Fuji Electric

Innovating Energy Technology

Fuji Electric Report
Financials

2019

Consolidated Financial Highlights

Years ended March 31	2015	2016	2017	2018	2019	2019
	Millions of yen					Thousands of U.S. dollars*1
Operating Results						
Net sales	¥810,678	¥813,550	¥837,765	¥893,451	¥914,915	$8,317,414
Japan	605,763	597,757	632,723	674,744	682,503	6,204,573
Overseas	204,915	215,793	205,042	218,707	232,412	2,112,841
Operating income	39,316	45,006	44,709	55,962	59,972	545,203
Net income attributable to owners of parent	27,978	30,644	40,978	37,763	40,267	366,073
R&D and Capital Investment						
R&D expenditures	¥ 35,023	¥ 35,949	¥ 34,910	¥ 35,620	¥ 33,669	$ 306,087
Plant and equipment investment*2	29,041	27,650	27,149	26,465	43,338	393,985
Depreciation and amortization*3	33,615	29,723	29,445	30,151	30,906	280,965
Cash Flows						
Cash flows from operating activities	¥ 51,459	¥ 48,450	¥ 58,185	¥ 53,146	¥ 54,949	$ 499,544
Cash flows from investing activities	(22,750)	(19,410)	9,748	(14,550)	(21,448)	(194,985)
Free cash flow	28,708	29,040	67,934	38,596	33,501	304,559
Cash flows from financing activities	(33,827)	(31,567)	(56,082)	(46,887)	(38,172)	(347,037)
Financial Position						
Total assets*4	¥904,522	¥845,378	¥886,663	¥914,744	¥952,659	$8,660,545
Total net assets	319,636	260,980	323,863	366,546	392,061	3,564,195
Shareholders' equity	290,339	230,399	291,216	330,636	352,922	3,208,381
Net interest-bearing debt	194,579	189,374	141,578	130,177	124,850	1,135,008
Interest-bearing debt	226,474	220,213	183,465	163,507	153,985	1,399,870
Financial Indicators						
Ratio of operating income to net sales (%)	4.8	5.5	5.3	6.3	6.6	—
ROE (Return on equity) (%)	10.8	11.8	15.7	12.1	11.8	—
ROA (Return on assets) (%)*4	3.3	3.5	4.7	4.2	4.3	—
Equity ratio (%)*4	32.1	27.3	32.8	36.1	37.0	—
Net debt-equity ratio (times)*5	0.7	0.8	0.5	0.4	0.4	—
Debt-equity ratio (times)*6	0.8	1.0	0.6	0.5	0.4	—
Per Share Data*7		Yen				U.S. dollars*1
Net income	¥ 39.16	¥ 42.90	¥ 57.36	¥ 264.34	¥ 281.89	$ 2.563
Net assets	406.39	322.52	407.68	2,314.50	2,470.65	22.460
Cash dividends	9.00	10.00	11.0	14.00	48.00	0.727
Others		Headcount				
Employees	25,740	26,508	26,503	27,009	27,416	—
Japan	17,814	17,635	17,716	17,704	17,647	—
Overseas	7,926	8,873	8,787	9,305	9,769	—

*1 The U.S. dollar amounts represent the arithmetic results of translating yen into dollars at ¥110 = U.S. $1, the approximate exchange rate at March 31, 2019.
*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 Effective April 1, 2018, the Company have adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, revised on February 16, 2018). As such, major management indicators in consolidated accounting period as of March 31, 2018 have been adjusted to retroactively apply said accounting standards.
*5 Net debt-equity ratio is the ratio of net interest-bearing debt (interest-bearing debt + lease obligations – cash and cash equivalents) to shareholders' equity.
*6 Debt-equity ratio is the ratio of interest-bearing debt to shareholders' equity.
*7 Effective October 1, 2018, the Company conducted an 1-for-5 common stock consolidation.
Amounts for net income per share and net assets per share have been calculated assuming that the stock consolidation took place on April 1, 2017.
The amount of dividend ¥48 per share for the year ended March 31, 2019 is total of the interim dividend of ¥8 per share and the year-end dividend of ¥40 per share.
Since the Company conducted an 1-for-5 common stock consolidation effective October 1, 2018, the interim dividend of ¥8 does not reflect stock consolidation effect and the annual dividend of ¥40 reflects stock consolidation effect. If the stock consolidation effect is also considered to the interim dividend per share, the interim dividend of ¥8 per share without the effect is equivalent to ¥40 per share with the stock consolidation effect. Accordingly, the annual dividend for fiscal 2018 amounted to ¥80 per share, including adjusted interim dividend of ¥40 per share and year-end dividend ¥40 per share.

Contents

Management's Discussion and Analysis

Overview

During fiscal 2018, the year ended March 31, 2019, the overseas operating environment for Fuji Electric saw a trend toward investment restraint in the Chinese market in the second half of the fiscal year due to factors including the trade friction between the United States and China.

In Japan, despite a sense of slowing down in some sectors, there was firm demand resulted from increases in the replacement of aged equipment and investments in automation, labor saving, and energy saving for production facilities aimed at improving productivity.

In this environment, we sought to complete the measures put forth in the FY2018 Medium-Term Management Plan, Renovation 2018, which concluded with the fiscal year ended March 31, 2019. In addition to strengthening the power electronics systems business and promoting proactive investments with a view to expanding the power semiconductor business, we further enhanced manufacturing capabilities, and pursued improved profitability by reenergizing the Companywide Pro-7 Activities designed to enhance business quality.

Financial Performance

Net Sales

Net sales in fiscal 2018 increased by 2.4% year on year, to ¥914,915 million, as a result of strong demand.

In the Power Electronics Systems—Energy Solutions, Power Electronics Systems—Industry Solutions, Power and New Energy and Electronic Devices segments, sales increased year on year. However, sales in Food and Beverage Distribution segment decreased year on year. Domestic sales increased by 1.1%, to ¥682,503 million. Overseas sales increased by 6.3%, to ¥232,412 million.

The ratio of overseas sales increased by 0.9 percentage point, to 25.4% year on year.

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

The cost of sales increased by 2.7% year on year, to ¥679,877 million, and the ratio of cost of sales to net sales increased by 0.2 percentage point, to 74.3%.

Selling, general and administrative expenses decreased by 0.3% year on year, to ¥175,066 million. The ratio of selling, general and administrative expenses to net sales decreased by 0.6 percentage point, to 19.1%.

Operating income increased by ¥4,010 million year on year, to a record high of ¥59,972 million, due to higher net sales and production volumes as well as the benefits of cost reductions. The operating margin increased by 0.3 percentage point, to 6.6% year on year.

