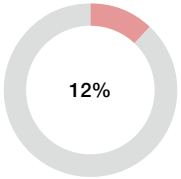


Operating Income

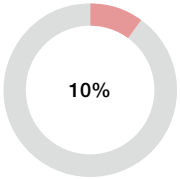
(Billions of yen)



Net Sales Composition Ratio (Management Plan in FY2018)



Operating Income Composition Ratio (Management Plan in FY2018)



Review of Operations (Overseas Operations)

Fuji Electric is applying its policy of local design, local production, and local consumption to building overseas operating foundations. As part of this undertaking, we are establishing and strengthening sales, engineering, and production bases in China, other parts of Asia, the Americas, and Europe. We have also conducted a total of nine overseas M&A activities over the period spanning from fiscal 2013 to fiscal 2017 for the purpose of acquiring human resources and sales channels. Leveraging these bases, we have been successful in approaching customers and strengthening engineering capabilities overseas, and these efforts have led to the acquisition of steel, cement, and other plant orders, primarily in Asia.

Going forward, we will promote enhanced coordination between manufacturing and engineering bases in Japan and other areas in the pursuit of higher sales in China, India, and other growing Asian markets.

Overseas Sales

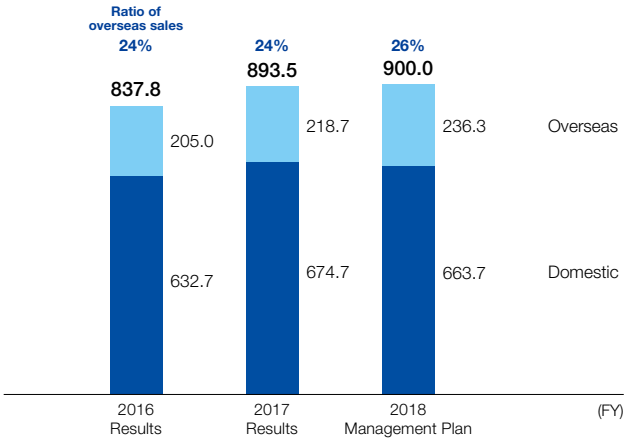
In fiscal 2017, overseas sales increased ¥13.7 billion year on year, to ¥218.7 billion. This growth was driven by performance in China and other parts of Asia, which accounted for more than 80% of these sales.

The Energy Solutions segment benefited from large-scale orders for substation equipment in Asia. Meanwhile, the Industry Solutions segment and the Electronic Devices segment enjoyed increased demand for FA components, inverters, and power semiconductors due to the rising production facility automation and energy saving needs in the Chinese market.

In fiscal 2018, we will target overseas sales of ¥236.3 billion, an increase of ¥17.6 billion year on year, by further expanding operations in Asia and China.

Domestic and Overseas Sales

(Billions of yen)



Priority Measures for Fiscal 2018

Asia

- Acquire large-scale thermal and geothermal power generation system orders and grow after sales businesses (Power and New Energy)
- Step up efforts to acquire steel and cement plant orders by utilizing Fuji Gemco and Fuji CAC (Industry Solutions)
- Commence operation at the Indonesia Factory to strengthen operating foundations in the Southeast Asian vending machine market in order to create a new model vending machine market (Food and Beverage Distribution)

China

- Boost FA component and system sales by catering to production facility automation needs (Industry Solutions)
- Introduce new solar power generation PCSs and accelerate solar power generation system order acquisition activities with joint ventures with Shanghai Electric Group to address rising renewable energy demand (Industry Solutions)
- Increase orders for air conditioner power semiconductors by growing inverter-equipped air conditioner sales (Electronic Devices)
- Expand sales of new products for automobiles amid national movement to promote EVs (Electronic Devices)
- Bolster vending machine lineup in response to diversifying market needs (Food and Beverage Distribution)

Americas

- Strengthen systems for local production and consumption by transferring development and engineering functions to railcars operations bases acquired through M&A activities in order to expand overseas systems operations (Industry Solutions)
- Expand thermal power and geothermal power after-sales businesses to address rising aged power plants after-sales service demand (Power and New Energy)

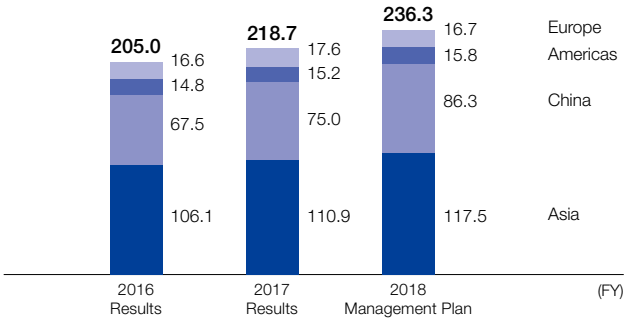
Europe

- Reinforce European production systems through commencement of knockdown production* of inverters (Industry Solutions)

* A manufacturing technique in which the main parts of a product are procured from another country or another company and then assembled for sale in the local market

Overseas Sales (by Region)

(Billions of yen)



Review of Operations (Capital Expenditures and R&D Expenditures)

Capital Expenditures

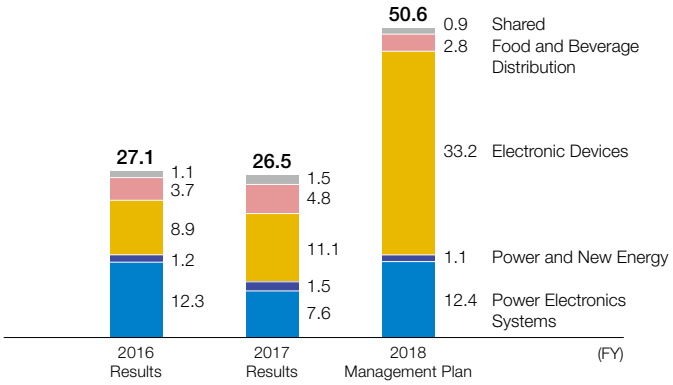
Fuji Electric enacts a basic capital expenditure policy of concentrating investments on facilitating local design, local production, and local consumption and on focus areas.

In fiscal 2017, expenditures were conducted in the Electronic Devices segment to install production equipment compatible with SiC power semiconductors and other newly developed products. Meanwhile, the Food and Beverage Distribution segment saw expenditures for the completion of the second Dalian factory in China, which was built to augment vending machine production capacity in this country.

In fiscal 2018, we are planning expenditures in the Electronic Devices segment for bolstering production capacity to expand power semiconductor operations and for investing in production equipment for manufacturing newly developed products, such as power semiconductors for automotive and industrial applications and SiC power semiconductors. In the Power Electronics Systems segment, we will start construction of switchgear and controlgear system factories at our production base in Thailand (Fuji Electric Manufacturing (Thailand)).

Capital Expenditures

(Billions of yen)



R&D Expenditures

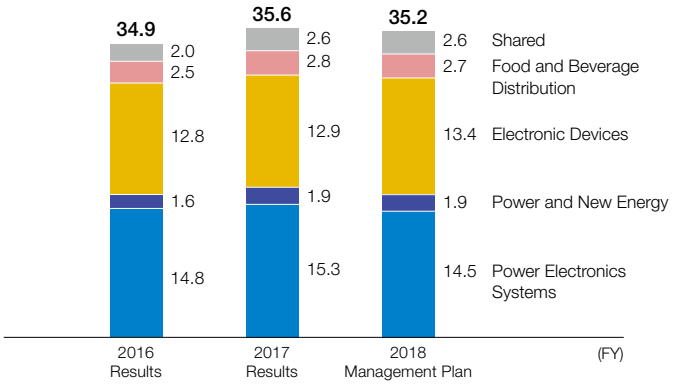
Fuji Electric's basic policy for R&D expenditures is to invest in research and development for accelerating the development of competitive, value-added products.

In fiscal 2017, our focus was the creation of competitive components and systems. We invested in SiC power semiconductors that contribute to substantial energy savings in the equipment in which they are used in the Electronic Devices segment. Expenditures in the Power Electronics Systems segment were made to develop an automobile tire testing machines that employs Fuji Electric's FA systems. Another R&D focus was the development of an IoT platform that helps customers optimize their energy usage and operations through the diagnosis, analysis, and prediction of facility operating conditions.

In fiscal 2018, we once again plan to devote 40% of R&D expenditures to the Electronic Devices segment, where we will move ahead with the development of SiC power semiconductors and automotive power semiconductors. In the Power Electronics Systems segment, which will also be the target of 40% of R&D expenditures, we will conduct research and development on power electronics products equipped with SiC modules. As for corporate research and development, we develop IoT-compatible equipment and systems.

R&D Expenditures*

(Billions of yen)



* Figures for R&D expenditure above have been divided by segment based on theme and may therefore differ from the figures contained in the consolidated financial report for the fiscal year ended March 31, 2018.

Research and Development

Fuji Electric is focused on research and development activities for creating competitive components and systems centered on power semiconductor technologies and power electronics technologies as well as activities for developing solutions that produce value for customers by combining fundamental technologies. The Company has designed its R&D system to accelerate R&D activities by delegating product development functions to the respective business groups while the corporate R&D group handles technology marketing, advanced research, and basic research.

R&D Policies

- Create competitive components and systems utilizing cutting-edge technologies
- Develop competitive product technologies utilizing technology marketing
- Realize new innovation by combining Fuji Electric's fundamental technologies with open innovations

Initiatives in Fiscal 2017

Creation of Competitive Components and Systems

● Power Conditioning Sub-Systems for Large-Scale Solar Power Generation Systems

Fuji Electric has succeeded in the development of a compact, lightweight, and affordable independent power conditioning sub-system (PCS) for outdoor use. This PCS reduces current value by approximately 30% through conversion to higher voltages and thereby contributes to a massive reduction in the costs associated with power supplies for solar power generation systems. By revising the parts and designs used in this PCS, we were able to realize a 20% reduction in size and a 25% reduction in weight compared to our previous models.

Fuji Electric will leverage the increased competitiveness of this product to expand its operations in Southeast Asia and other overseas regions.

New PCS: PVI1000BJ-3/1000

● All-SiC Module

Fuji Electric has developed and commercialized an all-SiC module equipped with SiC trench gate MOSFET. This device boasts a resistance level that is among the lowest in the world (1200 V, 3.5 mΩ cm^2).

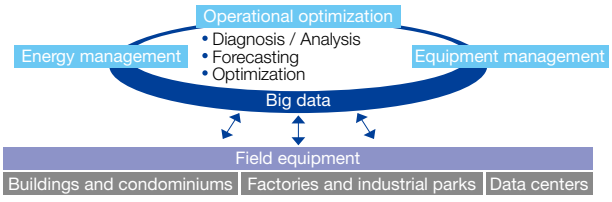
When incorporated into an inverter, this device can contribute to loss reductions of 78% in comparison to Fuji Electric's Si devices and can thereby realize significant energy savings. Looking ahead, we intend to expand the range of products that employ all-SiC modules in order to bolster the competitiveness of Fuji Electric's power electronics products.

