Fuji Electric

Innovating Energy Technology

Fuji Electric Report Financials

2018

Consolidated Financial Highlights

Years ended March 31	2014	2015	2016	2017	2018	2018
	Millions of yen					Thousands of U.S. dollars*1
Operating Results						
Net sales	¥759,911	¥810,678	¥813,550	¥837,765	¥893,451	$8,428,790
Japan	582,223	605,763	597,757	632,723	674,744	6,365,513
Overseas	177,688	204,915	215,793	205,042	218,707	2,063,277
Operating income	33,136	39,316	45,006	44,709	55,962	527,944
Net income attributable to owners of parent	19,582	27,978	30,644	40,978	37,763	356,263
R&D and Capital Investment						
R&D expenditures	¥ 32,029	¥ 35,023	¥ 35,949	¥ 34,910	¥ 35,620	$ 336,045
Plant and equipment investment*2	26,916	29,041	27,650	27,149	26,465	249,679
Depreciation and amortization*3	30,849	33,615	29,723	29,445	30,151	284,451
Cash Flows						
Cash flows from operating activities	¥ 53,651	¥ 51,459	¥ 48,450	¥ 58,185	¥ 53,146	$ 501,386
Cash flows from investing activities	(9,649)	(22,750)	(19,410)	9,748	(14,550)	(137,265)
Free cash flow	44,002	28,708	29,040	67,934	38,596	364,121
Cash flows from financing activities	(50,570)	(33,827)	(31,567)	(56,082)	(46,887)	(442,336)
Financial Position						
Total assets	¥810,774	¥904,522	¥845,378	¥886,663	¥918,859	$8,668,487
Total net assets	251,225	319,636	260,980	323,863	366,546	3,457,989
Shareholders' equity	227,181	290,339	230,399	291,216	330,636	3,119,207
Net interest-bearing debt	200,340	194,579	189,374	141,578	130,177	1,228,094
Interest-bearing debt	233,753	226,474	220,213	183,465	163,507	1,542,527
Financial Indicators						
Ratio of operating income to net sales (%)	4.4	4.8	5.5	5.3	6.3	—
Ratio of overseas sales to net sales (%)	23.4	25.3	26.5	24.5	24.5	—
ROE (Return on equity) (%)	9.3	10.8	11.8	15.7	12.1	—
ROA (Return on assets) (%)	2.5	3.3	3.5	4.7	4.2	—
Equity ratio (%)	28.0	32.1	27.3	32.8	36.0	—
Net debt-equity ratio (times)*4	0.9	0.7	0.8	0.5	0.4	—
Debt-equity ratio (times)*5	1.0	0.8	1.0	0.6	0.5	—
Per Share Data	Yen					U.S. dollars*1
Net income	¥ 27.41	¥ 39.16	¥ 42.90	¥ 57.36	¥ 52.87	$0.499
Net assets	317.96	406.39	322.52	407.68	462.90	4.367
Cash dividends	7.00	9.00	10.00	11.0	14.00	0.132
Others	Headcount					
Employees	25,524	25,740	26,508	26,503	27,009	—
Japan	18,022	17,814	17,635	17,716	17,704	—
Overseas	7,502	7,926	8,873	8,787	9,305	—

*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) / Net assets
*5 Debt-equity ratio: Interest-bearing debt / Net assets

Contents

Management's Discussion and Analysis

Overview

During fiscal 2017, the year ended March 31, 2018, a gentle overseas recovery trend was seen in the Company's operating environment supported by strong demand for machine tools and robots, which was driven by increased production facility automation and labor-saving needs in China and other countries.

In Japan, there was a modest recovery trend due to the strong demand resulted from increases in replacements of aged equipment and investments in automation and labor saving.

In this environment, we moved ahead with the FY2018 Medium-Term Management Plan, Renovation 2018. In accordance with the plan's basic policy of "further renovation of Fuji Electric," we are implementing the growth strategies of strengthening the power electronics systems business, further enhancing manufacturing capabilities, and pursuing improved profitability by re-energizing the Pro-7 Activities that involve reviewing all costs associated with business activities.

Financial Performance

Net Sales

Net sales in fiscal 2017 increased by 6.6% year on year, to ¥893,451 million, as a result of strong demand.

Sales in all business segments increased year on year, particularly in the Power Electronics Systems—Industry Solutions, Electronic Devices, and Food and Beverage Distribution segments. Domestic sales increased by 6.6%, to ¥674,744 million. Overseas sales increased by 6.7%, to ¥218,707 million.

The ratio of overseas sales was 24.5%, approximately the same level as the previous fiscal year.

Cost of Sales, Selling, General and Administrative Expenses and Operating Income

The cost of sales increased by 6.0% year on year, to ¥661,824 million, and the ratio of cost of sales to net sales decreased by 0.5 percentage point, to 74.1%.

Selling, general and administrative expenses increased by 4.1% year on year, to ¥175,665 million. The ratio of selling, general and administrative expenses to net sales decreased by 0.5 percentage point, to 19.7%.

Operating income increased by ¥11,253 million year on year, to a record high of ¥55,962 million, due to higher net sales and production volumes as well as the benefits of cost reductions. The operating margin was increased by 0.9 percentage point, to 6.3% year on year.

Non-Operating Income (Expenses) and Ordinary Income

Non-operating income (net) was ¥85 million, a ¥1,502 million decrease from ¥1,587 million in the previous fiscal year. This decrease was mainly due to a ¥1,761 million increase in foreign exchange losses and a ¥242 million decrease in dividends income, which counteracted the benefits of a ¥514 million decrease in interest expense.

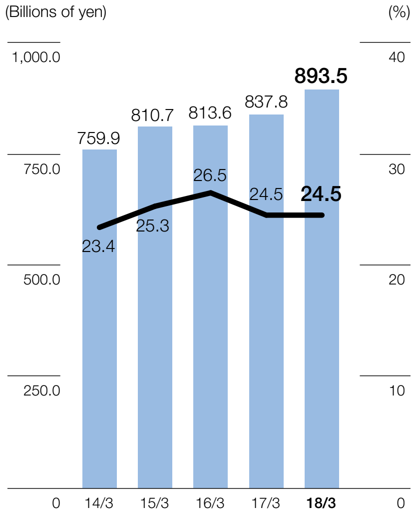
As a result, ordinary income grew ¥9,751 million year on year, reaching a new record high of ¥56,047 million.

Extraordinary Income (Loss), Income before Income Taxes and Non-Controlling Interests

Extraordinary income totaled ¥1,900 million and included a gain on sales of noncurrent assets and a gain on sales of investment securities. This represented a ¥17,915 million year-on-year decrease primarily due to a reduction in gain on sales of investment securities.

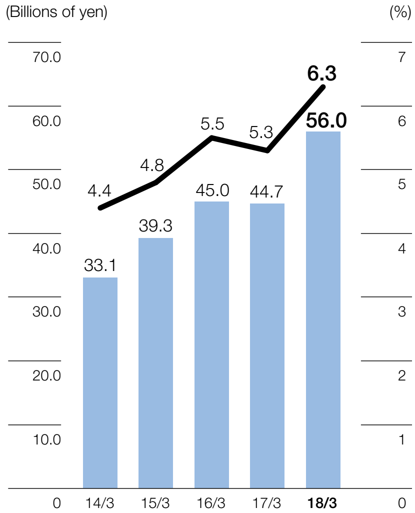
Extraordinary loss totaled ¥1,142 million and included a loss on disposal of noncurrent assets and a loss on devaluation of investment securities. This represented a ¥1,026 million year-on-year decrease due to the impairment loss recorded in the previous fiscal year.

Net Sales / Ratio of Overseas Sales to Net Sales



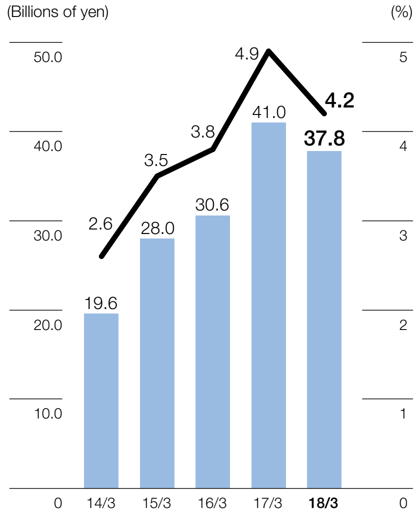
■ Net Sales (left)
— Ratio of Overseas Sales to Net Sales (right)

Operating Income / Ratio of Operating Income to Net Sales



■ Operating Income (left)
— Ratio of Operating Income to Net Sales (right)

Net Income Attributable to Owners of Parent / Ratio of Net Income Attributable to Owners of Parent to Net Sales



■ Net Income Attributable to Owners of Parent (left)
— Ratio of Net Income Attributable to Owners of Parent to Net Sales (right)

Net Income

Income before income taxes decreased by ¥7,138 million year on year, to ¥56,805 million. After subtracting ¥14,804 million in income taxes (the net of income taxes-current and income taxes-deferred) and ¥4,238 million in net income attributable to non-controlling interests, net income attributable to owners of parent decreased by ¥3,215 million from the previous fiscal year, to ¥37,763 million.

Results by Business Segment

Power Electronics Systems—Energy Solutions

Net sales: ¥224,100 million (an increase of 2.4% year on year)
Operating income: ¥14,662 million (an increase of ¥937 million year on year)

Net sales and operating income increased year on year. Solid performance in the ED&C components business supported by increased machine tool demand outweighed the impacts of weak demand in the energy management business and the power supply systems business.

- In the energy management business, net sales decreased year on year primarily due to a decrease in smart meter sales volumes while operating results were relatively unchanged from the previous fiscal year due to the benefits of cost reduction efforts.
- In the transmission and distribution systems business, net sales increased year on year due to contributions from large-scale power and industrial field orders from overseas. However, operating results worsened year on year as a result of an unfavorable sales mix.
- In the power supply systems business, net sales decreased year on year due to weak demand for power conditioning systems used for solar power generation systems. Operating results improved year on year due to the benefits of cost reduction efforts.
- In the ED&C components business, net sales and operating results improved year on year as a result of strong demand from machinery manufacturers, including manufacturers of machine tools, and overseas semiconductor manufacturers.

Orders received in fiscal 2017 (Power Electronics Systems—Energy Solutions segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥137.3 billion.

Power Electronics Systems—Industry Solutions

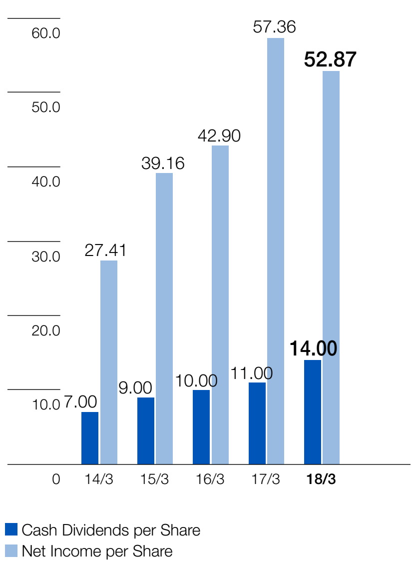
Net sales: ¥315,863 million (an increase of 10.4% year on year)
Operating income: ¥18,273 million (an increase of ¥4,324 million year on year)

Net sales and operating income increased year on year. Performance was driven by the factory automation business, which benefited from strong demand for the automation of production facilities in Japan and China, and the process automation business, which benefited from strong replacement demand in the Japanese market, as well as the IT solutions business.

- In the factory automation business, net sales and operating results improved year on year due to strong conditions in the Japanese and Chinese markets for inverters and factory automation components.
- In the process automation business, net sales and operating results improved year on year because of the strong replacement demand in the Japanese market.
- In the environmental and social solutions business, net sales and operating results improved year on year as a result of strong demand for electrical equipment for railcars mainly in Asian countries.
- In the equipment construction business, net sales increased year on year due to strong performance in air-conditioning equipment and electricity and information distribution operations. Operating results, however, worsened year on year as a result of an unfavorable sales mix.

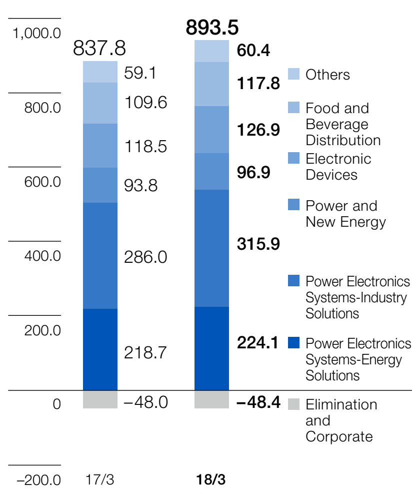
Cash Dividends per Share / Net Income per Share

(Yen)



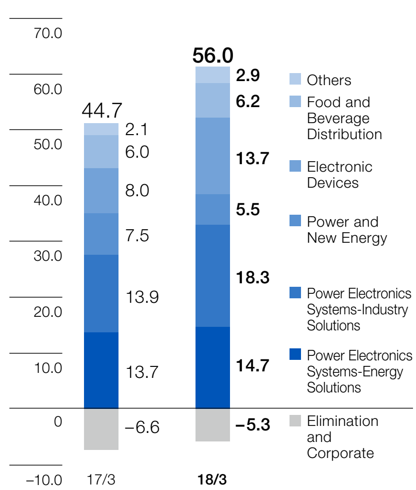
Net Sales by Segment

(Billions of yen)



Operating Income (Loss) by Segment

(Billions of yen)



- In the IT solutions business, net sales and operating results improved year on year due to increases in orders from the academic sector and large-scale orders from the public sector.