Non-Operating Income (Expenses) and Ordinary Income

Non-operating income (net) was ¥3,507 million, a ¥3,422 million increase from ¥85 million in the previous fiscal year. This increase was mainly due to a ¥2,169 million increase in foreign exchange gains (losses), a ¥610 million increase in dividends income and a ¥446 million increase in equity in earnings of affiliates.

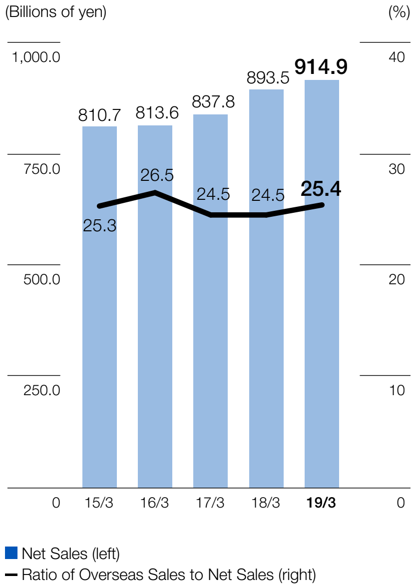
As a result, ordinary income grew ¥7,432 million year on year, reaching a new record high of ¥63,479 million.

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

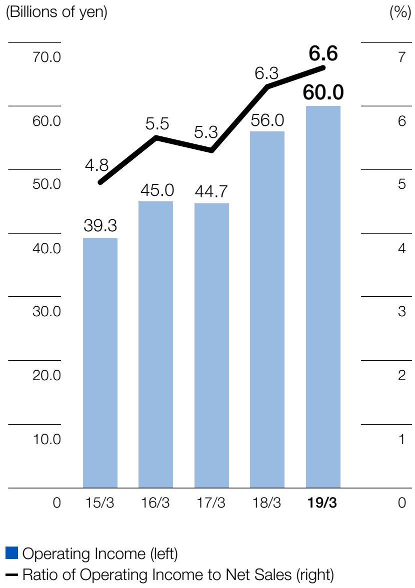
Extraordinary income totaled ¥2,451 million and included a gain on sales of noncurrent assets, a gain on sales of investment securities and foreign currency translation adjustments reversal gains. This represented a ¥551 million year-on-year increase due to an increase in foreign currency translation adjustments reversal gains,which were offset by a reduction in gain on sales of investment securities.

Extraordinary loss totaled ¥3,643 million and included a loss on disposal of noncurrent assets, a loss on devaluation of investment securities and the impairment loss. This represented a ¥2,501 million year-on-year increase primarily due to the impairment loss recorded in this fiscal year.

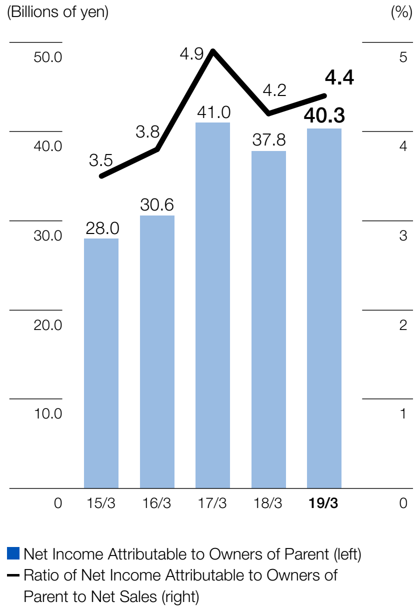
Net Sales / Ratio of Overseas Sales to Net Sales



Operating Income / Ratio of Operating Income to Net Sales



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



Net Income
Income before income taxes increased by ¥5,482 million year on year, to ¥66,287 million. After subtracting ¥17,217 million in income taxes (the net of income taxes-current and income taxes-deferred) and ¥4,803 million in net income attributable to non-controlling interests, net income attributable to owners of parent increased by ¥2,504 million from the previous fiscal year, to ¥40,267 million.

Results by Business Segment

Power Electronics Systems—Energy Solutions
Net sales: ¥224,787 million (an increase of 3.3% year on year)
Operating income: ¥16,854 million (an increase of ¥2,839 million year on year)

Net sales and operating income increased year on year. Solid performance in the facility / power source system business and the ED&C components business supported.

- In the energy management business, net sales decreased year on year primarily due to the impact of large-scale orders from overseas in the previous year and weak demand for smart meter. However, operating income increased year on year due to the benefits of cost reduction efforts.
- In the facility / power source system business, net sales and operating income increased year on year due to increases in large-scale orders in Japan.
- In the ED&C components business, net sales and operating income increased year on year as a result of strong demand from power distribution manufacturers.

Orders received in fiscal 2018 (Power Electronics Systems—Energy Solutions segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥141.4 billion.

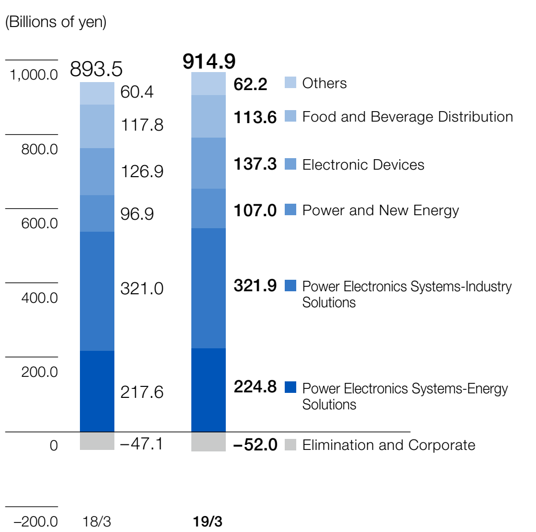
Power Electronics Systems—Industry Solutions
Net sales: ¥321,942 million (an increase of 0.3% year on year)
Operating income: ¥19,393 million (an increase of ¥473 million year on year)

Net sales and operating income increased year on year. Performance was driven by the factory automation business, the equipment construction business and the IT solutions business.