All-SiC module

Development of Product Technologies Utilizing Technology Marketing

● IoT Platform

Fuji Electric has developed an IoT platform that tracks and optimizes plant and factory operations and energy usage. This platform utilizes sensing technologies and network connection technologies to conduct analyses of the big data collected from customers' field equipment. In this manner, the platform is able to function as a solution service that is capable of predicting facility abnormalities, improving productivity, reducing energy costs, and otherwise creating value for customers.



IoT platform

● Automobile Tire Testing Machine Compatible with International Standards

The Company has developed an automobile tire testing machine that is compatible with the Worldwide harmonized Light vehicles Test Procedure (WLTP), an international standard for exhaust gas and fuel efficiency tests for automobile tires. Fuji Electric's electrical inertia control and other sophisticated control techniques enable this system to test tires for a wide variety of vehicles, ranging from lightweight passenger cars to four-ton trucks.

We hope to grow sales in new fields by providing offerings that combine this testing machine with FA systems.

Tire testing machine compatible with WLTP

Realization of New Innovation

Fuji Electric is advancing joint research with Japanese universities and research institutions based on comprehensive partnership agreements. In addition, we have endowed laboratories to the University of Tsukuba and the University of Yamanashi and helped establish a collaboration center at Zhejiang University. Through these venues, we are advancing efforts in research and the development of human resources in the fields of power devices, power electronics, and IoT.

Future Initiatives

Focuses of Fuji Electric's R&D activities going forward will include SiC power semiconductors, automotive power semiconductors, and SiC-equipped power electronics products as well as automotive and railroad power electronics products and other competitive components. We will also develop factory automation and process automation systems and IoT solutions that are synergetic with these components while fostering human resources through the process of tackling new challenges. Through these undertakings, we will seek to create new value for our customers.

Intellectual Property

Positioning intellectual property (IP) rights as one of the most important management resources, Fuji Electric is working to implement IP strategies that are aligned with its business and R&D strategies to contribute to the strengthening and expansion of its globalization-compatible business.

IP Policies

- Strengthen IP activities that extend back into the stages of business planning and R&D
- Investigate and respond to overseas IP systems and their current statuses and reinforce IP activities at overseas bases
- Promote international standardization activities

Initiatives in Fiscal 2017

IP Activities in the Initial Stages of Business

We endeavored to formulate IP strategies from the business and R&D theme planning stage. After confirming business and R&D directives, these strategies were drafted based on patent analysis and surveys. We also took steps to develop patent portfolios that ensure a strong advantage in business activities.

Main Fields for Patent Applications

- Patents relating to increasing the efficiency and energy savings of power electronics products
- Patents pertaining to power semiconductors, such as those for SiC-related technologies
- Patents relating to vending machines and other areas of the food and beverage distribution field

Global IP Activities

Fuji Electric continues to address overseas IP issues and implement measures against counterfeit products to minimize business risks related to IP.

In fiscal 2017, the patent survey and application functions in China that were enhanced during fiscal 2016 were used in advancing survey and application activities spearheaded by our local Chinese IP division. At the same time, we implemented measures for countering risks associated with counterfeit products and IP.

As part of its contributions to international standardization movements, we collaborated with the International Electrotechnical Commission (IEC), an international institution aimed at developing standards for electric and electronic technologies. Specifically, Fuji Electric contributed as a member of the international committees responsible for establishing the IEC System for Certification to Standards Relating to Equipment for Use in Renewable Energy Applications (IECRE System). Most notably, Fuji Electric was chosen to represent Japan on the committee on solar power generation system operation and management.

As a result of these efforts, Fuji Electric was chosen, for the first time, to be included in the 2017 Top 100 Global Innovators by Clarivate Analytics, a global information service company located in Philadelphia in the United States.

Shiro Kondo (right), Corporate General Manager of the Corporate R&D Headquarters, receiving trophy from Clarivate Analytics

Future Initiatives

Against a backdrop of increasing globalization, Fuji Electric will move ahead with initiatives linked to its business and R&D strategies as well as IP activities aimed at addressing IP issues faced overseas. We will also seek to contribute to business through proposal activities based on global standards in light of the trend toward IoT.

Manufacturing

Based on its policies of promoting local design, local production, and local consumption, Fuji Electric is developing a framework for optimizing global operations of mother factories in Japan and overseas bases in China and other Asian countries in order to respond to diverse needs around the world. We also strive to transmit the manufacturing DNA that we have continued to pass down since Fuji Electric's inception while promoting and expanding use of new manufacturing techniques utilizing IoT, improving productivity, and seeking to provide products and services of the highest caliber in order to leave customers thoroughly satisfied.

Manufacturing Policies

- Innovate production with IoT and M2M*
- Promote global supply chain reform
- Enhance on-site production capabilities, production technology capabilities, and human resource development
- Improve product quality

* Machine to Machine: System for realizing automated and optimal control by having machines exchange information without human involvement

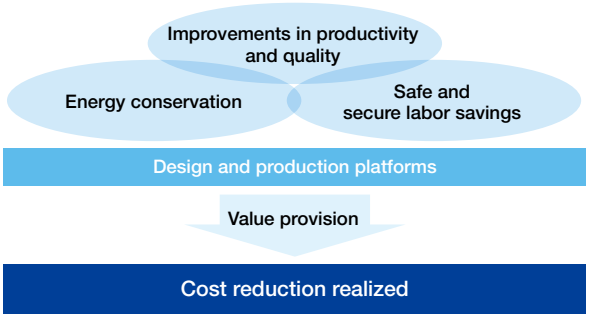
Initiatives in Fiscal 2017

Cost Reductions through Manufacturing IoT

The basic concept of manufacturing IoT has been recognized to be cost reductions. The Otawara Factory, which mainly produces molded-case circuit breakers, and the Mie Factory, which produces vending machines, freezers and refrigerated showcases, have been designated as model factories at which we will advance manufacturing IoT initiatives. At these factories, we have installed dashboard systems that monitor production, equipment operation, and energy statistics in real-time. We also implemented predictive maintenance and quality improvement initiatives utilizing big data analysis technologies.

Successful manufacturing IoT initiatives will be introduced at other Fuji Electric factories.

Basic Concept of Manufacturing IoT



Strengthening of Production Technology Capabilities

In the pursuit of stronger manufacturing capabilities, Fuji Electric is promoting development of products with an emphasis on ease of production through standardization and modular design. At the same time, we have expanded the scope of in-house production in order to improve value. Meanwhile, productivity was improved through the automation of conventional assembly procedures, and we expanded the scope of inspection procedure automation, contributing to higher product quality and reliability.

Sheet metal processing line (Kobe Factory)

Printed wiring board mounting line (Suzuka Factory)

TOPICS

A second factory was constructed at Dalian Fuji Bingshan Vending Machine Co., Ltd. (DFB), in order to improve our vending machine production capacity in China. We introduced the integrated production line technologies at use in Mie Factory into the second Dalian factory and also installed cutting-edge automation and IoT equipment to improve productivity.

Second DFB factory

Automated vending machine welding line

Enhancement of Human Resource Development

Global mother factories in Japan are working to accumulate technologies and expertise. Moreover, by encouraging our employees to participate in the National Skills Competition and the Skill Grand Prix,* we are eager to nurture ambitious employees with superior abilities that can take on high-level challenges. Overseas, Fuji Electric Manufacturing (Thailand) Co., Ltd., has been positioned as an overseas regional mother factory responsible for supporting production bases in India, Europe, and the surrounding regions in enhancing their quality and manufacturing capabilities. One focus overseas is establishing systems for training local engineers and educating production floor leaders. At the same time, we will continue to actively transmit the manufacturing DNA cultivated in Japan to overseas operating bases in order to ensure that we can provide the same levels of quality and service anywhere in the world.

* Held jointly by the Ministry of Health, Labour and Welfare, the Japan Vocational Ability Development Association, and ZENGIREN, this competition lets seasoned engineers put their skills to the test to determine who is the best in Japan. With no age restriction, the level of competition in this event is higher than in the National Skills Competition, which is generally only open to people ages 23 and under.

Future Initiatives

In the future, Fuji Electric will pursue production innovations based on the concept of completely localized production along with cost reductions utilizing IoT in order to boost product competitiveness. Also, measures for automating testing and inspection processes, utilizing AI for autonomous production, and reducing costs with IoT will be implemented under the guidance of global mother factories in Japan with the aim of creating factories linked through these technologies.

Procurement

To increase profitability and reduce risks, Fuji Electric is strengthening its global-scale procurement system while also striving to keep down all costs of materials and indirect materials used in products as well as promoting CSR-oriented procurement activities.

Procurement Policies

- Secure necessary materials and limit cost increases through responses to procurement environment changes
- Promote strategic procurement through coordination between design and development departments and suppliers
- Enhance global procurement capabilities through global estimate management system
- Promote thorough compliance

Global estimate management system explanatory forum for business partners

Initiatives in Fiscal 2017

Strengthening of Global Procurement Capabilities to Reduce Costs of Direct and Indirect Materials

In response to changes in the procurement environment, such as soaring material prices and tight supply-demand balances, Fuji Electric expanded the scope of strategic procurement through coordination between design and development departments and suppliers with the aim of realizing further cost reductions. At the same time, we sought to limit cost increases by standardizing parts and switching to easier to obtain materials. Furthermore, the Company implemented a global estimate management system that allows for the sharing of information on estimates received at all bases. This system enables us to more efficiently form relationships with competitive suppliers.

Reinforcement of Procurement Business Community Management

Acting in accordance with Fuji Electric's procurement business community management regulations, we sought to establish frameworks for quick confirmation of the impacts on the supply chain of any natural disasters that may occur. We also worked to entrench information management practices that will facilitate the identification of risks associated with material procurement and thereby help ensure business continuity.

Future Initiatives

The current procurement environment is characterized by a tight supply-demand situation for electronic components, wafers, and other items. Amid these conditions, Fuji Electric will implement its global estimate management system, monitor component related information from all bases, and collect a broad range of other information to move forward with the standardization of materials procured and with the establishment of multiple sources for these materials. Going forward, we will strive to contribute to the expansion of Fuji Electric's business while simultaneously securing the necessary materials, limiting cost increases, and pursuing cost reductions.