Orders received in fiscal 2017 (Power Electronics Systems—Industry Solutions segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥161.3 billion.

Power and New Energy

Net sales: ¥96,879 million (an increase of 3.2% year on year)
Operating income: ¥5,521 million (a decrease of ¥1,958 million year on year)

- Net sales increased year on year because the benefits of large-scale orders for thermal power generation systems counteracted the impacts of the decreases in large-scale orders for hydro power generation systems and solar power generation systems. However, operating income decreased year on year as a result of an unfavorable sales mix.

Orders received in fiscal 2017 (Power and New Energy segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥88.7 billion.

Electronic Devices

Net sales: ¥126,871 million (an increase of 7.1% year on year)
Operating income: ¥13,699 million (an increase of ¥5,669 million year on year)

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

Orders received in fiscal 2017 (Electronic Devices segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥93.9 billion.

Food and Beverage Distribution

Net sales: ¥117,753 million (an increase of 7.5% year on year)
Operating income: ¥6,234 million (an increase of ¥205 million year on year)

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

Orders received in fiscal 2017 (Food and Beverage Distribution segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥105.5 billion.

Others

Net sales: ¥60,406 million (an increase of 2.2% year on year)
Operating income: ¥2,861 million (an increase of ¥795 million year on year)

R&D Investment and Plant and Equipment Investment

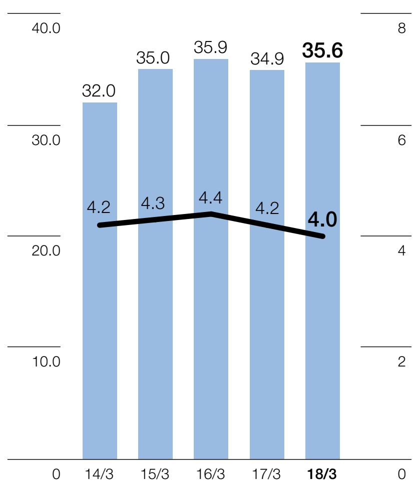
R&D

Fuji Electric is focused on research and development activities for creating competitive components and systems centered on power semiconductor technologies and power electronics technologies and activities for developing solutions that produce value for customers by combining fundamental technologies.

The Company has reorganized its R&D structure to accelerate R&D activities. Product development functions are delegated to the respective business groups while the corporate R&D group handles technology marketing, advanced research, and basic research.

R&D Expenditures / Ratio of R&D Expenditures to Net Sales

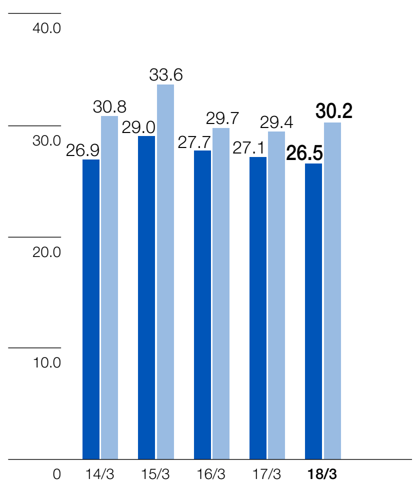
(Billions of yen) (%)



■ R&D Expenditures (left)
— Ratio of R&D Expenditures to Net Sales (right)

Plant and Equipment Investment / Depreciation and Amortization

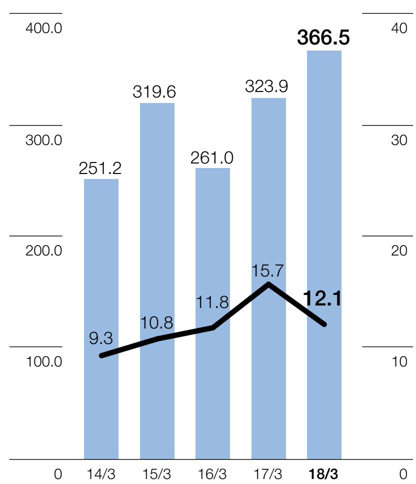
(Billions of yen)



■ Plant and Equipment Investment
■ Depreciation and Amortization

Total Net Assets / ROE

(Billions of yen) (%)



■ Total Net Assets (left)
— ROE (right)

The Company's R&D expenditures in fiscal 2017 totaled ¥35,620 million.

As of March 31, 2018, the number of industrial property rights which were registered in Japan and overseas and held by Fuji Electric stood at 12,134.

Plant and Equipment Investment

Plant and equipment investment, including leases, amounted to ¥26.5 billion in fiscal 2017. These expenditures were directed toward new product startups, new development investments, and production capacity expansions.

Major investments were as follows.

The Power Electronics Systems—Energy Solutions segment conducted investments for purposes that included production capacity increases for boosting product competitiveness in the transmission and distribution systems business and automation of testing processes in the power supply systems business. In the ED&C components business, meanwhile, we invested in new earth-leakage circuit breaker and magnetic switch product lines that contribute to labor savings.

In the Power Electronics Systems—Industry Solutions segment, investments were directed toward energy-saving factory equipment.

In the Power and New Energy segment, the Company conducted investments for upgrading machining equipment as part of its measures for rationalizing in-house production.

Expenditures in the Electronic Devices segment included new investments related to development equipment for SiC devices, newly developed products, and new technologies. In addition, we invested in mass-production of power semiconductor chips at the Matsumoto Factory and the Yamanashi Factory and also made business continuity plan-related capital expenditures at Fuji Electric Tsugaru Semiconductor Co., Ltd.

In back-end processes, capital expenditures for production equipment to increase production of intelligent power modules were conducted at domestic and overseas bases.

As for the Food and Beverage Distribution segment, investments were conducted in the rationalization of in-house production of new vending machine models and in convenience store equipment testing facilities for the purpose of increasing sales in the store distribution business. As for overseas, we completed the first phase of construction at the second Dalian factory, a project that is intended to expand our vending machine operations in China.

Financial Position

Total Assets

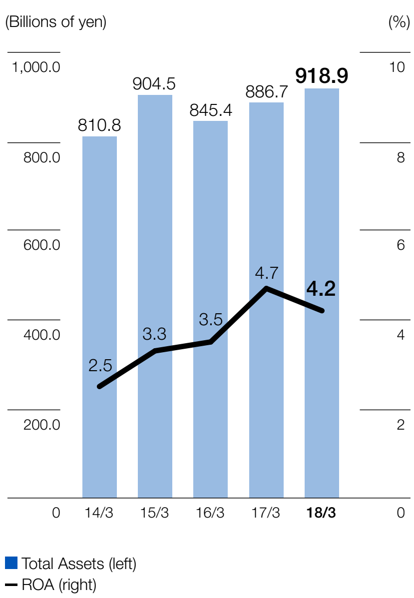
Total assets on March 31, 2018, stood at ¥918,859 million, an increase of ¥32,196 million from the end of the previous fiscal year.

Current Assets and Current Liabilities

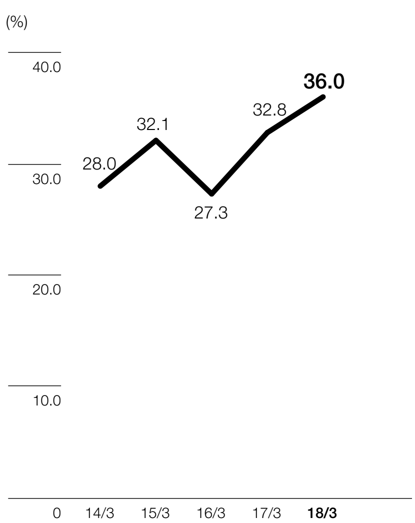
Total current assets increased by ¥23,764 million from the previous fiscal year-end, to ¥536,234 million. This increase is mainly due to increases of ¥17,408 million in trade receivables and ¥7,345 million in inventories, which were partially offset by the ¥8,557 million decrease in cash and cash equivalents.

Total current liabilities stood at ¥405,236 million on March 31, 2018, a decrease of ¥7,168 million year on year. This decrease is mainly because the increase of ¥18,670 million in trade payables was offset by decreases of ¥4,484 million in short-term debt, ¥8,659 million in current portion of long-term debt, and ¥22,758 million in income taxes payable.

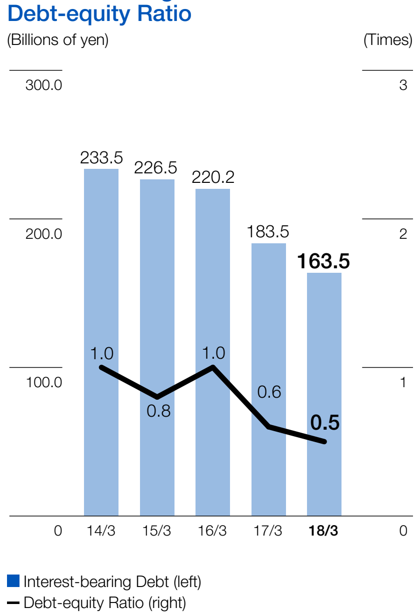
Total Assets / ROA



Equity Ratio



Interest-bearing Debt / Debt-equity Ratio



Noncurrent Assets
Total noncurrent assets increased by ¥8,432 million year on year, to ¥382,625 million on March 31, 2018. The combined total of net property, plant and equipment and intangible assets were ¥193,931 million, a decrease of ¥114 million year on year. Total investments and other assets amounted to ¥188,556 million, an increase of ¥8,547 million year on year. This increase is mainly due to a ¥8,329 million increase in investment securities attributable to valuation difference on available-for-sale securities.

Long-term Liabilities
Total long-term liabilities decreased by ¥3,319 million from the previous fiscal year-end, to ¥147,077 million. Deferred tax liabilities and lease obligations increased by ¥3,158 million and ¥2,081 million, respectively, but these increases were offset by a ¥9,773 million decrease in long-term debt.

Net Assets
Net assets as of March 31, 2018, totaled ¥366,546 million, an increase of ¥42,683 million from the previous fiscal year-end. This increase was attributable to an increase of ¥29,228 million in retained earnings combined with upward adjustments of ¥4,914 million from valuation difference on available-for-sale securities and ¥2,234 million from remeasurements of defined benefit plans. As a result, the equity ratio stood at 36.0%, an increase of 3.1 percentage points year on year.

Debt
Interest-bearing debt as of the fiscal year-end totaled ¥163,507 million, a decrease of ¥19,958 million year on year. The ratio of interest-bearing debt to total assets was 17.8%, representing a 2.9 percentage-point decrease from the previous fiscal year-end.

Cash Flow
Consolidated free cash flow (net cash provided by (used in) operating activities + net cash provided by (used in) investing activities) was a positive ¥38,596 million, a ¥29,338 million decrease from the previous fiscal year's positive free cash flow of ¥67,934 million.

Cash Flows from Operating Activities
Net cash provided by operating activities was ¥53,146 million, compared with ¥58,185 million in the previous fiscal year. Major factors increasing cash included the recording of income before income taxes and an increase in trade payables. Major factors decreasing cash included income taxes paid and an increase in trade receivables.

This was a decrease of ¥5,039 million year on year.

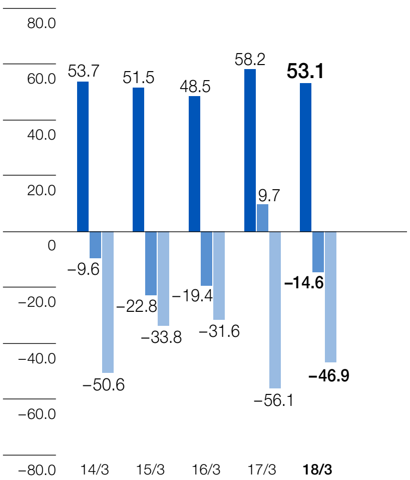
Cash Flows from Investing Activities
Net cash used in investing activities was ¥14,550 million, compared with net cash provided by investing activities of ¥9,748 million, in the previous fiscal year. This was primarily a result of the purchase of property, plant and equipment.

In fiscal 2017, investing activities resulted in a net outflow while investing activities in fiscal 2016 resulted in a net inflow. When the amounts of this net outflow and this net inflow are added together, the total is ¥24,298 million.

Cash Flows from Financing Activities
Net cash used in financing activities was ¥46,887 million, compared with ¥56,082 million in the previous fiscal year. This was principally due to the repayment of long-term loans payable and the repayment of lease obligations.