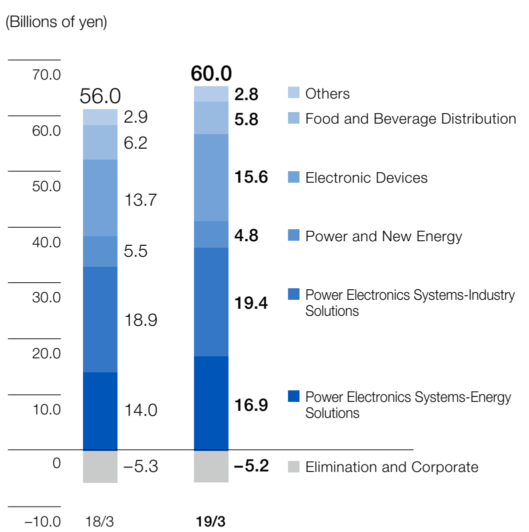
- In the factory automation business, net sales and operating income increased year on year as a result of strong demand mainly for inverters, motors and FA System in Japan partially offset by weak overseas business result in the second half.
- In the process automation business, net sales and operating income decreased year on year due to the impact of large-scale orders in the previous year.
- In the social solutions business, net sales and operating income decreased year on year primarily due to weak demand for electrical equipment for railcars.
- In the equipment construction business, net sales and operating income increased year on year due to increases in orders from the electricity equipment construction including the plant power distribution equipment.
- In the IT solutions business, net sales and operating income increased year on year due to increases in orders from the academic sector and the public sector.

Orders received in fiscal 2018 (Power Electronics Systems—Industry Solutions segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥154.1 billion.

Net Sales by Segment



Operating Income (Loss) by Segment



Power and New Energy

Net sales: ¥107,012 million (an increase of 10.5% year on year)
Operating income: ¥4,750 million (a decrease of ¥771 million year on year)

- In the power generation business, net sales increased year on year due to increases in orders from the solar power generation systems. However, operating income decreased year on year as a result of cost increases in large-scale orders.

Orders received in fiscal 2018 (Power and New Energy segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥80.0 billion.

Electronic Devices

Net sales: ¥137,334 million (an increase of 8.2% year on year)
Operating income: ¥15,623 million (an increase of ¥1,924 million year on year)

- In the electronic devices business, net sales and operating income increased year on year as a result of strong demand from the automotive field and the magnetic disks partially offset by weak demand for power semiconductors in Japan from the industrial field in the second half.

Orders received in fiscal 2018 (Electronic Devices segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥91.4 billion.

Food and Beverage Distribution

Net sales: ¥113,606 million (a decrease of 3.5% year on year)
Operating income: ¥5,756 million (a decrease of ¥478 million year on year)

- In the vending machine business, net sales and operating income increased year on year primarily due to strong demand from customers in the Japanese market.
- In the store distribution business, net sales and operating income decreased year on year due to weak demand for store equipment for use in convenience stores.

Orders received in fiscal 2018 (Food and Beverage Distribution segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥101.8 billion.

Others

Net sales: ¥62,231 million (an increase of 3.0% year on year)
Operating income: ¥2,766 million (a decrease of ¥95 million year on year)

R&D Investment and Plant and Equipment Investment

R&D

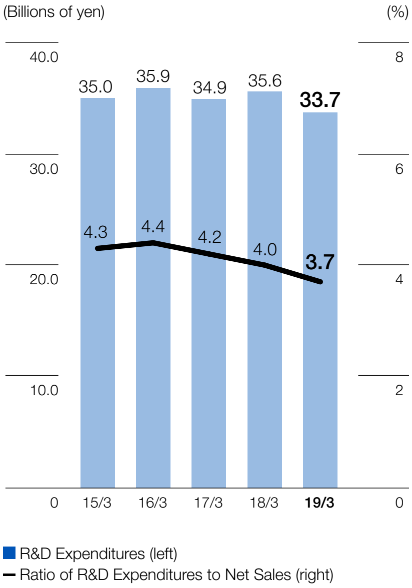
Fuji Electric focused on research and development activities for creating competitive components and systems centered on power electronics technologies and, power semiconductor technologies, and activities for developing solutions that produce value for customers by combining fundamental technologies.

The Company has re-organized its R&D structure to accelerate R&D activities. Product development functions are delegated to the respective business groups. The corporate R&D group is responsible for technology marketing, advanced research, and basic research.

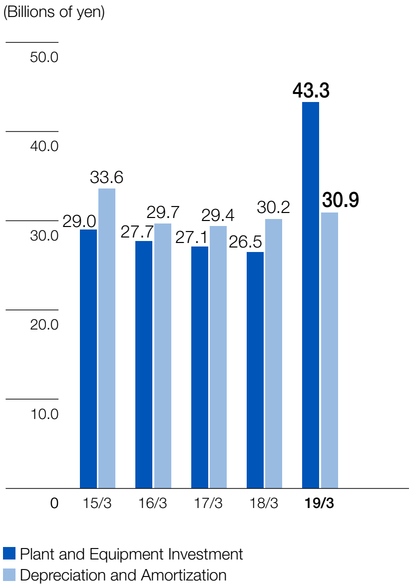
The Company's R&D expenditures in fiscal 2018 totaled ¥33,669 million.

As of March 31, 2019, the number of industrial property rights which were registered in Japan and overseas and held by Fuji Electric stood at 12,574.

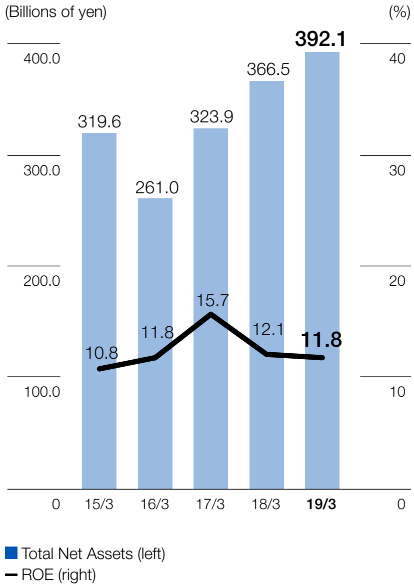
R&D Expenditures / Ratio of R&D Expenditures to Net Sales



Plant and Equipment Investment / Depreciation and Amortization



Total Net Assets / ROE



Plant and Equipment Investment

Plant and equipment investment, including leases, amounted to ¥43.3 billion in fiscal 2018. These expenditures were primarily directed toward electronic devices and power electronics and included new semiconductor product startups and production capacity expansions for automotive applications, as well as increasing sales of systems products and automation of production lines.

Major investments were as follows.

The Electronic Devices segment conducted large-scale investments in front-end processes to increase production capacity of power semiconductor chips mainly for automotive applications at the Yamanashi Factory.

In back-end processes, capital expenditures for production equipment to increase production of intelligent power modules (semiconductors element used in power generation) were conducted at domestic and overseas bases, and investment in launching the production line for new automotive products was carried out at factories in Japan.

In the Power Electronics Systems—Energy Solutions segment, investments were conducted in earthquake countermeasures at the Chiba Factory, and in beginning construction of a factory in Thailand for the purpose of bolstering sales of system products.