Fuji Electric's CSR Activities

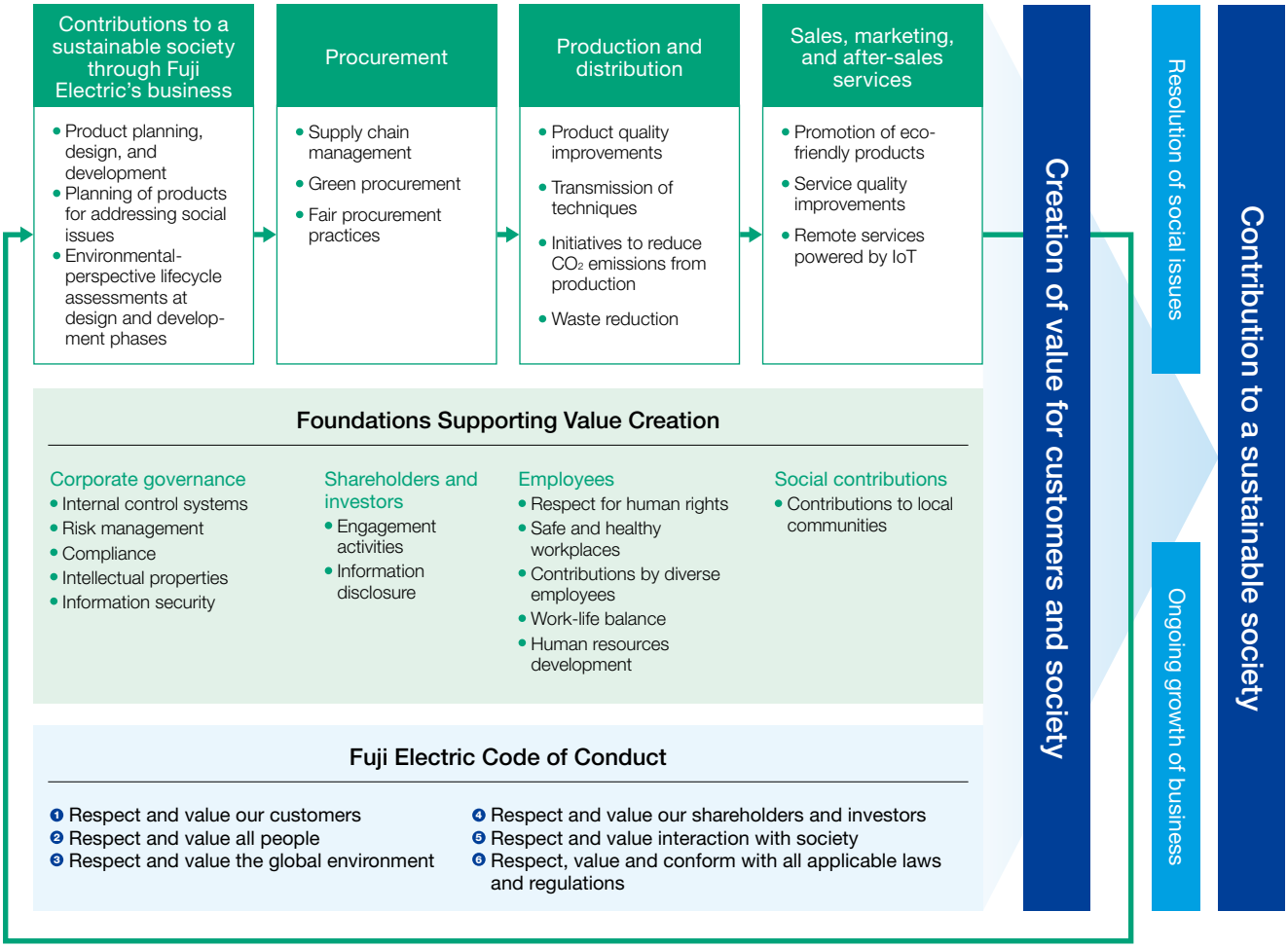
Fuji Electric's CSR is summed up precisely in its corporate philosophy and management policies. These principles entail contributing to the resolution of social issues through our energy- and environment-related businesses, effectively managing our business in a way that maximizes the positive impact of overall corporate activities on society and the environment while working to prevent or alleviate any negative impact.

Promotion of CSR

As a compass for the promotion of CSR, we have established the Fuji Electric Code of Conduct, a set of six principles for guiding concerted action based on a shared understanding between the Company and all of its employees. In addition, Fuji Electric has defined key environmental, social, and governance (ESG) issues in reflection of the Ten Principles of the United Nations Global Compact, which are arranged around four areas. Initiatives for addressing these issues are underway. Through its business, Fuji Electric endeavors to contribute to the achievement of the United Nations Sustainable Development Goals, which were adopted by the UN General Assembly in September 2015, and is thereby striving to help realize a sustainable society.

Sustainable Development Goals

Contributions to a Sustainable Society Through Fuji Electric's Business



Key ESG Initiatives

Fuji Electric acts from a perspective focusing on ESG issues with the aim of realizing ongoing improvements in corporate value. Accordingly, the Company has defined key ESG issues, which it is actively working to address. These issues relate to the preservation of the global environment, human rights, occupational health and safety, promotion of diverse workstyles and other workplace initiatives, compliance at subsidiaries and other Group companies, and fair and impartial engagement with shareholders and other investors. An end goal of these initiatives is to realize ongoing growth on a global scale.

ESG Area		Key Issues	Major Initiatives	Relevant Pages
Environmental	Global environment	Prevention of global warming	• Reduce CO_2 emissions during production • Reduce society's CO_2 emissions through provision of energy-saving products	P.31–P.32
		Creation of a recycling-oriented society	• Promote 3Rs (reuse, reduce, recycle) in relation to products and production activities	
Social	Customers	Improvement of customer satisfaction	• Enhance customer support and service systems • Administer customer satisfaction surveys • Provide safe, high-quality products and services	P.27–P.28
		Promotion of CSR across the supply chain	• Enforce procurement policies • Practice green procurement • Support CSR activities of business partners	
	Employees	Human rights	• Entrench awareness of Policy for Human Rights of the Employees among all employees • Conduct ongoing human rights training	P.33–P.34
		Safe and healthy workplaces	• Conduct ongoing occupational health and safety training to prevent occupational accidents • Carry out safety patrols to prevent serious accidents and frequently occurring accidents • Establish comfortable, healthy workplaces	
		Diversity	• Employ a diverse range of human resources (non-Japanese people, people with disabilities, senior citizens) • Reform awareness of management and female employees	
		Work-life balance	• Promote flexible workstyles (allow for work in satellite or home offices) • Cut back on excessive work hours • Encourage leave acquisition	
		Human resources development	• Cultivate globally competent employees regardless of work locations and nationalities	
	Contributions to communities	Community outreach	• Contribute to communities through activities for protecting the natural environment and promoting youth development • Engage in community outreach at operating bases	P.34
Governance	Global compliance	Compliance with laws and corporate ethics	• Reinforce corporate governance framework • Cultivate mindset of strict compliance among employees	P.35–P.37
		Effective compliance program implementation	• Establish and revise internal rules and conduct oversight, monitoring, and education based on the Fuji Electric Compliance Program	P.38
		Risk management	• Establish business continuity plans	P.39
	Shareholders and investors	Shareholder and investor engagement	• Hold factory tours for private shareholders and investors • Conduct financial briefings for analysts and institutional investors • Disclose information through shareholder reports, etc.	P.37

Please refer to Fuji Electric's corporate website for more information on ESG initiatives.
https://www.fujielectric.com/company/csr/index.html

Environment

One of Fuji Electric's management policies states "Through our innovation in energy and environment technology, we contribute to the creation of responsible and sustainable societies." This policy guides a united, Groupwide effort to address global environmental issues. Moreover, acting in accordance with the Basic Environmental Protection Policy, we aspire to help preserve the global environment through the reduction of CO_2 emissions from our factories and the provision of energy-saving and energy-creating products to society.

Basic Environmental Protection Policy

1. Offering products and technologies that contribute to global environmental protection
2. Reduction of environmental burden throughout product life cycles
3. Reduction of environmental burden in business activities
4. Compliance with laws, regulations, and standards
5. Establishment of environment management systems and continuous improvements of the systems
6. Improvement of employees' environmental awareness and social contribution
7. Promotion of communication

Environmental Vision

In 2009, Fuji Electric formulated Environmental Vision 2020 to guide its medium-to-long-term environmental activities, and we have been working toward the goals of this vision since.

This vision is centered on three specified material issues of stopping global warming, creating a recycling-oriented society, and meeting our corporate social responsibilities.
In addition to reducing the environmental footprint of our own production activities, we seek to help achieve sustainable societies by providing products and technologies that leverage our strengths in electrical and thermal energy technologies.

At the moment, Fuji Electric is in the process of formulating its new Environmental Vision 2050, a long-term vision based on the Paris Agreement, which was adopted by the United Nations to shape action against global environmental issues, as well as on Japan's plan for global warming countermeasures.

Fuji Electric's Environmental Vision 2050

▲

PARIS2015 COP21·CMP11

Paris Agreement adopted by the United Nations

Japan's Plan for Global Warming Countermeasures
80% reduction in greenhouse gas emissions from FY2013 levels by FY2050
26% reduction in greenhouse gas emissions from FY2013 levels by FY2030

▲

Fuji Electric's Environmental Vision 2020

Stop Global Warming	Create a Recycling-Oriented Society	Meet Our Corporate Social Responsibilities
• Reduce CO_2 emissions during production by 20% (compared with fiscal 2006 levels). • Raise the energy efficiency of products, reducing CO_2 emissions by 30 million tons through energy-conserving and energy creating products.	• Increase our number of eco-products by promoting the 3Rs (reuse, reduce, recycle) in our products. • Achieve zero emissions at operational sites by reducing waste and the use of energy and chemical substances.	• Strive to enhance environmental awareness through environmental citizen movements, activities to protect the natural environment, and environmental education

Prevention of Global Warming

Fuji Electric endeavors to help stop global warming by reducing CO_2 emissions around the world through energy conservation activities at factories and offices and through the supply of energy-saving and energy-creating products and services.

Reduction of CO_2 Emissions During Production

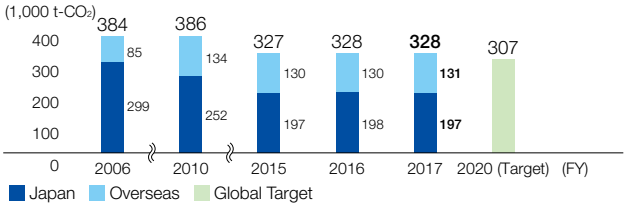
In fiscal 2017, total CO_2 emissions from Fuji Electric's production activities amounted to 328,000 tons on a global basis. Emission reduction initiatives included the consolidation of clean rooms in Japan (Matsumoto and Tsugaru) and the installation of solar power generation facilities with a combined capacity of 92 kW overseas (Malaysia and Singapore).
In addition, we utilized Fuji Electric products and technologies to introduce factory energy management systems capable of tracking and optimizing energy usage at the Suzuka Factory and the Fukiage Factory.

Reduction of Society's CO_2 Emissions through Products

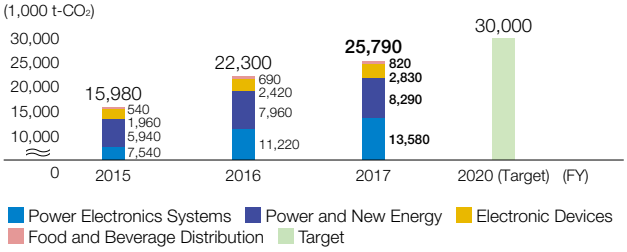
Fuji Electric contributes to reduced CO_2 emissions across society by supplying customers with products boasting high energy efficiency.