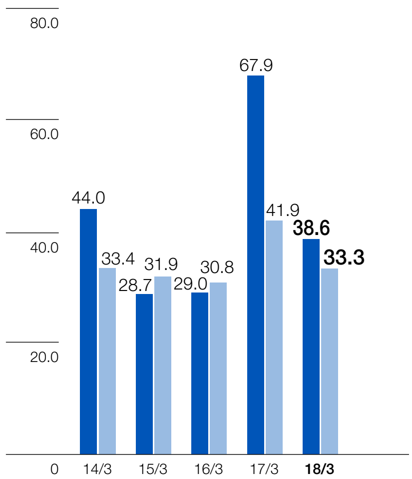
This was a decrease of ¥9,195 million year on year.

Cash Flows
(Billions of yen)



Cash Flows from Operating Activities
Cash Flows from (Used in) Investing Activities
Cash Flows from (Used in) Financing Activities

Free Cash Flow / Cash and Cash Equivalents
(Billions of yen)



Free Cash Flow
Cash and Cash Equivalents

Risk Factors

Fuji Electric works to mitigate business risk and other risks in a systematic and methodical manner. However, there are various risks, such as those listed below, which could have a negative effect on the operating results and financial position of Fuji Electric.

As of March 31, 2018, the following factors were judged to have a potential future effect on the operations of Fuji Electric.

(1) Risks Related to Changes in the Operating Environment

(a) In addition to increasing raw material and components prices against the background of a weak yen, such changes as the drastically increasing demand in emerging nations may result in tightened supply and demand as regards materials and raw materials. Consequently, although Fuji Electric strives to lessen the risk of rising raw material prices through commodity swap transactions, significant increases in these prices could have a negative effect on the operating results of Fuji Electric.

(b) Fuji Electric is developing operations actively in overseas markets, focusing particularly on expanding sales in China and other Asian markets. In addition, economic trends in Japan, such as private sector capital investment and public investment affect the Company significantly. In order to minimize the effect on operating results of overseas and domestic market trends, the Company is implementing overall cost and expense reductions. However, a deterioration of the business climate or a change of economic policy in China, a dramatic change in product supply and demand or intensified competition in the market, or a steep decrease in price levels as a result of such factors could affect Fuji Electric's operating results.

(c) Based on an established set of management criteria, Fuji Electric systematically employs forward-exchange contracts to minimize the risk of exchange rate fluctuations on its operating results. However, the forward-exchange contract policy is not capable of entirely mitigating exchange rate risk. Consequently, fluctuations in exchange rates, primarily between the yen and the U.S. dollar, could have a negative effect on the operating results and financial position of the Company.

(d) Fuji Electric's interest-bearing debt totaled ¥163,507 million as of March 31, 2018. A higher-than-anticipated increase in interest rates could lead to a significant additional interest payment burden, which could have a negative effect on the operating results of the Company.

(e) Trends in the financial markets or deterioration in Fuji Electric's financial indicators could impact on Fuji Electric's fund procurement or interest payments, for example by prompting early repayment due to infringement on financial covenants relating to certain loans. Such an event could affect Fuji Electric's operating results and financial position.

(2) Risks Related to Product Quality

Fuji Electric has put in place a quality assurance system designed to ensure the highest level of quality for all of the products that it manufactures and sells. Although the Company has taken precautions in the form of product liability insurance to provide compensation for product liability claims, in the event that major defects are found in any Fuji Electric products due to unforeseen factors, there could be a negative effect on the Company's operating results and financial position.

(3) Risks Related to Investments

Fuji Electric concentrates its management resources on quickly identifying potential business growth areas and conducts investment in facilities and R&D with the objective of expanding and developing the Company's business. The large-scale investment necessary and short product cycles in the semiconductors and magnetic disks fields, in particular, as well as shifts in product demand and intensifying competition increase the possibility that the Company might not be able to recoup its investments. Such events could thereby have a negative effect on the Company's operating results.

(4) Risks Related to Technology Development

Fuji Electric makes a concerted effort to develop technology that matches the needs of the market. However, there is a possibility that competing companies will gain an advantage through faster development, or that the Company will be unable to bring products to market in a timely manner should development not progress according to plan. Such events could thereby have a negative effect on the Company's operating results.

(5) Risks Related to Overseas Business Activities

Fuji Electric is seeking to expand its overseas presence, with a particular focus on Asia, including China. Consequently, the Company is exposed to the following risks, which could have a negative effect on the Company's operating results and financial position:

- Unforeseen changes in laws and regulations as well as tax systems that could have a detrimental effect on the Company
- Disadvantages arising from political conditions
- Social turmoil related to terrorist incidents, war, and other events

(6) Risks Related to Intellectual Property

Fuji Electric effectively manages its intellectual property rights and develops new products and technologies in a manner that does not infringe on third-party patent rights. However, since the pace of technological innovation is accelerating and the Company's operations are becoming more global, the possibility of disputes over intellectual property rights is increasing.
A dispute of this nature could have a negative effect on the Company's operating results and financial position.

(7) Risks Related to Business Alliances

Fuji Electric actively collaborates with third-party entities in mergers, tie-ups, and other forms of alliances with the objective of enhancing competitiveness in each of its fields of business. Cooperative relations are essential to the success of such collaborations.

However, differences in business systems, corporate cultures, or other aspects could impede the smooth integration of business strategies, technologies, products, personnel, or other elements necessary for a successful collaboration. Such circumstances could thereby have a negative effect on the Company's operating results.

(8) Risks Related to Human Resources

The business activities of Fuji Electric depend heavily on its human resources. Retaining and training superior personnel in such fields as technology, production, sales, and administration is essential to the growth of the Company. Should the Company be unable to retain and/or train such necessary human resources, this could have a negative effect on the Company's operating results.

(9) Risks Related to the Leakage of Personal Information

As a part of its business activities, Fuji Electric handles personal information about numerous individuals, including customers, suppliers, and employees. Fuji Electric has formulated and strictly enforces thorough internal regulations regarding the gathering, use, and management of personal information. However, the Company cannot entirely rule out the possibility that such information could be leaked due to unforeseen circumstances. Any leak of this kind could damage trust in Fuji Electric and thereby have a negative effect on the Company's operating results.

(10) Risks Related to Major Natural Disasters

Fuji Electric has a network of bases throughout the world. In the event of a major natural disaster, production facilities could be damaged, operations at manufacturing facilities could be halted, shipments of products could be delayed, and other related problems could occur. These events could thereby have a negative effect on the operating results and financial position of the Company.

(11) Risks Related to Soil Contamination

Based on the international standard for environmental protection systems, the Company works to prevent, measure, and monitor soil contamination at its operating sites. Prior to selling any land, the Company carries out soil surveys and takes other appropriate steps in accordance with relevant laws and regulations. However, as a result of these measurements and surveys, the Company may incur costs for soil remediation measures, which could have a negative effect on the operating results of the Company.

(12) Risks Related to Retirement Benefit Liabilities

Fuji Electric has a lump-sum payment plan and a corporate pension plan for its employees when they retire. Retirement benefit costs and liabilities are calculated on the assumption that they are accepted as reasonable on the basis of actuarial calculations. Fuji Electric and certain domestic consolidated subsidiaries have also entrusted listed marketable securities to employee retirement benefit trusts. Consequently, changes in the discount rate, the expected rate of return on pension assets and stock prices that are used as the basis of computing pension benefit obligations, differences between these expectations and actual performance, changes in the prices of entrusted listed marketable securities, and other items could have a negative effect on the operating results and financial position of Fuji Electric.

(13) Risks Related to Compliance

Fuji Electric conducts business in a variety of fields and regions throughout the world, and as such is subject to the laws and regulations of numerous countries. The Company has put in place an appropriate internal control system to ensure compliance, but the possibility of legal violations cannot be discounted entirely. Should such a violation occur, this could have a negative effect on the Company's social credibility and/or operating results.

(14) Risks Related to Lawsuits and Other Legal Proceedings

Fuji Electric, in the course of its business, could become the subject of a lawsuit or other legal proceeding, and could as a result unexpectedly become liable for the payment of large amounts of compensation. Depending on the content of such a decision, this could have a negative effect on the Company's operating results.

Consolidated Balance Sheets

As of March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Assets			
Current Assets:			
Cash and cash equivalents (Note 6)	¥ 33,329	¥ 41,886	$ 314,433
Short-term investments (Notes 5, 6 and 7)	42	158	398
Trade receivables (Note 6)	287,084	269,676	2,708,341
Allowance for doubtful accounts	(1,280)	(1,226)	(12,084)
Inventories (Note 4)	149,757	142,412	1,412,811
Deferred tax assets (Note 16)	17,763	17,975	167,576
Other current assets	49,539	41,589	467,343
Total Current Assets	536,234	512,470	5,058,818
Property, Plant and Equipment (Note 5)**:**			
Land	34,947	34,963	329,690
Buildings and structures	240,044	237,460	2,264,572
Machinery and equipment	204,974	204,451	1,933,725
Lease assets (Note 19)	77,024	70,084	726,642
Construction in progress	2,401	2,763	22,635
	559,390	549,721	5,277,264
Less accumulated depreciation	(384,790)	(376,204)	(3,630,089)
Net Property, Plant and Equipment	174,600	173,517	1,647,175
Investments and Other Assets:			
Investment securities (Notes 5, 6 and 7):			
Unconsolidated subsidiaries and affiliates	23,898	21,918	225,454
Other	112,016	105,667	1,056,762
Long-term loans receivable	731	1,255	6,905
Net defined benefit asset (Note 11)	40,109	38,452	378,390
Deferred tax assets (Note 16)	2,263	3,611	21,357
Other investments and other assets (Note 19)	29,494	30,657	278,215
Allowance for doubtful accounts	(486)	(884)	(4,589)
Total Investments and Other Assets	208,025	200,676	1,962,494
Total Assets	¥ 918,859	¥ 886,663	$ 8,668,487

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 3) 2018
Liabilities and Net Assets			
Current Liabilities:			
Short-term debt (Notes 5, 6 and 9)	¥ 31,998	¥ 36,482	$ 301,868
Current portion of long-term debt (Notes 5, 6 and 9)	21,867	30,526	206,300
Trade payables (Notes 5 and 6)	183,976	165,306	1,735,630
Lease obligations (Notes 6 and 10)	12,153	11,276	114,657
Advances received	48,569	45,092	458,206
Income taxes payable (Note 16)	8,293	31,051	78,239
Other current liabilities (Notes 16 and 23)	98,380	92,671	928,088
Total Current Liabilities	405,236	412,404	3,822,988
Long-term Liabilities:			
Long-term debt (Notes 5, 6, and 9)	74,435	84,208	702,220
Lease obligations (Notes 6 and 10)	23,053	20,972	217,483
Net defined benefit liability (Note 11)	42,519	40,883	401,127
Provision for directors' retirement benefits	185	189	1,748
Deferred tax liabilities (Note 16)	4,376	1,218	41,285
Other long-term liabilities (Note 23)	2,509	2,926	23,647
Total Long-term Liabilities	147,077	150,396	1,387,510
Total Liabilities	552,313	562,800	5,210,498
Contingent Liabilities (Note 18)**:**			
Net Assets (Note 24)			
Shareholders' Equity:			
Capital stock (Note 12):			
Authorized - 1,600,000,000 shares			
Issued- 746,484,957 shares as of March 31, 2018	47,586	—	448,925
746,484,957 shares as of March 31, 2017	—	47,586	—
Capital surplus	45,986	45,985	433,835
Retained earnings	195,517	166,289	1,844,509
Treasury stock at cost (Note 12):			
32,215,710 shares as of March 31, 2018	(7,284)	—	(68,723)
32,158,991 shares as of March 31, 2017	—	(7,241)	—
Total Shareholders' Equity	281,805	252,619	2,658,546
Accumulated Other Comprehensive Income (Loss):			
Valuation difference on available-for-sale securities	47,665	42,751	449,671
Deferred gains or losses on hedges (Notes 6 and 8)	88	(1,600)	839
Foreign currency translation adjustments	1,574	176	14,837
Remeasurements of defined benefit plans	(496)	(2,730)	(4,686)
Total Accumulated Other Comprehensive Income	48,831	38,597	460,661
Non-controlling Interests	35,910	32,647	338,782
Total Net Assets	366,546	323,863	3,457,989
Total Liabilities and Net Assets	¥918,859	¥886,663	$8,668,487

Consolidated Statements of Income

Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Net Sales	¥893,451	¥837,765	$8,428,790
Cost of Sales (Note 13)	661,824	624,371	6,243,626
Gross Profit	231,627	213,394	2,185,164
Selling, General and Administrative Expenses (Notes 13 and 14)	175,665	168,685	1,657,220
Operating Income	55,962	44,709	527,944
Non-Operating Income (Expenses):			
Interest and dividend income	2,503	2,822	23,622
Interest expense	(1,621)	(2,135)	(15,299)
Foreign exchange gains (losses)	(2,080)	(319)	(19,625)
Equity in earnings of affiliates	1,236	1,204	11,663
Other, net	47	15	441
	85	1,587	802
Ordinary Income	56,047	46,296	528,746
Extraordinary Income, Net (Note 15)	758	17,647	7,151
Income Before Income Taxes	56,805	63,943	535,897
Income Taxes (Note 16)	14,804	18,924	139,654
Net Income	42,001	45,019	396,243
Net Income Attributable To Non-controlling Interests	4,238	4,041	39,980
Net Income Attributable To Owners of Parent (Note 24)	¥ 37,763	¥ 40,978	$ 356,263