The Power Electronics Systems—Industry Solutions segment conducted capital expenditures for expanding mass-production of printed boards in Thailand. Meanwhile, we made capital expenditures at the Suzuka Factory with the aim of reducing the cost of rotary machine models.

In the Food and Beverage Distribution segment, investments were conducted in new servo presses to reduce the cost of vending machine models.

Financial Position

Total Assets

Total assets on March 31, 2019, stood at ¥952,659 million, an increase of ¥37,915 million from the end of the previous fiscal year.

Current Assets and Current Liabilities

Total current assets increased ¥54,625 million from the previous fiscal year-end, to ¥573,096 million. This increase is mainly due to increases of ¥27,215 million in inventories and ¥21,747 million in trade receivables.

Total current liabilities stood at ¥425,894 million on March 31, 2019, an increase of ¥21,153 million year on year. This increase is mainly because the decrease of ¥2,490 million in short-term debt partially offset by increases of ¥12,693 million in trade payables, ¥4,921 million in current portion of long-term debt, and ¥2,599 million in income taxes payable.

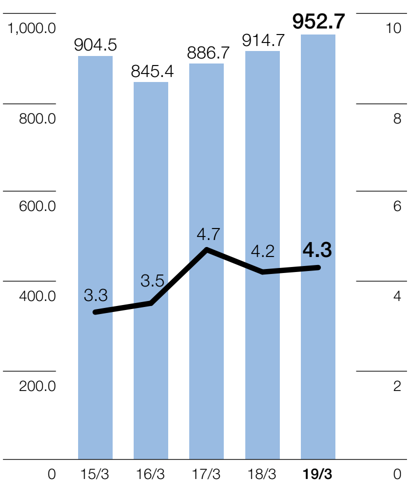
Noncurrent Assets

Total noncurrent assets decreased by ¥16,710 million year on year, to ¥379,563 million on March 31, 2019. Net property, plant and equipment were ¥182,124 million, an increase of ¥7,524 million year on year. Total investments and other assets amounted to ¥197,439 million, a decrease of ¥24,234 million year on year. This decrease is mainly due to a ¥23,727 million decrease in net defined benefit asset.

Long-term Liabilities

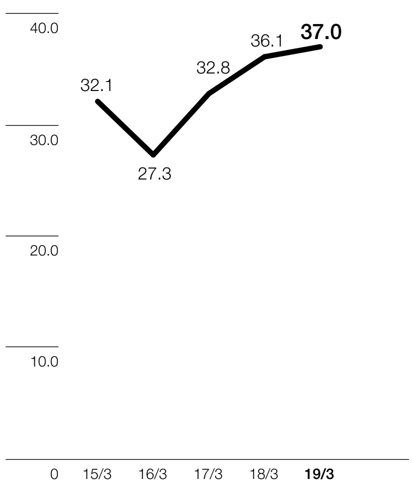
Total long-term liabilities decreased by ¥8,753 million from the previous fiscal year-end, to ¥134,704 million. Net defined benefit liability and lease obligations increased by ¥3,275 million and ¥2,095 million, respectively, but these increases were partially offset by a ¥13,887 million decrease in long-term debt.

Total Assets / ROA

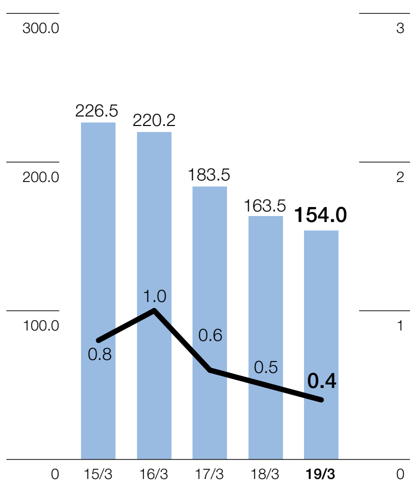


■ Total Assets (left)
— ROA (right)

Equity Ratio



Interest-bearing Debt / Debt-equity Ratio



■ Interest-bearing Debt (left)
— Debt-equity Ratio (right)

Net Assets
Net assets as of March 31, 2019, totaled ¥392,061 million, an increase of ¥25,515 million from the previous fiscal year-end. This increase was mainly attributable to an increase of ¥28,423 million in retained earnings.

As a result, the equity ratio stood at 37.0%, an increase of 0.9 percentage points year on year.

Debt
Interest-bearing debt as of the fiscal year-end totaled ¥153,985 million, a decrease of ¥9,522 million year on year. The ratio of interest-bearing debt to total assets was 16.2%, representing a 1.7 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 ¥33,501 million, a ¥5,095 million decrease from the previous fiscal year's positive free cash flow of ¥38,596 million.

Cash Flows from Operating Activities
Net cash provided by operating activities was ¥54,949 million, compared with ¥53,146 million in the previous fiscal year. Major factors of cash increase included income before income taxes and an increase in trade payables.

Major factors of cash decrease included an increase in inventories and an increase in trade receivables. Cash flows from operating activities increased by ¥1,803 million year on year.

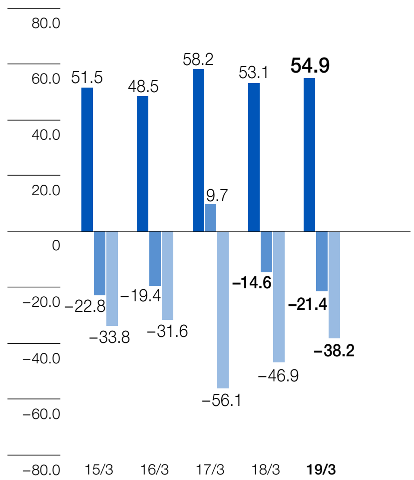
Cash Flows from Investing Activities
Net cash used in investing activities was ¥21,448 million, compared with net cash used in investing activities of ¥14,550 million, in the previous fiscal year. This was primarily a result of the purchase of property, plant and equipment.

Net cash used in investing activities increased by ¥6,898 million year on year.

Cash Flows from Financing Activities
Net cash used in financing activities was ¥38,172 million, compared with ¥46,887 million in the previous fiscal year. This was principally due to the redemption of bonds and the repayment of lease obligations.