Contributions to CO_2 emission reductions from products totaled 25,790,000 tons in fiscal 2017, an increase of 3,490,000 tons over fiscal 2016. Particularly large contributions to emission reductions were made by inverters and other power electronics systems products (2,800,000 tons) and electronic devices, such as power semiconductors that limit heat production (540,000 tons).

CO_2 Emissions from Production Activities (Global)



Reductions to CO_2 Emissions through Products* (Global)



* Amount of CO_2 reduction is based on one year of operation of products shipped for each fiscal year after fiscal 2009.
Calculated making reference to the quantification method of greenhouse gas emission reductions stipulated in the electrical and electronics industries' Action Plan for Commitment to a Low-Carbon Society

Creation of a Recycling-Oriented Society

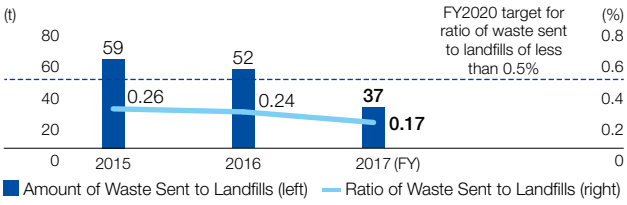
By promoting initiatives focusing on the 3Rs (reuse, reduce, recycle) as part of its business activities, Fuji Electric is working to realize zero waste emissions at its operating sites and thereby contribute to the creation of a recycling-oriented society.

Waste Reduction

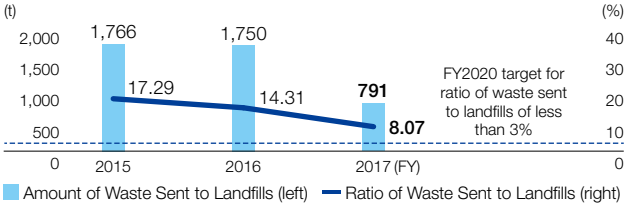
In Japan, Fuji Electric has achieved its goal of zero waste emissions every year since fiscal 2004. In fiscal 2017, we once again achieved our target of reducing the ratio of waste sent to landfills to below 0.5% with a ratio of 0.17%.

Overseas, the inability to recycle certain sludge (industrial waste) produced during water treatment processes at the Malaysia Factory caused the ratio of waste sent to landfills to increase to 17.29% in fiscal 2015. However, this ratio fell to 8.07% in fiscal 2017 as a result of efforts to recycle this sludge as material for use in making cement.

Amount and Ratio of Waste Sent to Landfills in Japan



Amount and Ratio of Waste Sent to Landfills Overseas

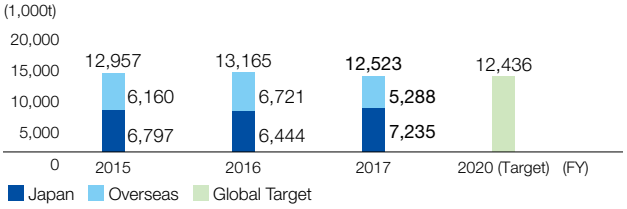


Efficient Use of Water Resources

In view of the problem of global water resource depletion, Fuji Electric is advancing measures to comply with wastewater quality requirements, reduce wastewater, and achieve more efficient use of water resources.

In fiscal 2017, domestic and overseas water recycling initiatives led total water usage to amount to 12,523,000 tons, even less than the target of 13,575,000 tons.

Water Usage Volumes (Global)



Social (Employees)

Fuji Electric focuses on creating workplace environments in which human rights are respected, occupational health and safety are assured, and diverse workstyles are possible. In addition, we acknowledge that incorporating an array of values and perspectives to strengthen our competitiveness is important to the Company's global growth. The growth and diversity of our people is thus a top priority of our personnel strategy.

Respect for Human Rights

Global Human Rights Initiatives

The Fuji Electric Code of Conduct states that we should "respect and value all people." This statement makes clear Fuji Electric's commitment to respecting the basic human rights of everyone at the Group as well as those of all the people it interacts with. In addition, the Policy for Human Rights of the Employees, which expands upon the human rights-related policies of the Fuji Electric Code of Conduct, is being implemented at domestic and overseas subsidiaries and everywhere else throughout the Group to ensure human rights are respected.

We also observe global standards, such as those of the UN Global Compact and the UN Guiding Principles on Business and Human Rights, in our efforts to ensure respect for human rights with the aim of making Fuji Electric into a sustainable company that is never involved in or complicit in human rights violations.

Major Initiatives in Fiscal 2017

- Level-specific training (new employees, supervisors, managers)
- Human rights workshops (managers)
- Human rights promotion at temp agencies and subcontractors
- Training held by human rights organizations and municipal government agencies (human rights and hiring representatives)

Occupational Health and Safety

Improvement of Safety Awareness and Health Management

Fuji Electric's basic philosophy is that the "health and safety of workers takes precedence over everything else," positioning occupational health and safety as a top priority for the Company. In line with this philosophy, we actively communicate the principles of our Health and Safety Basic Policy both inside and outside of the Company and are advancing occupational health and safety initiatives based on this policy.

Our efforts in fiscal 2017 were not limited to assessing occupational health and safety levels at factories, but also included safety competitions at divisions across Japan aimed at eradicating occupational accidents and work-related automobile accidents. In addition, fiscal 2017 was the second year of implementing our stress check program designed to prevent mental health issues among employees. This program has been embraced by many employees.

Major Initiatives in Fiscal 2017

- Health and safety education programs
- Factory occupational health and safety assessments and workplace safety patrols
- Mental health education
- Stress check system promotion

Diversity

Support for Contributions by Diverse Human Resources

Expanding our business on a global scale will require that we bolster our competitiveness by building a team with diverse values. For this reason, promoting diversity has been made a top priority in our personnel strategy.

Our efforts to empower female employees, one facet of promoting diversity, have won the Company inclusion in the Nadeshiko Brand for three consecutive years. As another result of these efforts, we were recently awarded the highest rank of "Eruboshi" certification. Fuji Electric is also actively promoting increased employment of differently abled individuals. We thus endeavor to expand the range of duties performed by such individuals and encourage ongoing employment while inviting individuals to take part in facility tours and internships. Our goal in these efforts is to encourage as many people as possible to participate in society.

Highest rank of "Eruboshi" certification (Ministry of Health, Labour and Welfare)

Nadeshiko Brand (Ministry of Economy, Trade and Industry and Tokyo Stock Exchange)

Major Initiatives in Fiscal 2017

- Project for promoting hiring of women with educational backgrounds in science and engineering led by a team of female employees with similar backgrounds
- Mentor system in which more experienced female employees mentor newer employees
- Enhanced and systematic cultivation of female managers
- Level-specific educational programs (new employees, mid-career hires, newly appointed supervisors, newly appointed managers)
- Ongoing expansion of the scope of duties that can be performed by people with disabilities

Female Employees and Managers

(FY)	2016	2017	2018	2020 Target
Ratio of female employees among newly hired employees	17%	14%	20%	20%
Ratio of female employees in management positions	1.9%	1.9%	1.9%	3.0%
Number of female employees in supervisory positions	192	215	225	300

Notes:
1. Data collected from Fuji Electric, Fuji Electric FA Components & Systems, Fuji Office & Life Service, Fuji Electric IT Center, Fuji Electric Finance and Accounting Support, Fuji Architect and Engineering, and Fuji Electric Frontier
2. Companies hiring new female employees are Fuji Electric and Fuji Electric FA Components & Systems
3. Number of newly hired female employees refers to graduates from universities or technical colleges; Number of female employees in management positions refers to employees of manager rank or above; Number of female employees in supervisory positions refers to employees of assistant manager class or above

Ratio of Differently Abled Employees to Total Employees

(FY)	2016	2017	2018	2018 Legally Mandated Ratio (From April 1, 2018)
Number of differently abled employees	360	370	378	2.2%
Employment rate	2.43%	2.51%	2.57%	

Work-Life Balance

Workstyle Reforms

We are strengthening initiatives to help employees achieve work-life balance by creating workplace environments that are more conducive to the efforts of diverse employees and that enable people to fulfill their potential.

Fuji Electric promoted flexible workstyles through the introduction of Location Flexible working systems that enable employees to work in satellite or home offices. At the same time, we sought to reduce excessive work hours and encourage employees to acquire consecutive days of paid leave in order to facilitate workstyles that achieve a better balance between work and private life.

Location Flexible Working Systems

In June 2017, Fuji Electric introduced Location Flexible working systems that enable employees to work in locations other than the office at which they are posted. These systems help cut back on the amount of time devoted to transportation, whether for everyday work or for business trips, making it possible to reallocate the saved time to one's work. We therefore anticipate benefits including more meaningful use of time and improved work-life balance.

Initial usage numbers were low, but we have recently been witnessing monthly growth in usage. Improvements are being made to these systems with the goal of achieving further increases in usage.

Major Initiatives in Fiscal 2017

- Acceleration of initiatives and enhancement of systems for reforming workstyles and promoting leave acquisition
- Encouragement of male employees to take leave for childbirth by spouses and establishment of consultation venues at bases
- Pair work training for employees returning to work after childcare leave and their supervisors
- Level-specific educational programs (new employees, mid-career hires, newly appointed supervisors, newly appointed managers)

Paid Vacation Days Acquired Annually and Average Overtime Work Hours in Japan

(FY)	2015	2016	2017
Paid vacation days acquired annually	13.8	14.3	14.1
Average overtime work hours	23.11	22.07	23.34

Human Resource Development

Global Development of Human Resources

Fuji Electric views the development of employee skills as a top priority for management. Training at Fuji Electric is intended to give form to the corporate philosophy and management policies and to cultivate professionals that can contribute to increased global competitiveness. We are thus proactive in offering education and training opportunities for employees.

In fiscal 2017, we launched new global human resources development programs based on a review of the issues faced in prior programs.

Major Initiatives in Fiscal 2017

- Level-specific training (when receiving promotions or joining the Company, during 2nd year, etc.)
- Selective training (future management candidates)
- Specialized field training (engineering, business skills, etc.)
- Manufacturing training (technical, engineering)
- Global employee training

Social (Contributions to Communities)

Striving to further strengthen its bonds of trust with society, Fuji Electric enacts a basic policy concerning local community contribution activities that calls on us to (1) Meet the expectations of each era and region using the human resources and technologies nurtured through the Company's business activities; (2) As a basic principle, engage in activities in areas where the Company maintains business operations; and (3) Coordinate efforts on a global scale to ensure the largest possible number of employees participate in the Company's local community contribution activities. Based on this policy, we are protecting the natural environment and promoting youth development in Japan and overseas.

Promotion of Youth Development

Fuji Electric holds science classes for elementary school and junior high school students at major factories in Japan in the hopes of encouraging them to take an interest in science. In addition to classes for children, we also conduct programs for informing elementary school and junior high school teachers about the Company and practical science teaching skills.

Overseas, we support prospective engineers by helping students enrolled in science and technology schools acquire electrical engineering skills. These activities are conducted in Asia, where Fuji Electric has operating bases.