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Net Income	¥42,001	¥45,019	$396,243
Other Comprehensive Income (Loss) (Note 17)			
Valuation difference on available-for-sale securities	5,093	12,598	48,055
Deferred gains or losses on hedges	1,688	(464)	15,933
Foreign currency translation adjustments	1,600	(3,602)	15,073
Remeasurements of defined benefit plans	2,301	18,359	21,710
Share of other comprehensive income of associates accounted for using equity method	171	307	1,615
Total Other Comprehensive Income	10,853	27,198	102,386
Comprehensive Income	¥52,854	¥72,217	$498,629
Comprehensive Income Attributable to:			
Owners of parent	¥47,997	¥68,397	$452,810
Non-controlling interests	4,857	3,820	45,819

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2018 and 2017

	Thousands	Millions of yen										
	Number of shares of capital stock	Capital stock	Capital surplus	Retained earnings	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Treasury stock	Total	Non-controlling interests	Total net assets
Balance at March 31, 2016	746,484	¥47,586	¥46,736	¥132,111	¥30,254	¥(1,132)	¥ 3,377	¥(21,321)	¥(7,212)	¥230,399	¥30,581	¥260,980
Net income attributable to owners of parent	—	—	—	40,978	—	—	—	—	—	40,978	—	40,978
Change of scope of consolidation	—	—	—	343	—	—	—	—	—	343	—	343
Cash dividends	—	—	—	(7,143)	—	—	—	—	—	(7,143)	—	(7,143)
Purchase of treasury stock	—	—	—	—	—	—	—	—	(29)	(29)	—	(29)
Sales of treasury stock	—	—	0	—	—	—	—	—	0	0	—	0
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	(751)	—	—	—	—	—	—	(751)	—	(751)
Net changes of items other than shareholders' equity	—	—	—	—	12,497	(468)	(3,201)	18,591	—	27,419	2,066	29,485
Balance at March 31, 2017	746,484	¥47,586	¥45,985	¥166,289	¥42,751	¥(1,600)	¥ 176	¥ (2,730)	¥(7,241)	¥291,216	¥32,647	¥323,863
Net income attributable to owners of parent	—	—	—	37,763	—	—	—	—	—	37,763	—	37,763
Change of scope of consolidation	—	—	—	36	—	—	—	—	—	36	—	36
Cash dividends	—	—	—	(8,571)	—	—	—	—	—	(8,571)	—	(8,571)
Purchase of treasury stock	—	—	—	—	—	—	—	—	(43)	(43)	—	(43)
Sales of treasury stock	—	—	1	—	—	—	—	—	0	1	—	1
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	0	—	—	—	—	—	—	0	—	0
Net changes of items other than shareholders' equity	—	—	—	—	4,914	1,688	1,398	2,234	—	10,234	3,263	13,497
Balance at March 31, 2018	**746,484**	**¥47,586**	**¥45,986**	**¥195,517**	**¥47,665**	**¥ 88**	**¥ 1,574**	**¥ (496)**	**¥(7,284)**	**¥330,636**	**¥35,910**	**¥366,546**
		Thousands of U.S. dollars (Note 3)										
Balance at March 31, 2017		$448,925	$433,830	$1,568,767	$403,312	$(15,095)	$1,656	$(25,758)	$(68,318)	$2,747,319	$307,995	$3,055,314
Net income attributable to owners of parent		—	—	356,263	—	—	—	—	—	356,263	—	356,263
Change of scope of consolidation		—	—	345	—	—	—	—	—	345	—	345
Cash dividends		—	—	(80,866)	—	—	—	—	—	(80,866)	—	(80,866)
Purchase of treasury stock		—	—	—	—	—	—	—	(406)	(406)	—	(406)
Sales of treasury stock		—	5	—	—	—	—	—	1	6	—	6
Change in treasury shares of parent arising from transactions with non-controlling shareholders		—	0	—	—	—	—	—	—	0	—	0
Net changes of items other than shareholders' equity		—	—	—	46,359	15,934	13,181	21,072	—	96,546	30,787	127,333
Balance at March 31, 2018		**$448,925**	**$433,835**	**$1,844,509**	**$449,671**	**$ 839**	**$14,837**	**$ (4,686)**	**$(68,723)**	**$3,119,207**	**$338,782**	**$3,457,989**

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Cash Flows from Operating Activities:			
Income before income taxes	¥ 56,805	¥ 63,943	$ 535,897
Depreciation and amortization	30,151	29,445	284,451
Increase (decrease) in allowance for doubtful accounts	(347)	41	(3,279)
Interest and dividend income	(2,503)	(2,822)	(23,622)
Interest expense	1,621	2,135	15,299
Foreign exchange losses (gains)	741	(53)	6,999
Gain on sales of noncurrent assets	(209)	(55)	(1,973)
Gain on sales of investment securities	(1,691)	(18,849)	(15,959)
Loss on disposal of noncurrent assets	366	568	3,459
Loss on devaluation of investment securities	776	244	7,323
Impairment loss	—	1,356	—
Changes in operating assets and liabilities:			
Trade receivables	(16,633)	(14,107)	(156,921)
Inventories	(6,933)	1,557	(65,410)
Trade payables	18,645	7,169	175,898
Advances received	3,487	4,909	32,901
Other, net	4,380	(7,408)	41,327
Cash generated from operations	88,656	68,073	836,390
Interest and dividends received	2,507	2,838	23,653
Interest expenses paid	(1,652)	(2,230)	(15,588)
Income taxes paid	(36,365)	(10,496)	(343,069)
Net cash provided by operating activities	53,146	58,185	501,386
Cash Flows from Investing Activities:			
Purchase of property, plant and equipment	(12,279)	(18,085)	(115,844)
Proceeds from sales of property, plant and equipment	640	358	6,046
Purchase of investment securities	(2,362)	(1,549)	(22,288)
Proceeds from sales of investment securities	2,741	33,251	25,860
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(130)	—
Payments of loans receivable	(4,634)	(4,371)	(43,718)
Collection of loans receivable	5,299	4,958	49,999
Other, net	(3,955)	(4,684)	(37,320)
Net cash provided by (used in) investing activities	(14,550)	9,748	(137,265)
Cash Flows from Financing Activities:			
Net decrease in short-term loans payable	(4,570)	(22,228)	(43,116)
Proceeds from long-term loans payable	2,060	11,355	19,442
Repayment of long-term loans payable	(25,559)	(16,582)	(241,124)
Proceeds from issuance of bonds	10,000	15,000	94,340
Redemption of bonds	(5,000)	(20,500)	(47,170)
Repayments of lease obligations	(12,785)	(12,879)	(120,622)
Proceeds from sales of treasury stock	0	1	6
Purchase of treasury stock	(43)	(29)	(406)
Cash dividends paid	(8,571)	(7,143)	(80,866)
Cash dividends paid to non-controlling interests	(2,364)	(901)	(22,303)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(2,107)	—
Other, net	(55)	(69)	(517)
Net cash used in financing activities	(46,887)	(56,082)	(442,336)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(374)	(910)	(3,529)
Net Increase (Decrease) in Cash and Cash Equivalents	(8,665)	10,941	(81,744)
Cash and Cash Equivalents at Beginning of Year	41,886	30,838	395,157
Increase in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation	108	107	1,020
Cash and Cash Equivalents at End of Year	¥ 33,329	¥ 41,886	$ 314,433

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Notes to the Consolidated Financial Statements

Note 1. Basis of Preparing Consolidated Financial Statements

The accompanying consolidated financial statements of Fuji Electric Co., Ltd. (the "Company") and consolidated subsidiaries (together, the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In preparing these statements, certain reclassifications and rearrangements have been made to the consolidated financial statements prepared domestically in Japan in order to present these statements in a form that is more familiar to readers outside Japan.

In addition, the notes to the consolidated financial statements include additional information which is not required under accounting principles generally accepted in Japan.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

Note 2. Summary of Significant Accounting Policies

a. Principles of Consolidation

The consolidated financial statements for the year ended March 31, 2018 include the accounts of the Company and its 70 significant subsidiaries and its 5 subsidiaries and affiliates are accounted for by the equity method (68 and 5 in 2017).

Under the control or influence concept, the accompanying consolidated financial statements include the accounts of the Company and, with minor exceptions, those of its subsidiaries, whether directly or indirectly controlled, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Companies are eliminated. The Company does not consolidate nor apply the equity method to subsidiaries or affiliates whose gross assets, net sales, net income (loss) and retained earnings are not significant to the consolidated financial statements.

Investments in unconsolidated subsidiaries and affiliates are stated at cost.

The balance sheet date of certain consolidated subsidiaries is December 31 or January 31. In principle, the financial statements of such subsidiaries were tentatively prepared in accordance with the fiscal year of the Company, and those were consolidated.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Goodwill resulting from the difference between the cost and the underlying net assets at the respective dates of acquisition are being amortized over a period of 5 or 10 years.

b. Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Companies consider all short-term, highly liquid instruments with a maturity of three months or less to be cash equivalents.

c. Inventories

Raw materials are mainly stated at cost, determined by the most recent purchase price method. Finished goods and work in process are mainly stated at actual cost determined by accumulated production cost for contract items or average cost for regular production items, except that finished goods of certain consolidated subsidiaries are priced by the most recent purchase price method.

In accordance with accounting practices generally accepted in the heavy electric industry, inventories include items with a manufacturing period exceeding one year.

Inventories with lower profitability were written down and the losses on valuation were included in cost of sales.

d. Securities

Marketable securities classified as other securities are stated at fair value. Unrealized gains and losses, net of taxes, are reported in a separate component of net assets.

Nonmarketable securities classified as other securities are stated at cost determined by the moving-average method.

e. Derivatives and Hedging Activities

The Companies enter into derivative financial instruments ("derivatives"), including foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies and interest rate and currency swap agreements as a means of managing its interest rate and foreign currency exposures on certain liabilities.

In addition, the Companies enter into commodity swap agreements to hedge the risk of fluctuation of commodity prices for raw materials.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

a) Except as described in the following paragraphs b) and c), all derivatives are recognized as either assets or liabilities and measured at fair value, and forward contracts applied for forecasted transactions are measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed if the forward contracts qualify for hedge accounting.

b) Trade receivables and trade payables denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are accounted for allocation treatment ("Furiate shori") where these receivables and payables are translated at the contracted rate if the forward contracts qualify for hedge accounting.

c) The interest rate and currency swaps which qualify for hedge accounting and meet criteria for exceptional accounting treatment ("Tokurei shori") and allocation treatment ("Furiate shori") under hedge accounting are accounted for integrated treatment ("Ittai shori").

f. Depreciation

1) Tangible fixed assets (excluding leased assets)

Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to the buildings of the Company and its domestic consolidated subsidiaries acquired after April 1, 1998 and the facilities attached to buildings and the other non-building structures acquired after April 1, 2016. The range of useful lives is from 7 to 50 years for buildings and from 5 to 12 years for machinery and equipment.

2) Leased assets

Depreciation is computed by the straight-line method over the lease period assuming no residual value. Finance leases other than those that were deemed to transfer the ownership of the leased assets to the lessees and contracted before April 1, 2008, are accounted for by the method that is applicable to ordinary operating leases.

g. Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

h. Retirement Benefits

(1) The retirement benefit obligation for employees is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

(2) The prior service costs are amortized by the straight-line method within the average remaining years of service of the employees participants. The actuarial gains and losses are amortized by the straight-line method within the average remaining years of service of the employee participants from the next period in which they arise, respectively.

i. Provision for Directors' Retirement Benefits

For certain consolidated subsidiaries, the accrued retirement benefits for directors were provided mainly at an amount to be required at the year-end according to internal regulations.

j. Research and Development Costs

Research and development costs are charged to income as incurred.

k. Recognition for Revenue and Costs

For long-term construction contracts whose outcome can be estimated reliably, the percentage-of-completion method is adopted. The stage of completion of a contract is determined by the percentage of the cost incurred to date to the estimated total cost. When the outcome of the construction contracts cannot be estimated reliably, the completed-contract method is adopted.

l. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The Company filed a consolidated tax return, which allows companies to file tax payments on the combined basis of profits or losses of the parent company and its wholly owned domestic subsidiaries. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

m. Foreign Currency Transactions

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

n. Foreign Currency Financial Statements

Assets, liabilities, and revenue and expense accounts of the foreign consolidated subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for share-holders' equity, which is translated at the historical rate.

Differences arising from such translation are included in foreign currency translation adjustments and non-controlling interests in consolidated subsidiaries as a separate component of net assets.

o. Accounting for Consumption Taxes

The Japanese consumption taxes withheld and consumption taxes paid are not included in the accompanying consolidated statements of income.

p. Amounts Per Share

Basic net income per share is computed based on the net income attributable to common shareholders of the parent and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share is computed based on the net income attributable to owners of parent's common stock and weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants and stock subscription rights.