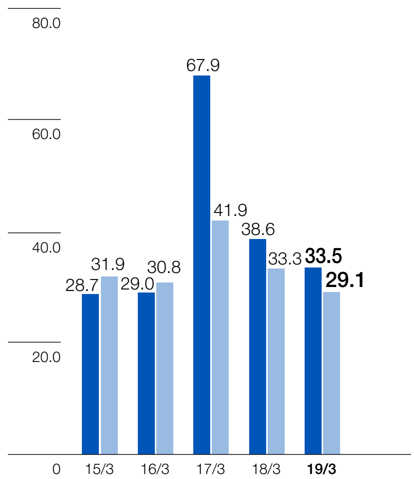
Net cash used in financing activities decreased by ¥8,715 million year on year.

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, 2019, 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 ¥153,985 million as of March 31, 2019. 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 joint ventures, 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, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Assets			
Current Assets:			
Cash and cash equivalents (Note 6)	¥ 29,134	¥ 33,329	$ 264,862
Short-term investments (Notes 5, 6 and 7)	169	42	1,545
Trade receivables (Note 6)	308,831	287,084	2,807,558
Allowance for doubtful accounts	(2,084)	(1,280)	(18,949)
Inventories (Note 4)	176,972	149,757	1,608,837
Other current assets	60,074	49,539	546,115
Total Current Assets	573,096	518,471	5,209,968
Property, Plant and Equipment (Note 5)**:**			
Land	35,032	34,947	318,475
Buildings and structures	243,822	240,044	2,216,570
Machinery and equipment	212,587	204,974	1,932,613
Lease assets (Note 20)	76,218	77,024	692,894
Construction in progress	9,211	2,401	83,727
	576,870	559,390	5,244,279
Less accumulated depreciation	(394,746)	(384,790)	(3,588,604)
Net Property, Plant and Equipment	182,124	174,600	1,655,675
Investments and Other Assets:			
Investment securities (Notes 5, 6 and 7):			
Unconsolidated subsidiaries and affiliates	24,614	23,898	223,766
Other	108,734	112,016	988,494
Long-term loans receivable	710	731	6,461
Net defined benefit asset (Note 11)	16,382	40,109	148,934
Deferred tax assets (Note 17)	16,825	15,911	152,963
Other investments and other assets (Note 20)	30,658	29,494	278,688
Allowance for doubtful accounts	(484)	(486)	(4,404)
Total Investments and Other Assets	197,439	221,673	1,794,902
Total Assets	¥ 952,659	¥ 914,744	$ 8,660,545

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Liabilities and Net Assets			
Current Liabilities:			
Short-term debt (Notes 5, 6 and 9)	¥ 29,508	¥ 31,998	$ 268,258
Current portion of long-term debt (Notes 5, 6 and 9)	26,788	21,867	243,531
Trade payables (Notes 5 and 6)	196,669	183,976	1,787,907
Lease obligations (Notes 6 and 10)	11,991	12,153	109,016
Advances received	45,496	48,569	413,606
Income taxes payable (Note 17)	10,892	8,293	99,026
Other current liabilities (Notes 17 and 24)	104,550	97,885	950,421
Total Current Liabilities	425,894	404,741	3,871,765
Long-term Liabilities:			
Long-term debt (Notes 5, 6, and 9)	60,548	74,435	550,441
Lease obligations (Notes 6 and 10)	25,148	23,053	228,624
Net defined benefit liability (Note 11)	45,794	42,519	416,314
Provision for directors' retirement benefits	215	185	1,959
Deferred tax liabilities (Note 17)	475	755	4,320
Other long-term liabilities (Note 24)	2,524	2,510	22,927
Total Long-term Liabilities	134,704	143,457	1,224,585
Total Liabilities	560,598	548,198	5,096,350
Contingent Liabilities (Note 19)**:**			
Net Assets (Note 25)			
Shareholders' Equity:			
Capital stock (Note 12):			
Authorized - 320,000,000 shares			
Issued- 149,296,991 shares as of March 31, 2019	47,586	—	432,601
149,296,991 shares as of March 31, 2018	—	47,586	—
Capital surplus	46,067	45,986	418,793
Retained earnings	223,940	195,517	2,035,819
Treasury stock at cost (Note 12):			
6,451,315 shares as of March 31, 2019	(7,316)	—	(66,514)
6,443,142 shares as of March 31, 2018	—	(7,284)	—
Total Shareholders' Equity	310,277	281,805	2,820,699
Accumulated Other Comprehensive Income (Loss):			
Valuation difference on available-for-sale securities	43,974	47,665	399,772
Deferred gains or losses on hedges (Notes 6 and 8)	(280)	88	(2,549)
Foreign currency translation adjustments	368	1,574	3,348
Remeasurements of defined benefit plans	(1,417)	(496)	(12,889)
Total Accumulated Other Comprehensive Income	42,645	48,831	387,682
Non-controlling Interests	39,139	35,910	355,814
Total Net Assets	392,061	366,546	3,564,195
Total Liabilities and Net Assets	¥952,659	¥914,744	$8,660,545

Consolidated Statements of Income

Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Net Sales	¥914,915	¥893,451	$8,317,414
Cost of Sales (Note 13)	679,877	661,824	6,180,698
Gross Profit	235,038	231,627	2,136,716
Selling, General and Administrative Expenses (Notes 13 and 14)	175,066	175,665	1,591,513
Operating Income	59,972	55,962	545,203
Non-Operating Income (Expenses):			
Interest and dividend income	3,122	2,503	28,388
Interest expense	(1,377)	(1,621)	(12,521)
Provision of allowance for doubtful accounts for subsidiaries and affiliates	(520)	—	(4,727)
Foreign exchange gains (losses)	89	(2,080)	811
Equity in earnings of affiliates	1,682	1,236	15,297
Other, net	511	47	4,636
	3,507	85	31,884
Ordinary Income	63,479	56,047	577,087
Extraordinary Income (Loss), Net (Note 15)	(1,192)	758	(10,837)
Income Before Income Taxes	62,287	56,805	566,250
Income Taxes (Note 17)	17,217	14,804	156,517
Net Income	45,070	42,001	409,733
Net Income Attributable To Non-controlling Interests	4,803	4,238	43,660
Net Income Attributable To Owners of Parent (Note 25)	¥ 40,267	¥ 37,763	$ 366,073

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

Consolidated Statements of Comprehensive Income

Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Net Income	¥45,070	¥42,001	$409,733
Other Comprehensive Income (Loss) (Note 18)			
Valuation difference on available-for-sale securities	(3,782)	5,093	(34,383)
Deferred gains or losses on hedges	(369)	1,688	(3,358)
Foreign currency translation adjustments	(1,361)	1,600	(12,358)
Remeasurements of defined benefit plans	(1,106)	2,301	(10,063)
Share of other comprehensive income of associates accounted for using equity method	201	171	1,828
Total Other Comprehensive Income (Loss)	(6,417)	10,853	(58,334)
Comprehensive Income	¥38,653	¥52,854	$351,399
Comprehensive Income Attributable to:			
Owners of parent	¥34,082	¥47,997	$309,845
Non-controlling interests	4,571	4,857	41,554