Major Initiatives in Fiscal 2017

- Science classes for elementary school and junior high school
- Company-related and practical science teaching skill programs for teachers
- Support for prospective engineers at vocational schools (Cambodia)
- Donations of educational supplies to Hanoi University of Science and Technology (Vietnam)

Science class (Saitama)

Support for prospective engineers at vocational school (Cambodia)

Corporate Governance

Fuji Electric is reinforcing its corporate governance toward the improvement of its management transparency and its oversight function.

Furthermore, the Company has prepared its response measures to Japan's Corporate Governance Code, which was instituted by the Tokyo Stock Exchange. These measures have been compiled into the Company's Corporate Governance Report.

Corporate Governance Framework

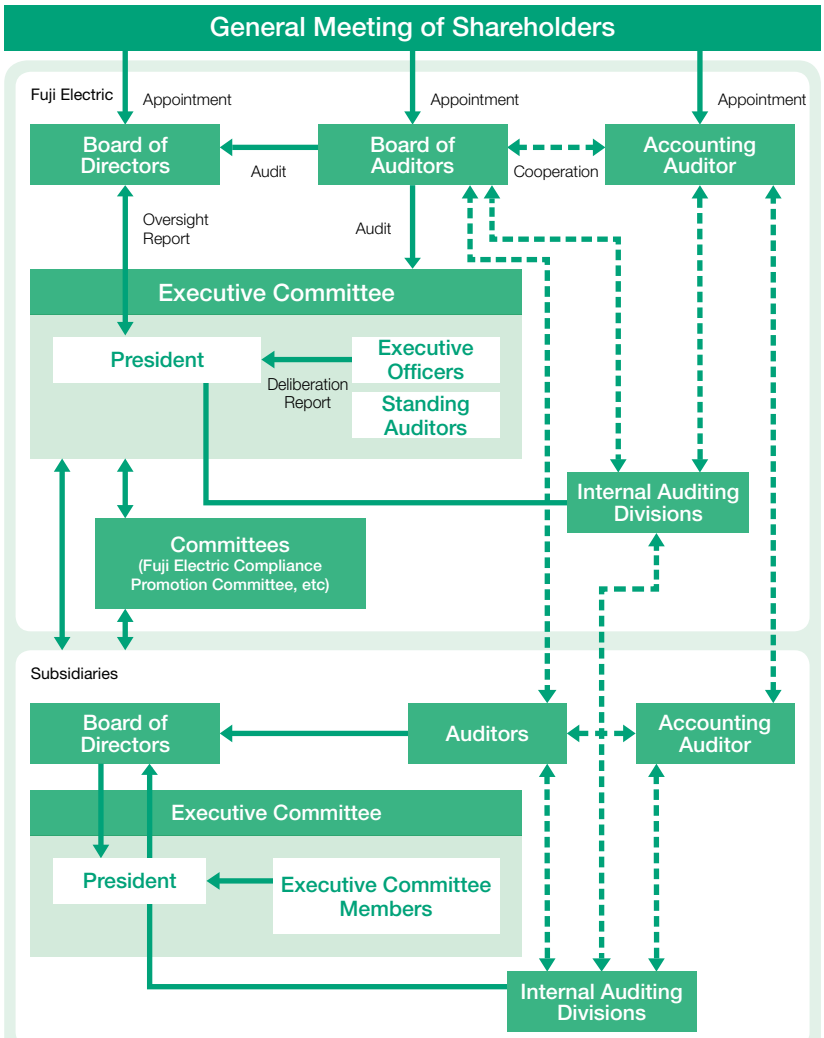
Fuji Electric's corporate governance framework consists of a Board of Directors, which performs the functions of management supervision and making important decisions, and the Board of Auditors, which is in charge of the management audit function.

Comprising eight Directors (including three Outside Directors) and five Auditors (including three Outside Auditors), the governance framework is designed to reinforce the Company's management supervision and audit functions.

To this end, Fuji Electric actively calls on Outside Officers. The Company considers independency based on criteria such as those detailed on the following page when selecting Outside Director and Outside Auditor candidates for the purpose of appointing Outside Directors and Outside Auditors that are sufficiently independent from the Company.

Fuji Electric uses the executive officer system to strengthen business execution functions.

Corporate Governance Framework



Major Regulations and Committees Comprising Internal Control Systems

- Corporate Philosophy
- Fuji Electric Code of Conduct
- Fuji Electric Job Authority Rules
- Fuji Electric Compliance Promotion Committee
- Fuji Electric Compliance Program
- Business Ethics Helpline System
- Fuji Electric Risk Management Regulations
- Fuji Electric Rules for Prevention of Insider Trading Regulations
- Fuji Electric Group Contingency Plan for Emergency Situations
- Auditor Liaison Committee, etc.

Directors and Board of Directors

The Board of Directors conducts decision making and oversight of the management of Fuji Electric and the execution of important business activities. Fuji Electric proactively appoints Outside Directors with a view to strengthening the management supervisory function from an objective perspective and maintaining the validity and appropriateness of business decisions. The terms of Directors have been set as one year in order to clarify the management responsibilities of Directors for each fiscal year and create a framework that is conducive to flexible responses to operating environment changes.

Auditors and Board of Auditors

The Board of Auditors inspects Fuji Electric's management and business execution. In addition to our proactive appointment of Outside Auditors, auditing functions are enhanced by having Standing Auditors attend the Executive Committee.

President, Executive Officers, and Executive Committee

The president has ultimate responsibility for the execution of business and makes decisions on matters of business execution other than those decided upon by the Board of Directors. The Executive Committee deliberates important matters and makes reports to enable monitoring of the status of management as a consulting body for the president. Executive Officers control the execution of the business of which they are in charge.

Outside Officers

Outside Officers fulfill the role of providing management supervision and management audits from an objective perspective. At the same time, they offer useful advice and instructions from various perspectives on all areas of Fuji Electric's management, helping to ensure the appropriateness of management decisions.

After their appointment, Outside Officers participate in internal technology presentations and business site inspections to deepen their understanding of Fuji Electric's management.

In fiscal 2017, business site inspections took place at Tokyo Factory and Mie Factory. During these inspections, Outside Officers were given explanations of the factories after which they toured the actual production floors and engaged in discussions with factory managers.

Internal technology presentation

Outside Directors

Name	Attendance at Board of Directors Meetings in Fiscal 2017 (Meetings Attended / Meetings Held)	Type of Advice and Opinions Offered
Toshihito Tamba	13 / 13	Mr. Tamba offers useful advice and opinions on all areas of Fuji Electric's management based on his professional standpoint and considerable insight as a manager of listed companies.
Naoomi Tachikawa	13 / 13	Mr. Tachikawa offers useful advice and opinions on all areas of Fuji Electric's management based on his professional standpoint and considerable insight as a manager of listed companies.
Yoshitsugu Hayashi	10 / 10 (Appointed in June 2017)	Mr. Hayashi offers useful advice and opinions on all areas of Fuji Electric's management based on his professional standpoint and considerable insight as an environmental engineer.

Outside Auditors

Name	Attendance at Board of Directors and Board of Auditors Meetings in Fiscal 2017 (Meetings Attended / Meetings Held)	Type of Advice and Opinions Offered
Yoshiki Sato	10 / 13 8 / 9	Mr. Sato offers useful advice and opinions at meetings of the Board of Directors concerning agenda items and the business of Fuji Electric. Based on his extensive experience and considerable insight as a manager at financial institutions, at meetings of the Board of Auditors, he offers useful advice and opinions and confirms the legal compliance of the overall business activities of Fuji Electric.
Akiko Kimura	12 / 13 8 / 9	Ms. Kimura offers useful advice and opinions at meetings of the Board of Directors concerning agenda items and the business of Fuji Electric. Based on her expert knowledge as an attorney, at meetings of the Board of Auditors, she offers useful advice and opinions and confirms the legal compliance of the overall business activities of Fuji Electric.
Tetsuo Hiramatsu	12 / 13 8 / 9	Mr. Hiramatsu offers useful advice and opinions at meetings of the Board of Directors concerning agenda items and the business of Fuji Electric. Based on his professional standpoint and considerable insight as an individual with experience managing financial institutions, at meetings of the Board of Auditors, he offers useful advice and opinions and confirms the legal compliance of the overall business activities of Fuji Electric.

Note: Notification has been submitted that these Outside Officers are Independent Directors / Auditors as required by financial instruments exchanges.

Independence Criteria for Outside Officers

The Company judges the applicable candidate to be fully independent from the Company when he/she does not fall under any of the conditions listed below in addition to criteria of independence stipulated by domestic financial exchanges including the Tokyo Stock Exchange.

(1) Major shareholder
A major shareholder of the Company (who owns 10% or more of the voting rights) or its executor of business.

(2) Major business partner
A business partner (consultants such as lawyers, certified public accountants, and tax accountants, as well as consulting firms such as law firms, audit firms, and tax firms) or a person executing its business whose transactions with the Company exceed 2% of the annual consolidated net sales of the Company or the other entity in the past three fiscal years.

(3) Major lender, etc.
A financial institution, other major creditor, or a person executing the business of these institutions that are indispensable for the Company's funding and on which the Company depends to the extent that it is irreplaceable.

(4) Accounting auditor
A certified public accountant who belongs to an auditing firm that serves as the accounting auditor of the Company or employee, etc. of such auditing firm.

(5) Donee
A person executing the business of an organization which receives a donation exceeding 10 million yen per year that is greater than 2% of its annual income from the Company for the past three fiscal years.

Executive Remuneration

Fuji Electric has established a remuneration system and remuneration levels for Directors and Auditors that are deemed appropriate for their respective duties and in accordance with the shareholders' mandate, giving due consideration to the aims of securing and maintaining competent personnel and providing incentives for the improvement of business performance.

● Standing Directors

As Standing Directors are charged with the responsibility of improving consolidated operating performance for each fiscal year and realizing improvements in corporate value over the medium-to-long-term, their remuneration is structured and managed in two categories: base remuneration and performance linked remuneration.

Base Remuneration

Base remuneration is a predetermined amount that is paid to executives according to their position. A portion of the base remuneration is contributed to the Director shareholding association to share the economic interests of shareholders and as an incentive to make management aware of share value.

Performance-Linked Remuneration

Performance-linked remuneration is paid only in instances in which dividends are paid to all shareholders from retained earnings. The total amount of executive performance remuneration shall be within 1.0% of consolidated net income for the fiscal year prior to the date of payment in order to make the link with consolidated results for each fiscal year more clearly.

● Outside Directors and Auditors

Remuneration for Outside Directors and Auditors is paid as a predetermined amount according to their rank, as Outside Directors and Auditors are charged with the duty of supervising or auditing the execution of duties across Fuji Electric. Outside Directors and Auditors may acquire stock in the Company at their own discretion.