Net assets per share are computed based on the net assets excluding share subscription rights and non-controlling interests and the number of shares of common stock outstanding at the year end.

q. Accounting Standards Issued but not yet Effective

- "Accounting Standard for Revenue Recognition" (Accounting Standard Board of Japan ("ASBJ") statement No. 29 of March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 of March 30, 2018)

(1) Overview

International Accounting Standards Board ("IASB") and Financial Accounting Standards Board ("FASB") worked together toward development of a comprehensive accounting standard for revenue recognition and "Revenue from Contracts with Customers" was issued as IFRS 15 by the IASB and as ASC 606 by the FASB in May, 2014. IFRS 15 became effective for annual reporting periods beginning on or after January 1, 2018 and ASC 606 became effective for the periods beginning on or after December 15, 2017. In light of these circumstances, the ASBJ developed and issued a comprehensive accounting standard for revenue recognition together with an implementation guidance. The ASBJ's basic policy for developing accounting standard for revenue recognition is to build the standard on the core principle of IFRS 15 in terms of international comparability between financial statements that is one of the benefits of convergence toward IFRS 15. It also stated that alternative accounting treatment may be additionally adopted locally, to make consideration to the current Japanese practices if necessary, provided such alternative treatments would not impair international comparability.

(2) Scheduled date of adoption

The Companies expect to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the adoption of accounting standard and implementation guidance

The Companies are currently evaluating the effect of the adoption of this accounting standard and implementation guidance on the consolidated financial statements.

Note 3. U.S. Dollar Amounts

The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating yen into U.S. dollars at ¥106=U.S.$1, the approximate exchange rate as of March 31, 2018. The U.S. dollar amounts are presented solely for the convenience of the readers outside Japan.

Note 4. Inventories

Inventories as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Merchandise and finished goods	¥ 57,821	¥ 56,873	$ 545,484
Work in process	50,372	48,395	475,210
Raw materials	41,564	37,144	392,117
Inventories	¥149,757	¥142,412	$1,412,811

Losses (gains) on valuation of inventories with lower profitability were ¥210 million ($1,984 thousand) and ¥586 million for the years ended March 31, 2018 and 2017, respectively. These were included in cost of sales.

Note 5. Pledged Assets and Financial Assets Accepted as Collateral

The amounts of assets pledged as collateral for trade payables, short-term debt and long-term debt as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Investment securities	¥ 22	¥ 18	$ 215
Property, plant and equipment	1,812	1,956	17,103
Intangible assets	445	435	4,184
Total	¥2,279	¥2,409	$21,503

Collateralized liabilities as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Trade payables	¥ 78	¥ 51	$ 743
Short-term debt	412	148	3,893
Long-term debt	140	177	1,311
Total	¥630	¥376	$5,947

Note 6. Financial Instruments

1. Status of financial instruments

(1) Policy regarding financial instruments

The Companies limit the scope of their cash and fund management activities to short-term deposits. When raising funds, the Companies have a policy of relying principally on bank borrowings, bonds payable and commercial paper. The Companies mainly raise the operating funds through short-term loans payable and commercial paper, and the funds relating to capital investments through long-term loans payable and bonds payable. The Companies make use of derivatives to reduce risk, as explained below, and have a policy of not engaging in derivative transactions for speculative purposes.

(2) Details of financial instruments and associated risk

In the course of its business activities, trade receivables are exposed to customer credit risk.

In addition, trade receivables denominated in foreign currencies arising from international business are exposed to exchange risk. The Companies hedge the exchange risk, by using foreign exchange forward contracts within the range prescribed relating to the net amount of the trade receivables denominated in foreign currencies, offset by the amount of the trade payables denominated in the same currencies.

Short-term investments and investment securities are comprised primarily of stocks of companies with which the Companies have business relation and are exposed to market price risk.

Trade payables are mostly payable within one year. Some trade payables are denominated in foreign currencies and exposed to exchange risk. The Companies hedge the exchange risk of the trade payables denominated in foreign currencies in principle, except for the amount within that of trade receivables denominated in the same currencies, by using foreign exchange forward contracts.

Short-term loans payable and commercial paper are primarily raised for the purpose of maintaining operating funds. Bonds payable, long-term loans payable and lease obligations on finance lease transactions are primarily raised for the purpose of preparing capital investment. The maturities of these bonds payable, long-term loans payable and lease obligations on finance lease transactions are up to13 years at the longest after the balance sheet date. Some are exposed to interest rate fluctuation risk and the Companies hedge such risk by interest rate and currency swap transactions.

Regarding derivatives, the Companies employ foreign exchange forward contracts to reduce the risk of foreign currency exchange movements that arise from the previously mentioned receivables and payables denominated in foreign currencies. In addition, the Companies use interest rate and currency swap transactions to reduce the interest rate fluctuation risk of loans, and use commodity swap transactions to reduce the risk of fluctuation of commodity prices for raw materials. As hedging instruments under hedge accounting, the Companies enter into these derivative transactions in accordance with Companies' policies to reduce the corresponding risk to each hedged item. The Companies compare the market change of hedged items and hedging instruments or the cash flow changes. Assessment of effectiveness for hedging activities depends on the ratio of the amount of change.

(3) Systems for management of financial instruments risk

a) Credit risk management (the risk that transaction partners may default on their obligations to the Companies)

The credit risk in relation to trade receivables from customers, pursuant to criteria for managing credit exposure, is managed by controlling due dates and balances of each customer. In addition, the Companies manage to identify doubtful receivables earlier and mitigate their risk caused by aggravation of the financing position, etc.

Because the counterparties to derivative transactions are limited to authentic financial institutions, the Companies do not anticipate any losses arising from credit risk.

b) Market risk management (the risks arising from fluctuations in exchange rates, interest rates and other indicators)

The Companies, in principle, employ foreign exchange forward contracts to reduce the risk of foreign currency exchange movements that arise from the previously mentioned receivables and payables denominated in foreign currencies. In addition, the Companies use interest rate and currency swap transactions to reduce the interest rate and exchange fluctuation risk of loans, and use commodity swap transactions to reduce the risk of fluctuation of commodity prices for raw materials.

Regarding investment securities, the Companies periodically review the market value of such financial instruments and the financial position of the issuer (the company having business transactions with the Companies). In addition, other than debt securities to be held until maturity, the Companies review the status of these investments on a continuing basis.

Derivative transactions have been entered into in accordance with the Companies' policies. The execution of derivatives, which is based on the application of each section, is mainly controlled by the Finance Department of each company, or by the Material Section regarding commodity swap transactions. In addition, the Finance Department periodically reports to the management and each section, and strictly performs risk management relating to derivative transactions.

c) Liquidity risk management (the risk that the Companies may not be able to meet its payment obligations on the scheduled date)

The Companies reduce the liquidity risk by having each company review and revise cash management plans monthly or timely.

(4) Supplementary explanation of the estimated fair value of financial instruments and related matters

The estimated fair value of financial instruments is their price based on their market price and other indicators. When there is no market price available, it includes prices which are reasonably computed.

Since variable factors are taken into account in computing the price, this price may fluctuate depending on different assumptions adopted. In addition, the contract (notional) amount of derivatives in "Note 8. Derivatives" is not an indicator of the actual market risk involved in derivative transactions.

2. Estimated fair value and other matters related to financial instruments

Carrying amounts on the consolidated balance sheets as of March 31, 2018 and 2017, estimated fair value and the variance between them are shown in the following table. Financial instruments whose estimated fair value is deemed to be extremely difficult to obtain are not included (Please refer to Note 2).

	Millions of yen		
	2018		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	¥ 33,329	¥ 33,329	¥ —
Trade receivables	287,084	286,992	(92)
Investment securities	120,305	132,928	12,623
Trade payables	(183,976)	(183,976)	—
Short-term debt	(31,998)	(31,998)	—
Current portion of long-term debt	(21,867)	(21,895)	28
Lease obligations (Current Liabilities)	(12,153)	(12,153)	—
Long-term debt	(74,435)	(74,602)	167
Lease obligations (Long-term Liabilities)	(23,053)	(23,355)	302
Derivatives			
Derivative transactions to which hedge accounting is not applied	16	16	—
Derivative transactions to which hedge accounting is applied	128	128	—

	Millions of yen		
	2017		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	¥ 41,886	¥ 41,886	¥ —
Trade receivables	269,676	269,642	(34)
Investment securities	113,401	123,351	9,950
Trade payables	(165,306)	(165,306)	—
Short-term debt	(36,482)	(36,482)	—
Current portion of long-term debt	(30,526)	(30,535)	9
Lease obligations (Current Liabilities)	(11,276)	(11,276)	—
Long-term debt	(84,208)	(84,548)	340
Lease obligations (Long-term Liabilities)	(20,972)	(21,235)	263
Derivatives			
Derivative transactions to which hedge accounting is not applied	31	31	—
Derivative transactions to which hedge accounting is applied	(2,314)	(2,314)	—

	Thousands of U.S. dollars (Note 3)		
	2018		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	$ 314,433	$ 314,433	$ —
Trade receivables	2,708,341	2,707,472	(869)
Investment securities	1,134,957	1,254,040	119,083
Trade payables	(1,735,630)	(1,735,630)	—
Short-term debt	(301,868)	(301,868)	—
Current portion of long-term debt	(206,300)	(206,564)	264
Lease obligations (Current Liabilities)	(114,657)	(114,657)	—
Long-term debt	(702,220)	(703,796)	1,576
Lease obligations (Long-term Liabilities)	(217,483)	(220,334)	2,851
Derivatives			
Derivative transactions to which hedge accounting is not applied	151	151	—
Derivative transactions to which hedge accounting is applied	1,209	1,209	—

(*1) Figures shown in parentheses are liability items.
(*2) The value of assets and liabilities arising from derivatives is shown at net value, and a net liability position is shown in parentheses.

Notes: 1. Methods for computing the estimated fair value of financial instruments, and information on securities and derivatives

(1) Cash and cash equivalents
Since these items are settled in a short period of time, estimated fair values are virtually the same as the carrying amounts.

(2) Trade receivables
Fair values of trade receivables, classified by each maturity, are based on the present value discounted by the interest rate determined taking into account the term until maturity and the credit risk.

(3) Investment securities
Stocks are valued at the exchange trading price. For information on securities classified by the purpose of holding, please refer to "Note 7. Securities."

(4) Trade payables, (5) Short-term debt, (6) Current portion of long-term debt (except bonds) and (7) Lease obligations (Current Liabilities)
Since these items are settled in a short period of time, estimated fair values are virtually the same as the carrying amounts.

(6) Current portion of long-term debt (bonds) and (8) Long-term debt (bonds)
Fair values of bonds issued by the Company are based on each market price.

(8) Long-term debt (except bonds) and (9) Lease obligations (Long-term Liabilities)
Fair values of these items are based on the present value of the total of principal and interest discounted by the interest rate applied if similar new borrowings and new lease transactions were entered into.

(10) Derivatives
Please refer to "Note 8. Derivatives."

2. Items for which obtaining an estimated fair value is deemed to be extremely difficult.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
	Carrying amounts	Carrying amounts	Carrying amounts
Unlisted stocks (including stocks of unconsolidated subsidiaries and affiliates)	¥15,609	¥14,184	$147,259

Because the items in the preceding table do not have market price and obtaining the estimated fair values of these items is deemed to be extremely difficult, fair value has not been disclosed in (3) Investment securities.

3. Redemption schedule for monetary assets and securities with maturity dates as of March 31, 2018 and 2017:

	Millions of yen			
	2018			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	¥ 33,329	¥ —	¥—	¥—
Trade receivables	260,206	26,878	—	—
Investment securities				
Debt securities with maturity date classified as other securities (Public bonds)	—	—	—	—
Total	¥293,535	¥26,878	¥—	¥—

	Millions of yen			
	2017			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	¥ 41,886	¥ —	¥—	¥—
Trade receivables	261,221	8,458	6	—
Investment securities				
Debt securities with maturity date classified as other securities (Public bonds)	—	—	—	—
Total	¥303,107	¥8,458	¥ 6	¥—

	Thousands of U.S. dollars (Note 3)			
	2018			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	$ 314,433	$ —	$—	$—
Trade receivables	2,454,765	253,575	—	—
Investment securities				
Debt securities with maturity date classified as other securities (Public bonds)	—	—	—	—
Total	$2,769,198	$253,575	$—	$—

4. Repayment schedule for long-term debt and lease obligations:
Please refer to "Note 9. Short-term Debt and Long-term Debt" and "Note 10. Lease Obligations."