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, 2019 and 2018

	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, 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
Net income attributable to owners of parent	—	—	—	40,267	—	—	—	—	—	40,267	—	40,267
Change of scope of consolidation	—	—	—	(416)	—	—	—	—	—	(416)	—	(416)
Cash dividends	—	—	—	(11,428)	—	—	—	—	—	(11,428)	—	(11,428)
Purchase of treasury stock	—	—	—	—	—	—	—	—	(32)	(32)	—	(32)
Sales of treasury stock	—	—	2	—	—	—	—	—	0	2	—	2
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	79	—	—	—	—	—	—	79	—	79
Net changes of items other than shareholders' equity	(597,188)	—	—	—	(3,691)	(368)	(1,206)	(921)	—	(6,186)	3,229	(2,957)
Balance at March 31, 2019	**149,296**	**¥47,586**	**¥46,067**	**¥223,940**	**¥43,974**	**¥ (280)**	**¥ 368**	**¥ (1,417)**	**¥(7,316)**	**¥352,922**	**¥39,139**	**¥392,061**
		Thousands of U.S. dollars (Note 3)										
Balance at March 31, 2018		$432,601	$418,059	$1,777,436	$433,320	$ 808	$ 14,297	$ (4,515)	$(66,224)	$3,005,782	$326,462	$3,332,244
Net income attributable to owners of parent		—	—	366,073	—	—	—	—	—	366,073	—	366,073
Change of scope of consolidation		—	—	(3,797)	—	—	—	—	—	(3,797)	—	(3,797)
Cash dividends		—	—	(103,893)	—	—	—	—	—	(103,893)	—	(103,893)
Purchase of treasury stock		—	—	—	—	—	—	—	(297)	(297)	—	(297)
Sales of treasury stock		—	13	—	—	—	—	—	7	20	—	20
Change in treasury shares of parent arising from transactions with non-controlling shareholders		—	721	—	—	—	—	—	—	721	—	721
Net changes of items other than shareholders' equity		—	—	—	(33,548)	(3,357)	(10,949)	(8,374)	—	(56,228)	29,352	(26,876)
Balance at March 31, 2019		**$432,601**	**$418,793**	**$2,035,819**	**$399,772**	**$(2,549)**	**$ 3,348**	**$(12,889)**	**$(66,514)**	**$3,208,381**	**$355,814**	**$3,564,195**

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

Consolidated Statements of Cash Flows

Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Cash Flows from Operating Activities:			
Income before income taxes	¥ 62,287	¥ 56,805	$ 566,250
Depreciation and amortization	30,906	30,151	280,965
Increase (decrease) in allowance for doubtful accounts	802	(347)	7,295
Interest and dividend income	(3,122)	(2,503)	(28,388)
Interest expense	1,377	1,621	12,521
Foreign exchange losses (gains)	(544)	741	(4,948)
Gain on sales of noncurrent assets	(96)	(209)	(876)
Gain on sales of investment securities	(1,055)	(1,691)	(9,594)
Loss on disposal of noncurrent assets	1,121	366	10,194
Loss on devaluation of investment securities	279	776	2,543
Impairment loss	2,242	—	20,383
Foreign currency translation adjustments reversal gains	(1,299)	—	(11,813)
Changes in operating assets and liabilities:			
Trade receivables	(21,949)	(16,633)	(199,542)
Inventories	(26,937)	(6,933)	(244,883)
Trade payables	12,410	18,645	112,823
Advances received	(3,129)	3,487	(28,448)
Other, net	12,186	4,380	110,789
Cash generated from operations	65,479	88,656	595,271
Interest and dividends received	3,142	2,507	28,568
Interest expenses paid	(1,412)	(1,652)	(12,840)
Income taxes paid	(12,260)	(36,365)	(111,455)
Net cash provided by operating activities	54,949	53,146	499,544
Cash Flows from Investing Activities:			
Purchase of property, plant and equipment	(15,932)	(12,279)	(144,842)
Proceeds from sales of property, plant and equipment	354	640	3,220
Purchase of investment securities	(639)	(2,362)	(5,810)
Proceeds from sales of investment securities	1,600	2,741	14,546
Payments of loans receivable	(7,381)	(4,634)	(67,109)
Collection of loans receivable	7,339	5,299	66,723
Other, net	(6,789)	(3,955)	(61,713)
Net cash used in investing activities	(21,448)	(14,550)	(194,985)
Cash Flows from Financing Activities:			
Net decrease in short-term loans payable	(2,680)	(4,570)	(24,366)
Proceeds from long-term loans payable	3,044	2,060	27,679
Repayment of long-term loans payable	(2,068)	(25,559)	(18,805)
Proceeds from issuance of bonds	10,000	10,000	90,909
Redemption of bonds	(20,000)	(5,000)	(181,818)
Repayments of lease obligations	(13,106)	(12,785)	(119,153)
Proceeds from sales of treasury stock	2	0	20
Purchase of treasury stock	(32)	(43)	(297)
Cash dividends paid	(11,428)	(8,571)	(103,893)
Cash dividends paid to non-controlling interests	(1,340)	(2,364)	(12,184)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(512)	(1)	(4,655)
Other, net	(52)	(54)	(474)
Net cash used in financing activities	(38,172)	(46,887)	(347,037)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	338	(374)	3,078
Net Decrease in Cash and Cash Equivalents	(4,333)	(8,665)	(39,400)
Cash and Cash Equivalents at Beginning of Year	33,329	41,886	302,999
Increase in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation	138	108	1,263
Cash and Cash Equivalents at End of Year	¥ 29,134	¥ 33,329	$ 264,862

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, 2019 include the accounts of the Company and its 72 significant subsidiaries and its 4 subsidiaries and affiliates are accounted for by the equity method (70 and 5 in FY2018).

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 15 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 issued on March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 issued on 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.

r. Change in Methods of Presentation

- "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standard Board of Japan ("ASBJ") statement No. 28 revised on February 16, 2018)

Effective April 1, 2018, the Company and its domestic consolidated subsidiaries have adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, revised on February 16, 2018). As such, deferred tax assets and deferred tax liabilities are included within investments and other assets and long-term liabilities, respectively.