Total Amount of Remuneration Paid to Directors and Auditors (Fiscal 2017)

	Number of Recipients	Amount of Payment (Millions of yen)
Directors [of which, Outside Directors]	10 [4]	267 [27]
Auditors [of which, Outside Auditors]	6 [3]	80 [22]

Notes: 1. The amount paid to Directors does not include performance-linked remuneration for fiscal 2017.
2. In addition to the above, ¥83 million was paid as performance-linked remuneration for fiscal 2016 to Standing Directors (six recipients).
3. In addition to the above payment, the Company paid ¥3 million to employees who concurrently assumed the office of Director (1 employee) as salary for employees.

Internal Control System

The Fuji Electric Board of Directors determines basic policies concerning the establishment of an internal control system as stipulated in the Companies Act of Japan, and the Company discloses those policies. In conjunction with the Companies Act, Fuji Electric began disclosing information on the implementation of its internal control system, thereby taking steps to respond promptly and accurately to the demands placed upon the Company by society. Such information included descriptions of provisions for ensuring that Directors and employees perform their duties in a matter that is compliant with laws and the articles of incorporation.

Audits by the Board of Auditors and Internal Audits

● Audits by the Board of Auditors

Auditors attend meetings of the Board of Directors and other important meetings based on the audit policies and duties assignment established in accordance with the standards for audits put forth by the Board of Auditors. Audits are performed by receiving explanations on the status of operational execution from directors, reviewing documents pertaining to important resolutions, investigating the status of operations and assets at major operating sites, and requesting reports on operations from subsidiaries as necessary. In addition, Auditors pursue increased coordination with the Accounting Auditor and with internal auditing divisions in order to ensure the effectiveness of audits across the Group.

● Internal Audits

Internal auditing divisions perform internal audits based on internal audit standards and annual audit plans. These audits look at areas such as organizational management, risk management, compliance, operational execution, and accounting from the perspectives of legal compliance in business activities, reliability of financial reporting, preservation of asset portfolios, and operational effectiveness and efficiency. A total of 39 bases were audited in fiscal 2017. No risks or inadequacies with the potential to seriously impact management were discovered.

Information on auditing activities is shared between the internal auditing divisions of the Company and its subsidiaries in order to ensure the effectiveness of internal audits across the Group.

Investor Engagement

In June 2018, the Company consolidated and reorganized its internal compliance rules to create the Fuji Electric Disclosure Policy in conjunction with the introduction of the Fair Disclosure Rule following a partial amendment of the Financial Instruments and Exchange Act. Fuji Electric is committed to building upon trusting relationships with shareholders and other investors. To this end, we practice timely, fair, and impartial disclosure of information required by law and the regulations of the stock exchanges on which the Company is listed as well as of other information deemed to be of value to shareholders and investors. In addition, members of senior management take part in activities for engaging with shareholders and other investors.

We strive to make effective use of the input gained through these activities by relaying it to the Board of Directors, management, and relevant divisions through reports to committees or paper reports as deemed necessary.

Activities for Engaging with Investors (Fiscal 2017)

Analysts and institutional investors	• Financial results briefings: • Management plan briefing: • Business strategy briefing: • Small meetings • Factory tours	4 1 1
Private shareholders and investors	• Factory tours for shareholders: (participants: 405)	4 factories

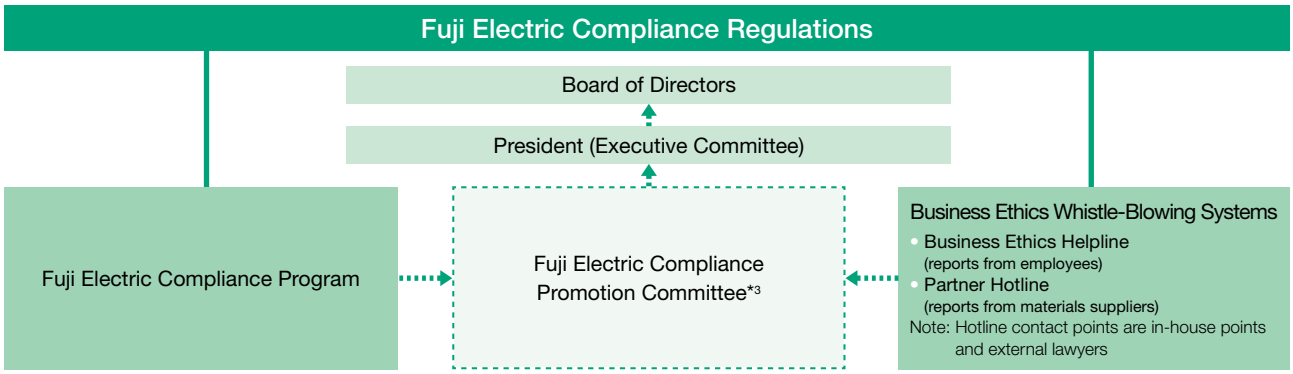
Compliance

We employ thorough measures to ensure compliance with laws and corporate ethics and always act with a high degree of social conscience to achieve sustained corporate growth.

Basic Compliance Policy

The Fuji Electric Code of Conduct*1 states that we shall "respect, value and conform with all applicable laws and regulations," and has been incorporated into our basic policy. Based upon this policy, we have established and have been implementing the Fuji Electric Compliance Regulations, which is a concrete guideline for compliance, and the Fuji Electric Compliance Program, which brings together four aspects*2 of domestic and overseas compliance.

*1 Please refer to Fuji Electric's corporate website for more information.
*2 (1) Establishment, revision, abolition and dissemination of internal rules;
(2) Constant monitoring of status of compliance with laws and internal rules;
(3) Auditing of status of compliance with laws and internal rules; and
(4) Compliance education regarding laws and internal rules



*3 Meets twice each fiscal year to deliberate on compliance execution and planning with the goal of achieving full compliance with laws and social norms globally. Composed of a representative director, compliance representatives, organization heads, the general manager of the Legal Office, Standing Auditors, and an external lawyer

Compliance Promotion Structure

The Fuji Electric Compliance Promotion Committee, which is headed by a representative director and composed of the managers responsible for regulating laws and/or acts, with an outside expert (attorney) as an observer, has jurisdiction over compliance of Fuji Electric.

Global Promotion of the Fuji Electric Compliance Program

Fuji Electric is enhancing the compliance of its overseas operations. At all overseas sites, in addition to globally common items that apply such as the prohibition of human rights violations and unfair dealings, including bribery and corruption, the Fuji Electric Compliance Program reflects the laws and regulations of each region where we conduct business. We practice compliance through the actions of all our subsidiaries in Japan and overseas on the basis of this program.

Operation of Whistle-Blowing Systems in Japan and Overseas

To prevent infractions of laws, regulations, and internal rules and ensure early detection, Fuji Electric has introduced the Business Ethics Helpline System. Under this system, employees in Japan and overseas can report violations or suspected violations of laws, regulations, or internal rules to Fuji Electric's president via the department responsible for compliance or through an external lawyer.

We also operate a Partner Hotline System, which handles notifications from our suppliers about Fuji Electric's materials procurement operations. Building more highly reliable trading relationships with our suppliers is part of fulfilling our social responsibility.

Conducting Compliance Training

Fuji Electric has created a compliance training program for officers and employees of the Company and its subsidiaries that addresses matters they comply with and/or encounter in the course of their business activities. This compliance training has two main thrusts: level-specific and job-specific courses.

Level-Specific Training

Level-specific training is tailored to newly appointed executives of consolidated subsidiaries in Japan, newly appointed managers, and new employees. Training lasts a half to one full day, with sessions focusing on the Fuji Electric compliance framework and the Fuji Electric Compliance Program.

Level-Specific Training Attended (Fiscal 2017)

Newly appointed executives	22
Newly appointed managers	137
New employees	215

Job-Specific Training

Divisions responsible for legal affairs conduct job-specific training that features items for consideration in practical business situations. In fiscal 2017, classroom-based training was conducted mainly for the sales and administrative unit personnel of domestic and overseas companies covering a variety of themes, including antimonopoly laws and the prevention of corruption. Furthermore, we conducted e-learning programs for employees at all bases, including those overseas.


Training at an overseas base

Risk Management

Fuji Electric is strengthening its risk management to maximize corporate value and minimize the potential impact of risks.

Basic Policy on Risk Management

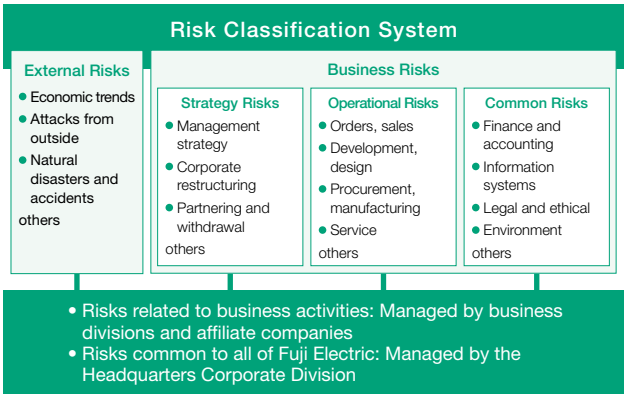
Based on the Fuji Electric Risk Management Regulations, which were formulated in May 2006, the Company manages risk in a coordinated, systematic manner.

We will practice appropriate management and counter various risks that could affect the Company's management in order to prevent risks from materializing (crisis situations). At the same time, we will strive to minimize the impact on management in the event that risks materialize.

Types of Risk and Risk Management System

Fuji Electric has divided risks into "External risks" and "Business risks," with Business risks classified into "Strategy risks," "Operational risks", and "Common risks," and conducts risk management optimized for each category.

Countermeasures for risks that are common to the whole of Fuji Electric are implemented by the Headquarters Corporate Division while countermeasures for business risks are spearheaded by the relevant business divisions and affiliate companies. Business risks are analyzed each year and factored into business plans.



Strengthening of Business Continuity Capabilities

Fuji Electric aims to continue core operations even if unexpected events such as natural disasters and accidents occur, continuing to uphold social responsibilities as a company and providing a stable supply of high performance, high-quality products and services required by our customers.

Fuji Electric received Resilience certification under the program established by the Cabinet Secretariat's National Resilience Promotion Office in recognition of active efforts to ensure business continuity.

Resilience Certification No.E0000012

Fire Safety and Disaster-Preparedness Initiatives

Based on our *Disaster Prevention and Procedural Manual*, we have created a disaster-preparedness headquarters system. Meanwhile, at operating sites and affiliates, we have put in place thorough measures to ensure that structures and facilities are earthquake resistant, stockpile emergency goods, and conduct regular drills, among other measures.

Business Continuity Initiatives

In addition to fire safety and disaster-preparedness initiatives, Fuji Electric has formulated a business continuity plan (BCP) at the head office, which acts as a command center during disasters, and at factories that house a large number of key management resources. We have also established Companywide BCPs for procurement sections, which manages the supply chain, and for IT sections, which manages the information systems.

In fiscal 2017, we once again expanded the range of products covered under the BCP. In addition, we conducted simulation drills based on earthquake and explosion scenarios targeting business supervisors and base managers. Furthermore, domestic factory managers underwent public relations drills while all employees took part in safety confirmation drills. Through these efforts, we sought to improve our ability to respond to natural disasters.