Note 7. Securities

1. Other securities as of March 31, 2018 and 2017 were as follows:

	Millions of yen			
	2018			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	¥39,284	¥107,990	¥69,243	¥(537)
Debt securities	—	—	—	—
Others	—	—	—	—
Total	¥39,284	¥107,990	¥69,243	¥(537)

	Millions of yen			
	2017			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	¥40,173	¥101,608	¥61,941	¥(506)
Debt securities	—	—	—	—
Others	—	—	—	—
Total	¥40,173	¥101,608	¥61,941	¥(506)

	Thousands of U.S. dollars (Note 3)			
	2018			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	$370,606	$1,018,781	$653,237	$(5,062)
Debt securities	—	—	—	—
Others	—	—	—	—
Total	$370,606	$1,018,781	$653,237	$(5,062)

Note: Note: The following is not included in the preceding tables because it does not have market price and obtaining an estimated fair value is deemed to be extremely difficult:
Unlisted stocks (Values in the consolidated balance sheets as of March 31, 2018 and 2017 were ¥4,026 million ($37,981 thousand) and ¥4,058 million, respectively.)

2. Sales of other securities for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Proceed from sales	¥2,633	¥33,240	$24,843
Gain on sales	1,691	18,849	15,959
Loss on sales	(1)	—	(18)

3. Impairment of other securities for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Impairment losses	¥776	¥244	$7,323

Note 8. Derivatives

1. Derivative transactions to which hedge accounting is not applied

	Millions of yen			
	2018			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. Dollar	¥2,234	¥ —	¥ 14	¥ 14
Euro	1,046	—	15	15
Won	507	197	(4)	(4)
Baht	109	—	(10)	(10)
Payables:				
U.S. Dollar	506	—	(4)	(4)
Won	198	—	5	5
Yen	12	—	(0)	(0)
New Taiwan Dollar	7	—	(0)	(0)
Total	¥4,619	¥197	¥ 16	¥ 16

	Millions of yen			
	2017			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. Dollar	¥1,833	¥ —	¥30	¥30
Euro	1,193	—	0	0
Won	339	—	(9)	(9)
Payables:				
U.S. Dollar	440	—	3	3
Won	301	102	7	7
Yen	32	—	(0)	(0)
New Taiwan Dollar	17	—	0	0
Total	¥4,155	¥102	¥31	¥31

	Thousands of U.S. dollars (Note 3)			
	2018			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. Dollar	$21,047	$ —	$ 150	$ 150
Euro	9,872	—	147	147
Won	4,790	1,866	(46)	(46)
Baht	1,030	—	(102)	(102)
Payables:				
U.S. Dollar	4,781	—	(46)	(46)
Won	1,869	—	48	48
Yen	123	—	(0)	(0)
New Taiwan Dollar	66	—	(0)	(0)
Total	$43,578	$1,866	$ 151	$ 151

Note: The fair value is estimated based on forward exchange rates.

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related contracts

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2018 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. Dollar		¥ 7,417	¥2,058	¥ 354
	Euro		1,448	—	(18)
	Payables:	Accounts payable–trade			
	U.S. Dollar		8,596	2	(107)
	Euro		11,175	6,213	(89)
	Pound Sterling		395	—	(8)
	Singapore Dollar		99	—	(3)
	Swiss Franc		26	—	(1)
	Australian Dollar		7	—	(0)
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. Dollar		¥ 1,388	¥ —	
	Yuan Renminbi		299	—	
	Baht		148	—	(Note2)
	Payables:	Accounts payable–trade			
	U.S. Dollar		589	—	
	Euro		941	—	
	Singapore Dollar		66	—	
	Swiss Franc		0	—	
	Total		¥32,594	¥8,273	¥ 128

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2017 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. Dollar		¥ 5,847	¥ 990	¥ (26)
	Euro		360	—	1
	Payables:	Accounts payable–trade			
	U.S. Dollar		2,750	457	(39)
	Euro		20,974	13,476	(2,259)
	Pound Sterling		68	—	6
	Singapore Dollar		53	—	3
	Swiss Franc		4	—	(0)
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. Dollar		¥ 2,574	¥ 114	
	Yuan Renminbi		180	—	
	Baht		0	—	(Note2)
	Payables:	Accounts payable–trade			
	U.S. Dollar		2,288	0	
	Euro		283	2	
	Total		¥35,381	¥15,039	¥(2,314)

Hedge accounting method	Type of derivative	Principal items hedged	Thousands of U.S. dollars (Note 3)		
			2018		
			Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. Dollar		$ 69,981	$19,423	$ 3,343
	Euro		13,661	—	(174)
	Payables:	Accounts payable–trade			
	U.S. Dollar		81,100	25	(1,017)
	Euro		105,377	58,602	(820)
	Pound Sterling		3,736	—	(77)
	Singapore Dollar		938	—	(30)
	Swiss Franc		246	—	(14)
	Australian Dollar		69	—	(1)
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. Dollar		$ 13,095	$ —	(Note2)
	Yuan Renminbi		2,828	—	
	Baht		1,397	—	
	Payables:	Accounts payable–trade			
	U.S. Dollar		5,560	—	
	Euro		8,880	—	
	Singapore Dollar		628	—	
	Swiss Franc		0	—	
	Total		$307,494	$78,051	$ 1,209

Notes: 1. The fair value is estimated based on forward exchange rates.
2. Since amounts in foreign currency forward contracts treated by the allocation method are handled together with accounts receivable-trade and accounts payable-trade that are subject to hedging, the estimated fair value of such contracts is included in the fair value of accounts receivable-trade or accounts payable-trade.

(2) Interest-rate-related contracts

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen		
			2018		
			Contract amount	Contract amount over 1 year	Fair value
Exceptional accounting treatment and allocation treatment	Interest rate and currency swap contracts (Floating rate receipts / Fixed rate payments)	Long-term loans payable	¥1,835	¥1,835	(Note2)

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen		
			2017		
			Contract amount	Contract amount over 1 year	Fair value
Exceptional accounting treatment	Interest rate swap contracts (Floating rate receipts / Fixed rate payments)	Long-term loans payable	¥11,835	¥1,835	(Note 2)

Hedge accounting method	Type of derivative	Principal items hedged	Thousands of U.S. dollars (Note 3)		
			2018		
			Contract amount	Contract amount over 1 year	Fair value
Exceptional accounting treatment and allocation treatment	Interest rate and currency swap contracts (Floating rate receipts / Fixed rate payments)	Long-term loans payable	$17,314	$17,314	(Note2)

Notes: 1. The fair value is principally based on the quotes obtained from the correspondent financial institutions.
2. Since amounts in interest rate swaps which qualify for hedge accounting and meet specific matching criteria are handled together with long-term loans payable that are subject to hedging, the estimated fair value of such interest rate swaps is included in the fair value of the long-term loans payable.

Note 9. Short-term Debt and Long-term Debt

Short-term debt as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Loans, principally from banks	¥31,998	¥36,482	$301,868
Commercial paper	—	—	—
Short-term debt	¥31,998	¥36,482	$301,868

Note: The weighted average interest rates on short-term debt as of March 31, 2018 and 2017 were 1.48% and 1.39%, respectively.

Long-term debt as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Loans, principally from banks and insurance companies	¥36,302	¥ 59,734	$342,483
Bonds issued by the Company:			
1.00% Yen unsecured straight bonds due June 13, 2017	—	5,000	—
0.90% Yen unsecured straight bonds due June 6, 2018	20,000	20,000	188,679
0.38% Yen unsecured straight bonds due September 4, 2020	15,000	15,000	141,509
0.28% Yen unsecured straight bonds due August 31, 2023	15,000	15,000	141,509
0.40% Yen unsecured straight bonds due May 5, 2027	10,000	—	94,340
	96,302	114,734	908,520
Less: Portion due within one year	21,867	30,526	206,300
Long-term debt	¥74,435	¥ 84,208	$702,220

Note: The weighted average interest rates on loans, principally from banks and insurance companies, as of March 31, 2018 and 2017 were 0.45% and 0.54%, respectively.

As of March 31, 2018, the aggregate annual maturities of long-term debt were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
2020	¥26,407	$249,129
2021	16,590	156,510
2022	3,820	36,045
2023	14	136
2024 thereafter	27,604	260,400
Total	¥74,435	$702,220

Note 10. Lease Obligations

Lease obligations as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Short-term	¥12,153	¥11,276	$114,657
Long-term	23,053	20,972	217,483
Total	¥35,206	¥32,248	$332,140

Note: The weighted average interest rates on lease obligations as of March 31, 2018 and 2017 were 1.98% and 2.19%, respectively.

As of March 31, 2018, the aggregate annual maturities of lease obligations were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
2020	¥ 7,921	$ 74,727
2021	6,285	59,294
2022	4,940	46,604
2023	2,578	24,323
2024 thereafter	1,329	12,534
Total	¥23,053	$217,482

Note 11. Retirement Benefits

1. Outline of retirement benefits for employees

The Company and most of its consolidated subsidiaries have either funded or unfunded defined benefit plans and defined contribution pension plans.

Defined benefit corporate pension plans are all funded and cover substantially all employees who are entitled to lump-sum or annuity payments determined by reference to their basic rates of pay and length of service. In addition, retirement benefit trust has been established in certain pension plans.

Lump-sum payment plans are either unfunded or funded as a result of establishing retirement benefit trust. They cover substantially all employees who are entitled to lump-sum payments determined by reference to either points obtained with interest credits or their basic rates of pay and length of service.

Certain domestic consolidated subsidiaries adopted a simplified method in the calculation of net defined benefit liability and retirement benefit expense. Certain domestic consolidated subsidiaries have multi-employer corporate pension plans accounted for by the same methods used for defined contribution pension plans because they cannot reasonably calculate their portion of pension assets corresponding to their contributions.

2. Information on defined benefit pension plans

(1) The changes in the retirement benefit obligation except for plans accounted for by a simplified method during the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Retirement benefit obligation at the beginning of the year	¥193,369	¥198,464	$1,824,240
Service cost	3,183	3,273	30,028
Interest cost	2,566	2,659	24,216
Actuarial loss	735	2,458	6,936
Retirement benefits paid	(13,767)	(13,467)	(129,881)
Prior service cost	(294)	—	(2,778)
Difference arising from the change from simplified method to principle method	1,533	—	14,469
Others	19	(18)	173
Retirement benefit obligation at the end of the year	¥187,344	¥193,369	$1,767,403

(2) The changes in plan assets at fair value except for plans accounted for by a simplified method during the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Plan assets at fair value at the beginning of the year	¥193,368	¥167,822	$1,824,236
Expected return on plan assets	2,187	3,489	20,640
Actuarial gain	1,930	24,725	18,213
Contributions by the Companies	1,613	6,485	15,225
Retirement benefits paid	(13,015)	(9,151)	(122,789)
Difference arising from the change from simplified method to principle method	645	—	6,086
Others	(2)	(2)	(36)
Plan assets at fair value at the end of the year	¥186,726	¥193,368	$1,761,575

(3) The changes in net defined benefit liability calculated by a simplified method during the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Retirement benefit obligation at the beginning of the year	¥2,431	¥2,463	$22,937
Retirement benefit expenses	362	237	3,418
Retirement benefits paid	(98)	(152)	(930)
Contributions	(157)	(242)	(1,484)
Difference arising from the change from simplified method to principle method	(724)	—	(6,838)
Others	(22)	125	(193)
Net defined benefit liability at the end of the year	¥1,792	¥2,431	$16,910

(4) The reconciliation of retirement benefit obligation and plan assets at fair value with net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheet were outlined as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Funded retirement benefit obligation	¥ 186,955	¥ 193,441	$ 1,763,730
Plan assets at fair value	(190,198)	(197,393)	(1,794,327)
	(3,243)	(3,952)	(30,597)
Unfunded retirement benefit obligation	5,653	6,383	53,335
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ 2,410	¥ 2,431	$ 22,738
Net defined benefit liability	42,519	40,883	401,127
Net defined benefit asset	(40,109)	(38,452)	(378,390)
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ 2,410	¥ 2,431	$ 22,738

Note: Pension plans accounted for by a simplified method are included.

(5) The components of retirement benefit expenses for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Service cost	¥ 3,183	¥ 3,273	$ 30,028
Interest cost	2,566	2,659	24,216
Expected return on plan assets	(2,187)	(3,489)	(20,640)
Amortization of actuarial loss	2,223	4,731	20,978
Amortization of prior service cost	(422)	(563)	(3,984)
Retirement benefit expenses calculated by simplified method	362	237	3,418
Difference arising from the change from simplified method to principle method	163	—	1,544
Others	173	151	1,624
Retirement benefit expenses	¥ 6,061	¥ 6,999	$ 57,184

(6) The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Prior service cost	¥ 127	¥ 563	$ 1,206
Actuarial gain and loss	(3,421)	(26,999)	(32,283)
Total	¥(3,294)	¥(26,436)	$(31,077)

(7) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Unrecognized prior service cost	¥(6,060)	¥(6,188)	$(57,176)
Unrecognized actuarial gain and loss	5,941	9,363	56,053
Total	¥ (119)	¥ 3,175	$ (1,123)

(8) The breakdown of plan assets by major category as of March 31, 2018 and 2017 were as follows:

	2018	2017
Debt securities	36%	35%
Deposit	35	37
Equity securities	15	16
General accounts at life insurance companies	13	12
Others	1	0
Total	100%	100%

Note: Retirement benefit trust established for the corporate pension plans is included and equivalent to 22% of total amount of plan assets as of March 31, 2018 and 2017, respectively.