As a result, ¥17,763 million of deferred tax assets in current assets, ¥495 million of other current liabilities in current liabilities and ¥3,620 million of deferred tax liabilities in long-term liabilities previously presented in consolidated balance sheet as of March 31, 2018 have been reclassified and included within ¥15,911 million of deferred tax assets in investments and other assets and ¥755 million of deferred tax liabilities in long-term liabilities, respectively.

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 ¥110=U.S.$1, the approximate exchange rate as of March 31, 2019. The U.S. dollar amounts are presented solely for the convenience of the readers outside Japan.

Note 4. Inventories

Inventories as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Merchandise and finished goods	¥ 62,185	¥ 57,821	$ 565,327
Work in process	63,914	50,372	581,038
Raw materials	50,873	41,564	462,472
Inventories	¥176,972	¥149,757	$1,608,837

Losses on valuation of inventories with lower profitability were ¥390 million ($3,548 thousand) and ¥210 million for the years ended March 31, 2019 and 2018, 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, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Investment securities	¥ 14	¥ 22	$ 130
Property, plant and equipment	1,545	1,812	14,052
Intangible assets	415	445	3,767
Total	¥1,974	¥2,279	$17,949

Collateralized liabilities as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Trade payables	¥ 77	¥ 78	$ 700
Short-term debt	891	412	8,100
Long-term debt	101	140	919
Total	¥1,069	¥630	$9,719

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 to14 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, 2019 and 2018, 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		
	2019		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	¥ 29,134	¥ 29,134	¥ —
Trade receivables	308,831	308,808	(23)
Investment securities	117,739	128,010	10,271
Trade payables	(196,669)	(196,669)	—
Short-term debt	(29,508)	(29,508)	—
Current portion of long-term debt	(26,788)	(26,788)	—
Lease obligations (Current Liabilities)	(11,991)	(11,991)	—
Long-term debt	(60,548)	(61,044)	496
Lease obligations (Long-term Liabilities)	(25,148)	(25,472)	324
Derivatives			
Derivative transactions to which hedge accounting is not applied	24	24	—
Derivative transactions to which hedge accounting is applied	(404)	(404)	—

	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	—

	Thousands of U.S. dollars (Note 3)		
	2019		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	$ 264,862	$ 264,862	$ —
Trade receivables	2,807,558	2,807,346	(212)
Investment securities	1,070,362	1,163,729	93,367
Trade payables	(1,787,907)	(1,787,907)	—
Short-term debt	(268,258)	(268,258)	—
Current portion of long-term debt	(243,531)	(243,531)	—
Lease obligations (Current Liabilities)	(109,016)	(109,016)	—
Long-term debt	(550,441)	(554,949)	4,508
Lease obligations (Long-term Liabilities)	(228,624)	(231,564)	2,940
Derivatives			
Derivative transactions to which hedge accounting is not applied	225	225	—
Derivative transactions to which hedge accounting is applied	(3,674)	(3,674)	—

(*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)
	2019	2018	2019
	Carrying amounts	Carrying amounts	Carrying amounts
Unlisted stocks (including stocks of unconsolidated subsidiaries and affiliates)	¥15,608	¥15,609	$141,898

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, 2019 and 2018:

	Millions of yen			
	2019			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	¥ 29,134	¥ —	¥—	¥—
Trade receivables	299,560	9,206	64	—
Total	¥328,694	¥9,206	¥64	¥—

	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	—	—
Total	¥293,535	¥26,878	¥—	¥—

	Thousands of U.S. dollars (Note 3)			
	2019			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	$ 264,862	$ —	$ —	$—
Trade receivables	2,723,270	83,699	589	—
Total	$2,988,132	$83,699	$589	$—

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, 2019 and 2018 were as Follows:

	Millions of yen			
	2019			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	¥41,069	¥104,610	¥64,104	¥(563)
Debt securities	—	—	—	—
Others	—	—	—	—
Total	¥41,069	¥104,610	¥64,104	¥(563)

	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)

	Thousands of U.S. dollars (Note 3)			
	2019			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	$373,359	$951,002	$582,765	$(5,122)
Debt securities	—	—	—	—
Others	—	—	—	—
Total	$373,359	$951,002	$582,765	$(5,122)

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, 2019 and 2018 were ¥4,124 million ($37,491 thousand) and ¥4,026 million, respectively.)

2. Sales of other securities for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Proceed from sales	¥1,590	¥2,633	$14,455
Gain on sales	1,055	1,691	9,594
Loss on sales	—	(1)	—

3. Impairment of other securities for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Impairment losses	¥279	¥776	$2,543

Note 8. Derivatives

1. Derivative Transactions to which Hedge Accounting is Not Applied

	Millions of yen			
	2019			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. Dollar	¥2,708	¥—	¥(16)	¥(16)
Euro	1,924	—	54	54
Won	112	—	(0)	(0)
Baht	136	—	(3)	(3)
Yuan Renminbi	1,624	—	(13)	(13)
Payables:				
U.S. Dollar	205	—	2	2
Yen	22	—	0	0
Total	¥6,731	¥—	¥ 24	¥ 24

	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

	Thousands of U.S. dollars (Note 3)			
	2019			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. Dollar	$24,596	$—	$(122)	$(122)
Euro	17,492	—	494	494
Won	1,023	—	(7)	(7)
Baht	1,245	—	(36)	(36)
Yuan Renminbi	14,772	—	(126)	(126)
Payables:				
U.S. Dollar	1,871	—	21	21
Yen	200	—	1	1
Total	$61,199	$—	$ 225	$ 225

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

2. Derivative Transactions to which Hedge Accounting is Applied

(1) Currency-related contracts

			Millions of yen		
			2019		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. Dollar		¥ 5,461	¥1,814	¥(223)
	Euro		2,048	—	20
	Baht		25	—	(1)
	Payables:	Accounts payable–trade			
	U.S. Dollar		3,750	—	42
	Euro		6,375	2,537	(242)
	Singapore Dollar		32	—	0
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. Dollar		¥ 2,201	¥ —	
	Yuan Renminbi		184	—	
	Baht		168	—	(Note2)
	Payables:	Accounts payable–trade			
	U.S. Dollar		1,078	—	
	Euro		178	—	
	Total		¥21,500	¥4,351	¥(404)

			Millions of yen		
			2018		
Hedge accounting method	Type of derivative	Principal items hedged	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	Thousands of U.S. dollars (Note 3)		
			2019		
			Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. Dollar		$ 49,652	$16,498	$(2,035)
	Euro		18,620	—	183
	Baht		232	—	(9)
	Payables:	Accounts payable–trade			
	U.S. Dollar		34,092	—	388
	Euro		57,909	23,064	(2,202)
	Singapore Dollar		297	—	1
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. Dollar		$ 20,017	$ —	
	Yuan Renminbi		1,679	—	
	Baht		1,534	—	(Note2)
	Payables:	Accounts payable–trade			
	U.S. Dollar		9,801	—	
	Euro		1,622	—	
	Total		$195,455	$39,562	$(3,674)

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		
			2019		
			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		
			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	(Note 2)

Hedge accounting method	Type of derivative	Principal items hedged	Thousands of U.S. dollars (Note 3)		
			2019		
			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	$16,684	$16,684	(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, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Loans, principally from banks	¥21,508	¥31,998	$195,530
Commercial paper	8,000	—	72,728
Short-term debt	¥29,508	¥31,998	$268,258

Note: The weighted average interest rates on short-term debt as of March 31, 2019 and 2018 were 1.21% and 1.48%, respectively.