Simulation drill

Information Security

Implementation of Security Measures

To protect confidential and personal information properly, Fuji Electric has formulated and implemented a policy and regulations related to information security with consideration for the laws of relevant countries. We seek to strengthen information security by instituting annual training programs for employees and endeavor to prevent information leaks. In addition, we have developed a countermeasure system, established a computer security incident response team (CSIRT) and a security operation center (SOC) to handle ever more diversified cyber security risks, and implement monitoring and defense measures to ensure preparedness for attacks.

External Certification Related to Information Security

Companies that handle customers' confidential and personal information and require a high-level information security management have acquired external certification.

As of April 1, 2018, three departments at Fuji Electric Co., Ltd. and two subsidiaries have acquired information security management system (ISMS) certification. In addition, Fuji Electric Co., Ltd. and three subsidiaries have acquired Privacy Mark certification.

Prevention of Infringement of Intellectual Property Rights

As part of our intellectual property activities, we employ a system to monitor other companies' patents on a daily basis to prevent any inadvertent infringement of patents held by third parties.

To prevent infringement, we also conduct compliance training for employees.

Note: Please refer to page 26 for more information on intellectual property initiatives.

List of Officers (As of July 1, 2018)

Directors

Michihiro Kitazawa
President and Chairman of the Board of Directors

Kenzo Sugai
Representative Director

Toshihito Tamba
Outside Director
Chairman & Co-CEO, Representative Director, Tokyo Century Corporation

Naoomi Tachikawa
Outside Director
Adviser, Furukawa Electric Co., Ltd.

Yoshitsugu Hayashi
Outside Director
Professor, Institute of Science and Technology Research, Chubu University

Michio Abe
Director

Masatsugu Tomotaka
Director

Junichi Arai
Director

Auditors

Yoshio Okuno
Standing Auditor

Junichi Matsumoto
Standing Auditor

Yoshiki Sato
Outside Auditor
Chairman and Representative Director, Asahi Mutual Life Insurance Company

Akiko Kimura
Outside Auditor
Of Counsel, Anderson Mori & Tomotsune

Tetsuo Hiramatsu
Outside Auditor
President, NIPPON TOCHI-TATEMONO Co., Ltd.

Executive Officers

President	Michihiro Kitazawa	General Management
Executive Vice President	Kenzo Sugai	Assistant to the President, Corporate General Manager, Sales Group
Senior Managing Executive Officers	Michio Abe	Corporate General Manager, Production & Procurement Group
	Masatsugu Tomotaka	Corporate General Manager, Power Electronics Systems Business Group
Managing Executive Officers	Junichi Arai	Corporate General Manager, Corporate Management Planning Headquarters, General Manager, Export Administration Office, In charge of compliance management and crisis management
Executive Officers	Takeshi Kadoshima	General Manager, Human Resources and General Affairs Office
	Masahiro Fujiwara	Corporate General Manager, Power and New Energy Business Group
	Kenji Goto	Deputy Corporate General Manager, Power Electronics Systems Business Group
	Yasuhiro Takahashi	Corporate General Manager, Food and Beverage Distribution Business Group
	Susumu Shinmura	Deputy Corporate General Manager, Sales Group
	Masahiro Morimoto	Deputy Corporate General Manager, Power Electronics Systems Business Group
	Toru Housen	Corporate General Manager, Electronic Devices Business Group
	Shiro Kondo	Corporate General Manager, Corporate R&D Headquarters

Note: Please refer to our website for each officer's brief history.

Corporate Data

Company Information (As of March 31, 2018)

Company Name	FUJI ELECTRIC CO., LTD.
Established	August 29, 1923
Head Office	1-1, Tanabeshinden, Kawasaki-ku, Kawasaki-shi 210-9530, Japan
Head Office Business Address	Gate City Ohsaki, East Tower, 11-2, Osaki 1-chome, Shinagawa-ku, Tokyo 141-0032, Japan
Capital Stock	¥47.6 billion
Employees (Consolidated)	27,009 (Domestic 17,704, Overseas 9,305)
Net Sales (Consolidated)	¥893.5 billion (Year ended March 31, 2018)
Stock Code	6504

Stock Information (As of March 31, 2018)

Issued and Outstanding Shares	746,484,957
Number of Shareholders	41,539

Major Shareholders

Shareholders' names	Number of shares (1,000s)	Voting rights (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	63,064	8.83
The Master Trust Bank of Japan, Ltd. (Trust Account)	55,738	7.80
FUJITSU LIMITED	20,333	2.85
Asahi Mutual Life Insurance Company	19,775	2.77
FANUC CORPORATION	13,421	1.88
Japan Trustee Services Bank, Ltd. (Trust Account 5)	11,514	1.61
Japan Trustee Services Bank, Ltd. (Trust Account 7)	11,257	1.58
Mizuho Bank, Ltd.	11,254	1.58
FURUKAWA CO., LTD.	11,025	1.54
STATE STREET BANK WEST CLIENT-TREATY 505234	9,602	1.34

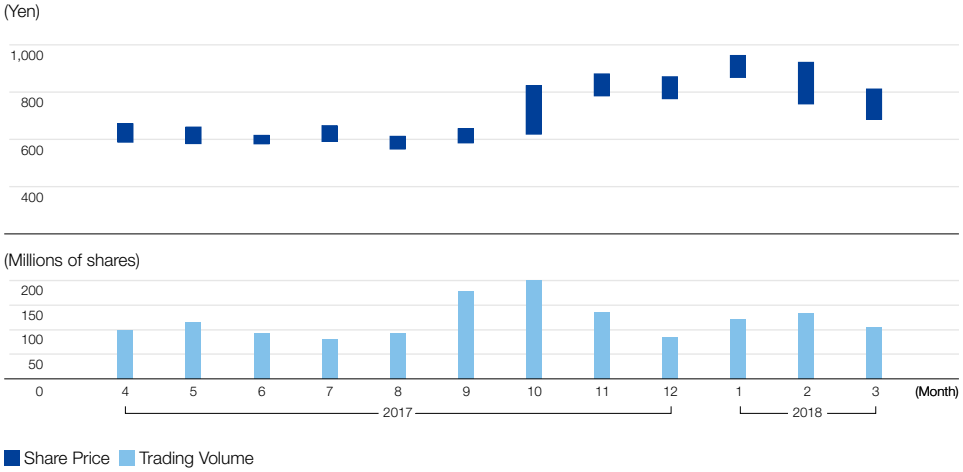
Notes: 1. Treasury stock of 32,215,710 shares is excluded from the above list of top 10 shareholders.
2. The ratio of shareholding is calculated by deducting the number of treasury stock from the total number of shares outstanding based on the provisions of the Ordinance for Enforcement of the Companies Act.

Share Distribution by Shareholder Type

Type	Number of shareholders	Number of shares	Holding (%)
Financial institutions / securities firms	168	290,883,498	38.97
Other domestic corporations	538	72,356,975	9.69
Foreign corporations	590	249,888,209	33.48
Individuals and others	40,243	133,356,275	17.86
Total	41,539	746,484,957	100.00

Note: "Individuals and others" includes treasury stock.

Share Price and Trading Volume Fluctuations (Tokyo Stock Exchange)



Consolidated Subsidiaries and Equity-Method Affiliates (As of July 1, 2018)

Consolidated Subsidiaries (Domestic): 23

Fuji Electric FA Components & Systems Co., Ltd.
Fuji Furukawa Engineering & Construction Co., Ltd.*1
Fuji Electric IT Solutions Co., Ltd.
Hoei Denki Co., Ltd.
Hokkaido Fuji Electric Co., Ltd.
Fuji Electric Meter Co., Ltd.
Fuji IT Co., Ltd.
Ibaraki Fuji Co., Ltd.
Hakko Electronics Co., Ltd.
Fuji Electric FA Service Co., Ltd.
Fuji Festec Co., Ltd.
Fuji Electric Power Semiconductor Co., Ltd.
Fuji Electric Tsugaru Semiconductor Co., Ltd.
Shinshu Fuji Electric Co., Ltd.
Hoei Plastics Co., Ltd.
Mie Fuji Co., Ltd.
Fuji Electric Retail Service Co., Ltd.
Fuji Electric F-Tech Co., Ltd.
Fuji Electric Finance and Accounting Support Co., Ltd.
Fuji Electric IT Center Co., Ltd.
Fuji Office and Life Service Co., Ltd.
Fuji Electric Technica Co., Ltd.
Chichibu Fuji Co., Ltd.

*1 Fuji Furukawa Engineering & Construction Co., Ltd., is listed on the second section of the Tokyo Stock Exchange.

Equity-Method Affiliates (Domestic): 3

METAWATER Co., Ltd.*2
METAWATER SERVICE Co., Ltd.
Fuji Furmanite Co., Ltd.

*2 METAWATER Co., Ltd., is listed on the first section of the Tokyo Stock Exchange.

Consolidated Subsidiaries (Overseas): 49

Fuji Electric Asia Pacific Pte. Ltd.
Fuji SMBE Pte. Ltd.
Fuji Electric (Thailand) Co., Ltd.
Fuji Electric Manufacturing (Thailand) Co., Ltd.
Fuji Tusco Co., Ltd.
PT Fuji Electric Indonesia
Fuji Electric India Private Ltd.
Fuji Gemco Private Limited.
Fuji Electric Philippines, Inc.
Fuji Electric (Malaysia) Sdn. Bhd.
Fuji CAC Joint Stock Company
Fuji Electric (China) Co., Ltd.
Shanghai Electric Fuji Electric Power Technology (Wuxi) Co., Ltd.
Wuxi Fuji Electric FA Co., Ltd.
Fuji Electric (Changshu) Co., Ltd.
Fuji Electric (Zhuhai) Co., Ltd.
Fuji Electric (Shenzhen) Co., Ltd.
Fuji Electric Dalian Co., Ltd.
Fuji Electric Motor (Dalian) Co., Ltd.
Dalian Fuji Bingshan Vending Machine Co., Ltd.
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.
Fuji Electric (Hangzhou) Software Co., Ltd.
Fuji Electric FA (Asia) Co., Ltd.
Fuji Electric Hong Kong Co., Ltd.
Hoei Hong Kong Co., Ltd.
Fuji Electric Taiwan Co., Ltd.
Fuji Electric Korea Co., Ltd.
Fuji Electric Corp. of America
Fuji Electric Europe GmbH
Fuji Electric France S.A.S.
Reliable Turbine Services LLC
Fuji SEMEC Inc.

Including the 32 above-listed companies, 49 companies.