The long-term expected rates of return on plan assets has been determined as a result of consideration of both the portfolio allocation at present and in the future, and long-term rates of return from multiple plan assets at present and in the future.

(9) The assumptions used in accounting for the defined benefit plans as of March 31, 2018 and 2017 were as follows:

	2018	2017
Discount rates	0.27% – 1.40%	0.27% – 1.40%
Long-term expected rates of return on plan assets	mainly 2.0%	mainly 2.5%
Expected rates of salary increase	2.5% – 8.6%	2.5% – 8.6%

3. Information on defined contribution pension plans

Contributions of defined contribution pension plans for the years ended March 31, 2018 and 2017 were ¥4,584 million ($43,248 thousand) and ¥4,565 million, respectively.

4. Information on multi-employer pension plans

Contributions to multi-employer corporate pension plans for the year ended March 31, 2018 and contributions to multi-employer welfare pension plans for the year ended March 31, 2017 that are accounted for by the same methods used for defined contributions plans were ¥14 million ($138 thousand) and ¥35 million, respectively.

Note 12. Shareholders' Equity

1. Shares issued and outstanding / Treasury stock

The Companies Act of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

Movements in shares outstanding and treasury stock during the years ended March 31, 2018 and 2017 were as follows:

	Thousands of shares			
	March 31, 2017	Increase in the year	Decrease in the year	March 31, 2018
Shares outstanding:				
Common stock	746,484	—	—	746,484
Total	746,484	—	—	746,484
Treasury stock:				
Common stock	32,158	57	0	32,215
Total	32,158	57	0	32,215

	Thousands of shares			
	March 31, 2016	Increase in the year	Decrease in the year	March 31, 2017
Shares outstanding:				
Common stock	746,484	—	—	746,484
Total	746,484	—	—	746,484
Treasury stock:				
Common stock	32,109	51	2	32,158
Total	32,109	51	2	32,158

The increases of treasury stock were due to purchase of shares of less than one voting unit and the decreases of treasury stock were due to sales of shares at the request of shareholders who own less than one voting unit for the years ended March 31, 2018 and 2017.

2. Dividends

(1) Dividends paid

For the year ended March 31, 2018

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars (Note 3))	Dividends per share (yen)	Dividends per share (U.S. dollars (Note 3))	Cut-off date	Effective date
Meeting of the Board of Directors on May 25, 2017	Common stock	¥4,285	$40,432	¥6.0	$0.06	March 31, 2017	June 7, 2017
Meeting of the Board of Directors on October 26, 2017	Common stock	4,285	40,432	6.0	0.06	September 30, 2017	December 5, 2017

For the year ended March 31, 2017

Resolution	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on May 26, 2016	Common stock	¥3,571	¥5.0	March 31, 2016	June 8, 2016
Meeting of the Board of Directors on October 27, 2016	Common stock	3,571	5.0	September 30, 2016	December 5, 2016

(2) Dividends with the cut-off date in the year ended March 31, 2018 and effective date in the year ending March 31, 2019

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars (Note 3))	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. dollars (Note 3))	Cut-off date	Effective date
Meeting of the Board of Directors on May 24, 2018	Common stock	¥5,714	$53,907	Retained earnings	¥8.0	$0.08	March 31, 2018	June 6, 2018

Dividends with the cut-off date in the year ended March 31, 2017 and effective date in the year ended March 31, 2018

Resolution	Type of shares	Total dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on May 25, 2017	Common stock	¥4,285	Retained earnings	¥6.0	March 31, 2017	June 7, 2017

Note 13. Research and Development Costs

Research and development costs charged to income were ¥35,620 million ($336,045 thousand) and ¥34,910 million for the years ended March 31, 2018 and 2017, respectively.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Research and development costs	¥35,620	¥34,910	$336,045

Note 14. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Salaries and wages	¥77,637	¥74,466	$732,433
Retirement benefit expenses	4,607	4,837	43,465
Research and development costs	30,796	30,319	290,534

Note 15. Extraordinary Income, Net

Extraordinary income, net, for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Extraordinary income			
Gain on sales of noncurrent assets	¥ 209	¥ 55	$ 1,973
Gain on sales of investment securities	1,691	18,849	15,960
Gain on insurance adjustment	—	911	—
Extraordinary loss			
Loss on disposal of noncurrent assets	(366)	(568)	(3,459)
Loss on devaluation of investment securities	(776)	(244)	(7,323)
Impairment loss	—	(1,356)	—
Extraordinary income, net	¥ 758	¥17,647	$ 7,151

Note 16. Income Taxes

1. The components of income taxes for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Current	¥13,738	¥ 33,157	$129,610
Deferred	1,066	(14,233)	10,044
Income taxes	¥14,804	¥ 18,924	$139,654

The Company and its domestic consolidated subsidiaries are subject to corporate income tax, prefectural and municipal inhabitants' taxes and enterprise tax, based on income.

2. The significant components of deferred tax assets and liabilities as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Deferred tax assets			
Net defined benefit liability	¥ 21,688	¥ 23,604	$ 204,608
The investment deduction of the foreign consolidated subsidiaries	14,216	14,338	134,122
Inventories	7,487	6,597	70,640
Accrued employees' bonuses	6,584	6,379	62,119
Investment securities	6,353	6,459	59,940
Tangible fixed assets	2,112	2,403	19,925
Other	6,547	8,190	61,736
Gross deferred tax assets	64,987	67,970	613,090
Less: Valuation allowance	(21,822)	(23,012)	(205,866)
Total deferred tax assets	43,165	44,958	407,224
Deferred tax liabilities			
Unrealized gain on other securities	(21,095)	(18,927)	(199,017)
Investment securities	(2,062)	(2,062)	(19,461)
Gain on securities contribution to employee retirement benefit trust	(72)	(26)	(681)
Other	(4,781)	(3,629)	(45,088)
Gross deferred tax liabilities	(28,010)	(24,644)	(264,247)
Net deferred tax assets (liabilities)	¥ 15,155	¥ 20,314	$ 142,977

3. The reconciliation between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2018 and 2017 were as follows:

	2018	2017
Statutory income tax rate	30.9 %	—
Tax credits	(3.2)	—
Tax rate difference of overseas consolidated subsidiaries	(2.1)	—
Valuation allowance	(1.9)	—
Permanent difference resulting from non-taxable income, including dividends received	(0.3)	—
Permanent difference resulting from expenses not deductible for income tax purposes	1.4	—
Other	1.3	—
Effective income tax rate	26.1 %	—

Reconciliation of the difference between the statutory income tax rate and the effective income tax rate for the year ended March 31, 2017 was not disclosed because it was not material.

Note 17. Consolidated Statements of Comprehensive Income

Amounts reclassified to profit (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ 8,952	¥ 36,669	$ 84,455
Reclassification adjustments	(1,690)	(18,689)	(15,940)
Before tax effect	7,262	17,980	68,515
Tax effect	(2,169)	(5,382)	(20,460)
Valuation difference on available-for-sale securities	5,093	12,598	48,055
Deferred gains or losses on hedges:			
Amount arising during the year	2,312	(561)	21,821
Asset acquisition cost adjustments	—	19	—
Before tax effect	2,312	(542)	21,821
Tax effect	(624)	78	(5,888)
Deferred gains or losses on hedges	1,688	(464)	15,933
Foreign currency translation adjustments:			
Amount arising during the year	1,600	(3,238)	15,073
Reclassification adjustments	—	(364)	—
Before tax effect	1,600	(3,602)	15,073
Tax effect	—	—	—
Foreign currency translation adjustments	1,600	(3,602)	15,073
Remeasurements of defined benefit plans:			
Amount arising during the year	1,492	22,267	14,082
Reclassification adjustments	1,802	4,169	16,995
Before tax effect	3,294	26,436	31,077
Tax effect	(993)	(8,077)	(9,367)
Remeasurements of defined benefit plans	2,301	18,359	21,710
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the year	31	159	297
Reclassification adjustments	140	148	1,318
Share of other comprehensive income of associates accounted for using equity method	171	307	1,615
Total other comprehensive income	¥10,853	¥ 27,198	$102,386

Note 18. Contingent Liabilities

Contingent liabilities as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Guarantees	¥14,396	¥10,256	$135,814

Note 19. Leases

1. Finance lease transactions

(1) Leased assets

Leased assets primarily consist of machinery and equipment and software.

(2) Depreciation method for leased assets

Depreciation method for leased assets is as stated in "f. Depreciation, 2) Leased assets" in "Note 2. Summary of Significant Accounting Policies".

In addition, finance leases other than those that were deemed to transfer the ownership of the leased assets to the lessees and contracted before April 1, 2008, are accounted for by the method that is applicable to ordinary operating leases.

Pro forma information of those leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, lease expense, depreciation expense, interest expense and impairment loss on an "as if capitalized" basis for the years ended March 31, 2018 and 2017 were as follows:

(a) Acquisition cost and accumulated depreciation under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Acquisition cost	¥1,433	¥1,709	$13,522
Accumulated depreciation	1,277	1,417	12,043
Net leased property	¥ 156	¥ 292	$ 1,479

(b) Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Due within one year	¥ 93	¥154	$ 886
Due after one year	115	208	1,076
Total	¥208	¥362	$1,962

(c) Lease expense, depreciation expense and interest expense under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Lease expense	¥127	¥174	$1,201
Depreciation expense	96	135	909
Interest expense	8	13	80

(d) Method of calculating estimated depreciation expense

Depreciation is computed by the straight-line method over the lease period assuming no residual value.

(e) Method of calculating estimated interest expense

Interest expense is computed and allocated to each period using the interest method assuming interest expense to be the excess of total lease payments over the acquisition cost.

2. Operating lease transactions

The minimum rental commitments under noncancellable operating leases as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Due within one year	¥2,105	¥1,280	$19,868
Due after one year	3,024	1,138	28,526
Total	¥5,129	¥2,418	$48,394

Note 20. Segment Information

1. Segment information

(1) Outline of reporting segments

The Companies' reporting segments are components for which separate financial information is available and whose operating results are reviewed regularly by the Board of Directors of the Company in order to make decisions about resource allocation and to assess performance. The Company has business headquarters by products and services at its head office. The business headquarters prepare comprehensively global strategies related to their products and services and control their business activities.

Accordingly, the Companies have five reporting segments, principally based on the business headquarters, that take into account the similarity of category and nature of products and services: Power Electronics Systems - Energy Solutions, Power Electronics Systems - Industry Solutions, Power and New Energy, Electronic Devices and Food and Beverage Distribution. These segments except for Electronic Devices and Food and Beverage Distribution consist of 2 or more business segments.

As of April 1, 2017, reflecting change of organization structure, the reporting segments were reclassified from previous five segments that were Power and Social Infrastructure, Industrial Infrastructure, Power Electronics, Electronic Devices and Food and Beverage Distribution, to the new five segments that are stated above. The reporting segment information for the year ended March 31, 2017 has been reclassified to reflect this change.

Main products and services of each reporting segment consisted of the following:

Reporting segments	Main products and services
Power Electronics Systems —Energy Solutions	Factory energy management systems (FEMS), power distribution, smart meters, substation equipment, industrial power supply facility, data centers, uninterruptible power systems (UPSs), power conditioning sub-systems (PCSs), switchboards, power distribution and control equipment
Power Electronics Systems —Industry Solutions	Inverters, motors, FA components, drive control systems, measuring and control systems, distribution systems, plant factories, measuring instruments and sensors, radiation monitoring systems, transport systems, electricity and air conditioning equipment construction, information systems
Power and New Energy	Thermal/geothermal/hydro power generation plants, solar power generation systems, wind power generation systems, fuel cells
Electronic Devices	Power semiconductors, magnetic disks
Food and Beverage Distribution	Beverage vending machines, vending machines for food and other goods, showcases, automatic change dispensers, eco-friendly stores

(2) Calculation method of net sales, profit or loss, assets, liabilities and other items on each reporting segment

The accounting policies applied by each reporting segment are consistent with those described in "Note 2. Summary of Significant Accounting Policies." Segment profit or loss presented in segment information is calculated based on operating income in the consolidated statements of income. Intersegment sales and transfer are determined by market value.