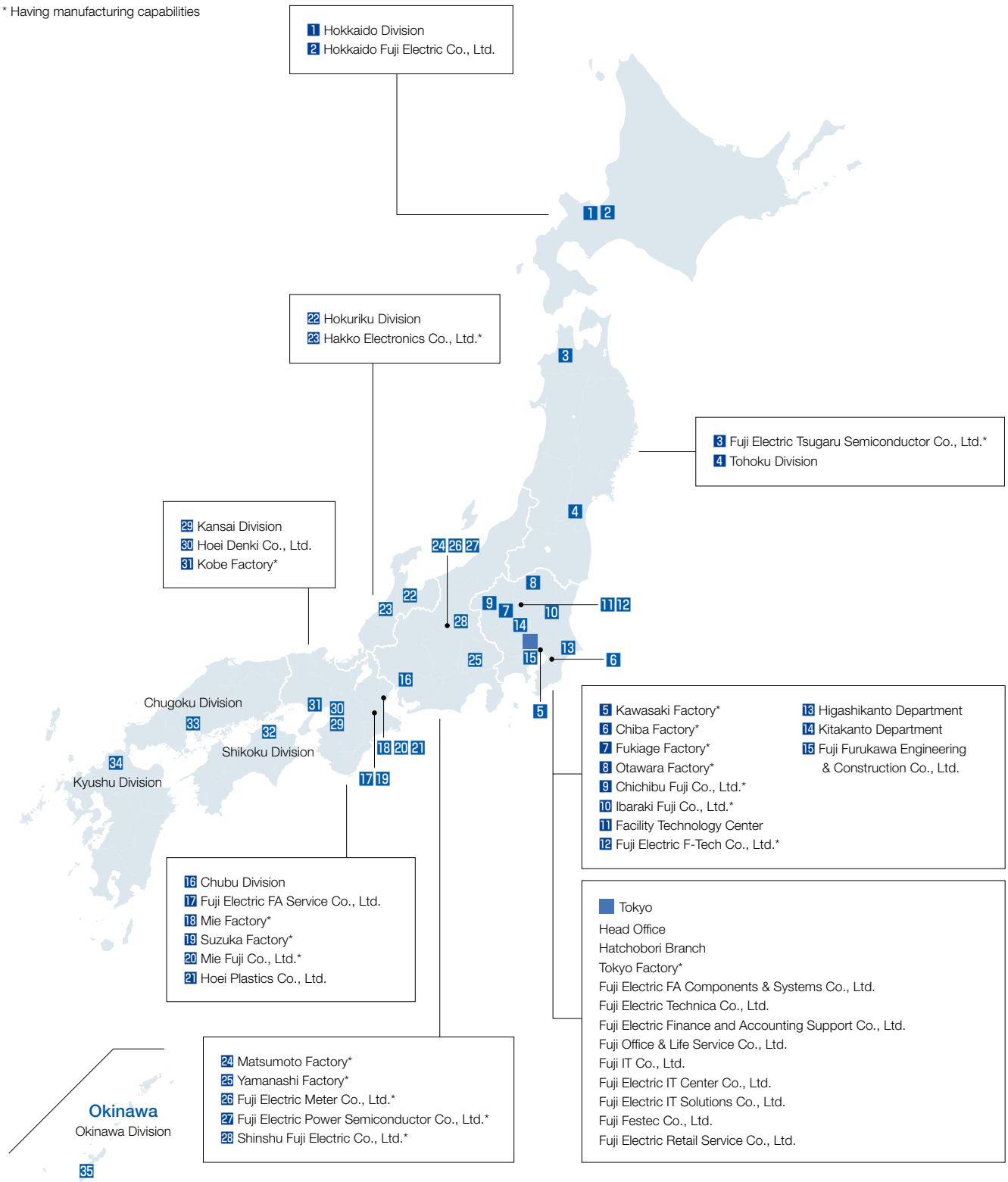
Equity-Method Affiliate (Overseas): 1

FUJI FURUKAWA E&C (Thailand) Co., Ltd.

Global Network

(As of July 1, 2018)

* Having manufacturing capabilities

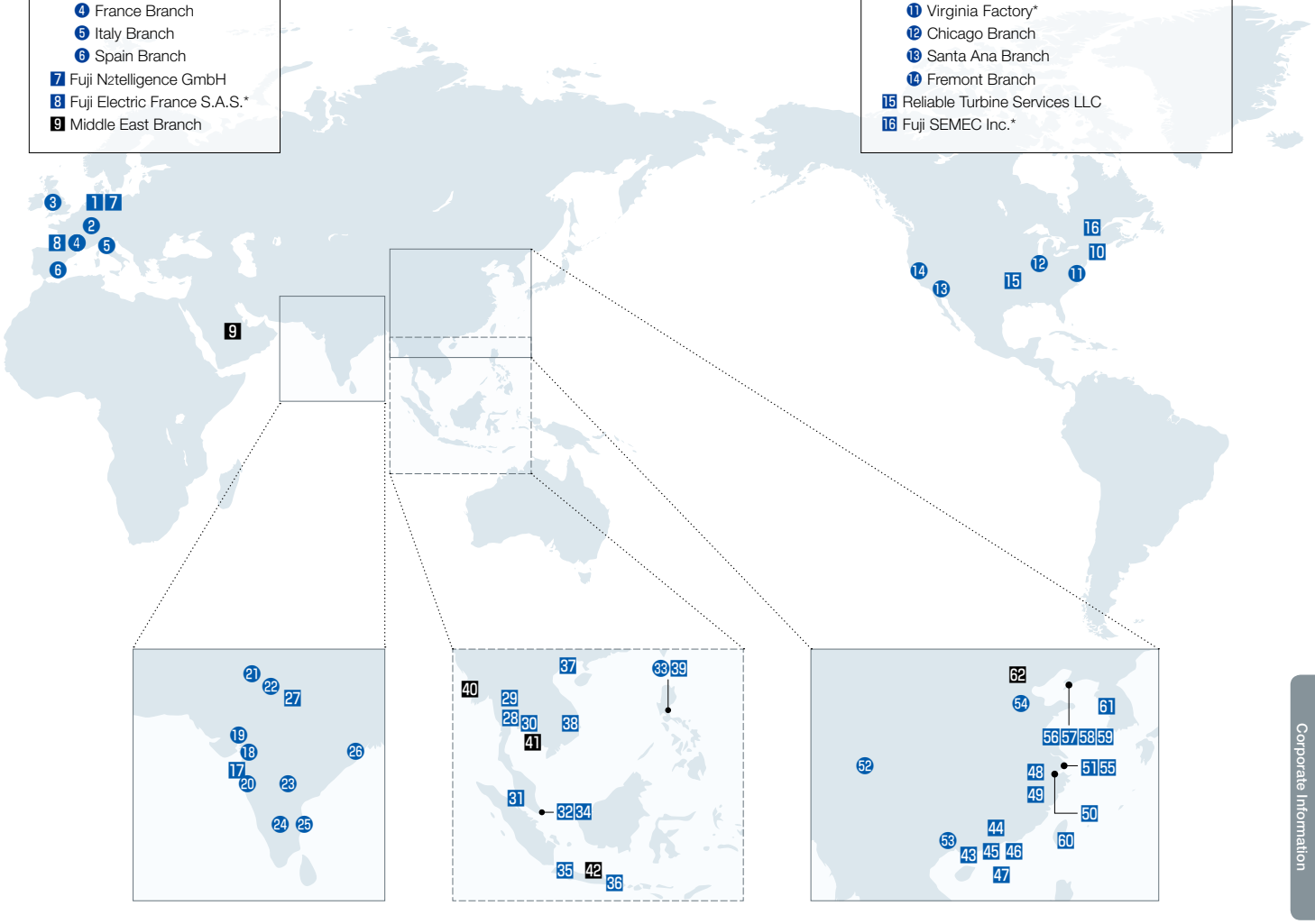


Europe

- 1 Fuji Electric Europe GmbH
  - 2 Switzerland Branch
  - 3 U.K. Branch
  - 4 France Branch
  - 5 Italy Branch
  - 6 Spain Branch
- 7 Fuji N2telligence GmbH
- 8 Fuji Electric France S.A.S.*
- 9 Middle East Branch

Americas

- 10 Fuji Electric Corp. of America
  - 11 Virginia Factory*
  - 12 Chicago Branch
  - 13 Santa Ana Branch
  - 14 Fremont Branch
- 15 Reliable Turbine Services LLC
- 16 Fuji SEMEC Inc.*



South Asia

- 17 Fuji Electric India Private Ltd.
  - 18 India Factory*
  - 19 Ahmedabad Branch
  - 20 Pune Branch
  - 21 Chandigarh Branch
  - 22 Delhi Branch
  - 23 Hyderabad Branch
  - 24 Bangalore Branch
  - 25 Chennai Branch
  - 26 Kolkata Branch
- 27 Fuji Gemco Private Limited*

Southeast Asia

- 28 Fuji Electric (Thailand) Co., Ltd.
- 29 Fuji Electric Manufacturing (Thailand) Co., Ltd.*
- 30 Fuji Tusco Co., Ltd.*
- 31 Fuji Electric (Malaysia) Sdn. Bhd.*
- 32 Fuji Electric Asia Pacific Pte. Ltd.
  - 33 Philippine Branch
- 34 Fuji SMBE Pte. Ltd.*
- 35 PT Fuji Electric Indonesia
- 36 P.T. Fuji Metec Semarang*
- 37 Fuji Electric Vietnam Co., Ltd.
- 38 Fuji CAC Joint Stock Company
- 39 Fuji Electric Philippines, Inc.*
- 40 Fuji Electric Co., Ltd. (Myanmar Branch Office)
- 41 Rep. Office of Fuji Electric Co., Ltd. (in Cambodia)
- 42 Fuji Electric Co., Ltd. Construction Representative Office Indonesia

China / East Asia

- 43 Fuji Electric (Zhuhai) Co., Ltd.*
- 44 Fuji Electric (Shenzhen) Co., Ltd.*
- 45 Fuji Electric FA (Asia) Co., Ltd.
- 46 Fuji Electric Hong Kong Co., Ltd.
- 47 Hoei Hong Kong Co., Ltd.
- 48 Fuji Electric (Changshu) Co., Ltd.*
- 49 Wuxi Fuji Electric FA Co., Ltd.*
- 50 Fuji Electric (Hangzhou) Software Co., Ltd.
- 51 Fuji Electric (China) Co., Ltd.
  - 52 West China Branch
  - 53 South China Branch
  - 54 North China Branch
- 55 Shanghai Electric Fuji Electric Power Technology (Wuxi) Co., Ltd.*
- 56 Fuji Electric Dalian Co., Ltd.*
- 57 Fuji Electric Motor (Dalian) Co., Ltd.*
- 58 Dalian Fuji Bingshan Vending Machine Co., Ltd.*
- 59 Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.
- 60 Fuji Electric Taiwan Co., Ltd.
- 61 Fuji Electric Korea Co., Ltd.
- 62 Beijing Rep. Office

■ ● Affiliated Company
■ Overseas Offices
* Having manufacturing capabilities

ECOLOGY
Fuji Electric

This mark symbolizes
the commitment of Fuji Electric
to environmental protection.

External Evaluation

Fuji Electric has been selected as a component of the following socially responsible investment (SRI) indexes, as a company with outstanding CSR performance.

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

FTSE4Good

MS-SRI モーニングスター社会的責任投資株価指数
Morningstar Socially Responsible Investment Index

We have received the following awards and certification in recognition of our outstanding initiatives to promote diversity.

DIVERSITY MANAGEMENT SELECTION 100 2013

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