(3) Information on net sales, profit or loss, assets, liabilities and other items by each reporting segment

Reporting segment information as of March 31, 2018 and 2017 and for the years then ended were as follows:

	Millions of yen								
Year ended March 31, 2018	Power Electronics Systems—Energy Solutions	Power Electronics Systems—Industry Solutions	Power and New Energy	Electronic Devices	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net sales									
Sales to third parties	¥217,861	¥306,754	¥ 96,757	¥123,502	¥117,485	¥31,092	¥893,451	¥ —	¥893,451
Inter-segment sales and transfers	6,239	9,109	122	3,369	268	29,314	48,421	(48,421)	—
Total sales	224,100	315,863	96,879	126,871	117,753	60,406	941,872	(48,421)	893,451
Segment profits (losses)	¥ 14,662	¥ 18,273	¥ 5,521	¥ 13,699	¥ 6,234	¥ 2,861	¥ 61,250	¥ (5,288)	¥ 55,962
Segment assets	¥187,498	¥257,615	¥113,725	¥151,108	¥ 80,743	¥31,669	¥822,358	¥ 96,501	¥918,859
Other items									
Depreciation and amortization	¥ 5,837	¥ 6,015	¥ 1,444	¥ 12,882	¥ 2,271	¥ 808	¥ 29,257	¥ 894	¥ 30,151
Investments for companies applied equity method	¥ 80	¥ 15,040	¥ —	¥ —	¥ —	¥ —	¥ 15,120	¥ —	¥ 15,120
Capital expenditures	¥ 6,871	¥ 4,559	¥ 1,335	¥ 10,614	¥ 5,081	¥ 641	¥ 29,101	¥ 1,347	¥ 30,448

	Millions of yen								
Year ended March 31, 2017	Power Electronics Systems—Energy Solutions	Power Electronics Systems—Industry Solutions	Power and New Energy	Electronic Devices	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net sales									
Sales to third parties	¥210,285	¥277,826	¥93,427	¥115,306	¥109,246	¥31,675	¥837,765	¥ —	¥837,765
Inter-segment sales and transfers	8,462	8,201	411	3,156	311	27,426	47,967	(47,967)	—
Total sales	218,747	286,027	93,838	118,462	109,557	59,101	885,732	(47,967)	837,765
Segment profits (losses)	¥ 13,725	¥ 13,949	¥ 7,479	¥ 8,030	¥ 6,029	¥ 2,066	¥ 51,278	¥ (6,569)	¥ 44,709
Segment assets	¥183,066	¥249,462	¥88,376	¥148,761	¥ 78,912	¥32,066	¥780,643	¥106,020	¥886,663
Other items									
Depreciation and amortization	¥ 5,462	¥ 5,884	¥ 1,473	¥ 12,594	¥ 2,253	¥ 802	¥ 28,468	¥977	¥ 29,445
Investments for companies applied equity method	¥ 83	¥ 14,138	¥ —	¥ —	¥ —	¥ —	¥ 14,221	¥ —	¥ 14,221
Capital expenditures	¥ 5,805	¥ 7,884	¥ 1,321	¥ 6,248	¥ 3,885	¥ 782	¥ 25,925	¥ 667	¥ 26,592

Year ended March 31, 2018	Power Electronics Systems— Energy Solutions	Power Electronics Systems— Industry Solutions	Power and New Energy	Electronic Devices	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
	Thousands of U.S. dollars (Note 3)								
Sales, profits or losses and assets by reporting segments									
Net sales									
Sales to third parties	$2,055,294	$2,893,913	$ 912,810	$1,165,122	$1,108,354	$293,297	$8,428,790	$ —	$8,428,790
Inter-segment sales and transfers	58,865	85,929	1,149	31,782	2,530	276,547	456,802	(456,802)	—
Total sales	2,114,159	2,979,842	913,959	1,196,904	1,110,884	569,844	8,885,592	(456,802)	8,428,790
Segment profits (losses)	$ 138,323	$ 172,394	$ 52,088	$ 129,241	$ 58,814	$ 26,976	$ 577,836	$ (49,892)	$ 527,944
Segment assets	$1,768,851	$2,430,335	$1,072,878	$1,425,552	$ 761,730	$298,753	$7,758,099	$ 910,388	$8,668,487
Other items									
Depreciation and amortization	$ 55,075	$ 56,747	$ 13,631	$ 121,534	$ 21,427	$ 7,600	$ 276,014	$ 8,437	$ 284,451
Investments for companies applied equity method	$ 756	$ 141,891	$ —	$ —	$ —	$ —	$ 142,647	$ —	$ 142,647
Capital expenditures	$ 64,828	$ 43,012	$ 12,597	$ 100,138	$ 47,942	$ 6,021	$ 274,538	$ 12,714	$ 287,252

Notes: 1. Others segment consisted of business segments not attributable to reporting segments and included financial services, real estate operations, insurance agency services, travel agency services, printing and information services, etc.

2. The adjustments for segment information above were as follows:

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 3) 2018
Corporate expense*	¥(5,287)	¥(6,591)	$(49,880)
Elimination of intersegment sales	(1)	22	(12)
Total	¥(5,288)	¥(6,569)	$(49,892)

* Corporate expense mainly consisted of administration cost of the Company.

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 3) 2018
Corporate assets*	¥ 309,678	¥ 274,692	$ 2,921,500
Elimination of intersegment transactions	(213,177)	(168,672)	(2,011,112)
Total	¥ 96,501	¥ 106,020	$ 910,388

* Corporate assets mainly consisted of invested cash surpluses (cash and cash equivalents), long-term invested assets (investment securities), assets relating to administration department and assets of a financing subsidiary company.

3. Segment profits (losses) were reconciled to operating income (loss) in the consolidated statements of income.

2. Related information

Related information as of March 31, 2018 and 2017 and for the years then ended were as follows:

Geographic information

(a) Sales

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 3) 2018
Japan	¥674,744	¥632,723	$6,365,513
Asia (except for China), Others	110,935	106,150	1,046,542
China	74,968	67,463	707,253
Europe	17,584	16,595	165,896
America	15,220	14,834	143,586
Consolidated	¥893,451	¥837,765	$8,428,790

Note: Net sales information above is based on customer location.

(b) Tangible fixed assets

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 3) 2018
Japan	¥136,205	¥135,613	$1,284,961
Asia (except for China), Others	22,342	24,306	210,765
China	14,597	12,179	137,708
Europe	782	724	7,382
America	674	695	6,359
Consolidated	¥174,600	¥173,517	$1,647,175

3. Information on impairment loss of fixed assets by each reporting segment

Information on impairment loss of fixed assets by each reporting segment for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Power Electronics Systems—Energy Solutions	¥—	¥1,356	$—
Power Electronics Systems—Industry Solutions	—	—	—
Power and New Energy	—	—	—
Electronic Devices	—	—	—
Food and Beverage Distribution	—	—	—
Others	—	—	—
Total	¥—	¥1,356	$—

4. Information on amortization of goodwill and unamortized balance by each reporting segment

Information on amortization of goodwill and unamortized balance by each reporting segment for the year ended March 31, 2018 and 2017 were as follows:

	Millions of yen						
Year ended March 31, 2018	Power Electronics Systems—Energy Solutions	Power Electronics Systems—Industry Solutions	Power and New Energy	Electronic Devices	Food and Beverage Distribution	Others	Consolidated
Amortization	¥308	¥ 9	¥ 189	¥23	¥—	¥—	¥ 529
Balance as of March 31	¥612	¥79	¥1,456	¥70	¥—	¥—	¥2,217

	Millions of yen						
Year ended March 31, 2017	Power Electronics Systems—Energy Solutions	Power Electronics Systems—Industry Solutions	Power and New Energy	Electronic Devices	Food and Beverage Distribution	Others	Consolidated
Amortization	¥495	¥10	¥ 195	¥65	¥—	¥—	¥ 765
Balance as of March 31	¥875	¥94	¥1,697	¥98	¥—	¥—	¥2,764

	Thousands of U.S. dollars (Note 3)						
Year ended March 31, 2018	Power Electronics Systems—Energy Solutions	Power Electronics Systems—Industry Solutions	Power and New Energy	Electronic Devices	Food and Beverage Distribution	Others	Consolidated
Amortization	$2,885	$ 93	$ 1,792	$221	$—	$—	$ 4,992
Balance as of March 31	$5,770	$747	$13,739	$662	$—	$—	$20,918

5. Information on gain on negative goodwill by each reporting segment

None

Note 21. Information on Transactions with Related Parties

For the year ended March 31, 2018

None

Note 22. Business Combinations

For the year ended March 31, 2018

None

Note 23. Asset Retirement Obligations

Asset retirement obligations recorded on the consolidated balance sheets

1. Outline of asset retirement obligations

The Companies record asset retirement obligations related to the expenses for removing asbestos from company-owned buildings upon their dismantlement and the obligations to restore head offices, sales offices and other premises to their original condition upon termination of their lease contracts.

Regarding some of the obligations to restore head offices, sales offices and other premises to their original condition, the Companies estimate nonrecoverable amounts of deposits for those premises and record the portion attributable to the current year as expenses, instead of recording asset retirement obligations.

2. Calculation method of asset retirement obligations

In calculating the amounts of asset retirement obligations, the Companies estimate a period of use between 9 and 49 years and use a discount rate equivalent to the interest rate of government bonds corresponding to the use period (0.3% to 2.3%).

3. Changes in the total amounts of asset retirement obligations

Changes in the total amounts of asset retirement obligations for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Balance at the beginning of the year	¥1,986	¥2,049	$18,743
Increase due to acquisition of property, plant and equipment	—	0	—
Adjustment due to passage of time	8	8	76
Decrease due to fulfillment of obligations	(63)	(71)	(599)
Balance at the end of the year	¥1,931	¥1,986	$18,220

Note 24. Amounts Per Share

Information of amounts per share as of March 31, 2018 and 2017 and for the years then ended were as follows:

	Yen		U.S. dollars (Note 3)
	2018	2017	2018
Net assets per share	¥462.90	¥407.68	$4.367
Net income per share	52.87	57.36	0.499

Diluted net income per share in 2018 and 2017 are not disclosed because there is no potential common stock that has a dilutive effect.

Note 25. Subsequent Events

1. Change in stock trading unit and stock consolidation

At a meeting of the Board of Directors of Fuji Electric Co., Ltd., held on May 24, 2018, a resolution was passed to institute a partial amendment to the portion of the Company's articles of incorporation pertaining to the stock trading unit based on the provisions stipulated in Article 195, Paragraph 1 of the Companies Act of Japan. In addition, it was resolved that the Company will submit a proposal for approval regarding a stock consolidation to the 142nd General Meeting of Shareholders, which is scheduled to be held on June 26, 2018.

(1) Reason for change in stock trading unit and stock consolidation

Nationwide stock exchanges have announced the "Action Plan for Consolidating Trading Units," which states that all domestic listed companies should consolidate the trading unit for their shares of common stock to 100 shares by October 1, 2018.

Fuji Electric is listed on the Tokyo Stock Exchange, the Nagoya Stock Exchange, and the Fukuoka Stock Exchange, and therefore plans to respect the intent of this action plan by changing the trading unit for its shares of common stock from the current 1,000 shares to 100 shares. In conjunction with this change in stock trading unit, the Company has also resolved to conduct an one for fifth stock consolidation in order to adjust the unit of investment in the Company to the level deemed desirable by the relevant stock exchanges (above ¥50,000 and below ¥500,000).

(2) Details of change in stock trading unit

The trading unit for shares of common stock will be changed from 1,000 shares to 100 shares on October 1, 2018.

(3) Details of stock consolidation

a. Class of share

Common stock

b. Method and ratio

Effective October 1, 2018, the Company will perform an 1-for-5 stock consolidation based on the number of shares held by shareholders listed on the final shareholder registry on September 30, 2018.

c. Decrease in number of shares following stock consolidation

Total number of issued and outstanding shares prior to the stock consolidation (as of March 31, 2018)	746,484,957
Decrease in shares following the stock consolidation	597,187,966
Total number of issued and outstanding shares after the stock consolidation	149,296,991

Note: The figures for "decrease in shares following the stock consolidation" and "total number of issued and outstanding shares after the stock consolidation" are theoretical values calculated by multiplying the total number of issued and outstanding shares prior to the stock consolidation by the ratio of the consolidation.

(4) Treatment of Share fractions resulting from stock consolidation

In the event that the stock consolidation results in fractions of shares, all of these share fractions will be sold, as stipulated in Article 235 of the Companies Act, and the holders of these share fractions will be compensated in accordance with the fractions of shares held.

(5) Number of shares authorised to be issued on effective date of stock consolidation

In reflection of the decline in the total number of issued and outstanding shares resulting from the stock consolidation, the number of shares authorised to be issued will be reduced by the same ratio as the stock consolidation (1-for-5) on the effective date of the stock consolidation (October 1, 2018).

Number of shares authorised to be issued prior to the stock consolidation	1,600,000,000
Number of shares authorised to be issued after the stock consolidation (effective on October 1, 2018)	320,000,000

(6) Impact on per share information

Assuming the share consolidation was conducted at the begging of the years, per share information for the years ended on March 31, 2018 and 2017 would be as follows:

	Yen		U.S. dollars (Note 3)
	2018	2017	2018
Net assets per share	¥2,314.50	¥2,038.40	$21.835
Net income per share	264.34	286.82	2.494

Independent Auditor's Report

Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 2818
ey.com

Building a better working world

Independent Auditor's Report

The Board of Directors
Fuji Electric Co., Ltd.

We have audited the accompanying consolidated financial statements of Fuji Electric Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fuji Electric Co., Ltd. and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 26, 2018
Tokyo, Japan

A member firm of Ernst & Young Global Limited

ECOLOGY
Fuji Electric

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

Fuji Electric Co., Ltd.

Gate City Ohsaki, East Tower,
11-2, Osaki 1-chome, Shinagawa-ku, Tokyo 141-0032, Japan
Contacts: Public and Investor Relations Dept.
TEL: +81-3-5435-7111 www.fujielectric.com/

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