Long-term debt as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Loans, principally from banks and insurance companies	¥37,336	¥36,302	$339,427
Bonds issued by the Company:			
0.90% Yen unsecured straight bonds due June 6, 2018	—	20,000	—
0.38% Yen unsecured straight bonds due September 4, 2020	15,000	15,000	136,364
0.28% Yen unsecured straight bonds due August 31, 2023	15,000	15,000	136,364
0.40% Yen unsecured straight bonds due May 21, 2027	10,000	10,000	90,909
0.40% Yen unsecured straight bonds due May 25, 2028	10,000	—	90,909
	87,336	96,302	793,972
Less: Portion due within one year	26,788	21,867	243,531
Long-term debt	¥60,548	¥74,435	$550,441

Note: The weighted average interest rates on loans, principally from banks and insurance companies, as of March 31, 2019 and 2018 were 0.57% and 0.45%, respectively.

As of March 31, 2019, 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)
2021	¥16,976	$154,336
2022	4,239	38,538
2023	346	3,149
2024	17,594	159,947
2025 thereafter	21,393	194,471
Total	¥60,548	$550,441

Note 10. Lease Obligations

Lease obligations as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Short-term	¥11,991	¥12,153	$109,016
Long-term	25,148	23,053	228,624
Total	¥37,139	¥35,206	$337,640

Note: The weighted average interest rates on lease obligations as of March 31, 2019 and 2018 were 1.70% and 1.98%, respectively.

As of March 31, 2019, the aggregate annual maturities of lease obligations were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
2021	¥ 8,996	$ 81,783
2022	7,124	64,770
2023	4,926	44,786
2024	2,863	26,033
2025 thereafter	1,239	11,252
Total	¥25,148	$228,624

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, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Retirement benefit obligation at the beginning of the year	¥187,344	¥193,369	$1,703,133
Service cost	3,202	3,183	29,115
Interest cost	2,488	2,566	22,621
Actuarial loss	1,296	735	11,785
Retirement benefits paid	(12,950)	(13,767)	(117,733)
Prior service cost	(0)	(294)	(2)
Difference arising from the change from simplified method to principle method	—	1,533	—
Others	7	19	57
Retirement benefit obligation at the end of the year	¥181,387	¥187,344	$1,648,976

(2) The changes in plan assets at fair value except for plans accounted for by a simplified method during the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Plan assets at fair value at the beginning of the year	¥186,726	¥193,368	$1,697,517
Expected return on plan assets	2,166	2,187	19,698
Actuarial gain	(462)	1,930	(4,200)
Contributions by the Companies	1,753	1,613	15,945
Retirement benefits paid	(11,771)	(13,015)	(107,017)
Difference arising from the change from simplified method to principle method	—	645	—
Redemption of the retirement benefit trust assets	(24,556)	—	(223,237)
Others	3	(2)	19
Plan assets at fair value at the end of the year	¥153,859	¥186,726	$1,398,725

(3) The changes in net defined benefit liability calculated by a simplified method during the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Retirement benefit obligation at the beginning of the year	¥1,792	¥2,431	$16,295
Retirement benefit expenses	280	362	2,551
Retirement benefits paid	(47)	(98)	(432)
Contributions	(139)	(157)	(1,271)
Difference arising from the change from simplified method to principle method	—	(724)	—
Others	(2)	(22)	(13)
Net defined benefit liability at the end of the year	¥1,884	¥1,792	$17,130

(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)
	2019	2018	2019
Funded retirement benefit obligation	¥ 180,868	¥ 186,955	$ 1,644,262
Plan assets at fair value	(157,467)	(190,198)	(1,431,522)
	23,401	(3,243)	212,740
Unfunded retirement benefit obligation	6,010	5,653	54,640
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ 29,411	¥ 2,410	$ 267,380
Net defined benefit liability	45,794	42,519	416,314
Net defined benefit asset	(16,383)	(40,109)	(148,934)
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ 29,411	¥ 2,410	$ 267,380

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

(5) The components of retirement benefit expenses for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Service cost	¥ 3,202	¥ 3,183	$ 29,115
Interest cost	2,488	2,566	22,621
Expected return on plan assets	(2,166)	(2,187)	(19,698)
Amortization of actuarial loss	181	2,223	1,654
Amortization of prior service cost	17	(422)	158
Retirement benefit expenses calculated by simplified method	280	362	2,551
Difference arising from the change from simplified method to principle method	—	163	—
Others	129	173	1,160
Retirement benefit expenses	¥ 4,131	¥ 6,061	$ 37,560

(6) The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Prior service cost	¥ (17)	¥ 127	$ (159)
Actuarial gain and loss	1,575	(3,421)	14,323
Total	¥1,558	¥(3,294)	$14,164

(7) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Unrecognized prior service cost	¥(6,078)	¥(6,060)	$(55,256)
Unrecognized actuarial gain and loss	7,516	5,941	68,338
Total	¥ 1,438	¥ (119)	$ 13,082

(8) The breakdown of plan assets by major category as of March 31, 2019 and 2018 were as follows:

	2019	2018
Debt securities	40%	36%
Deposit	25	35
Equity securities	15	15
General accounts at life insurance companies	18	13
Others	2	1
Total	100%	100%

Note: Retirement benefit trust established for the corporate pension plans is included and equivalent to 9% of total amount of plan assets as of March 31, 2019 and 22% of total amount of plan assets as of March 31, 2018.

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, 2019 and 2018 were as follows:

	2019	2018
Discount rates	0.27% – 1.40%	0.27% – 1.40%
Long-term expected rates of return on plan assets	mainly 2.0%	mainly 2.0%
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, 2019 and 2018 were ¥4,708 million ($42,808 thousand) and ¥4,584 million, respectively.

4. Information on Multi-Employer Pension Plans

Contributions to multi-employer welfare pension plans accounted for by the same methods used for defined contributions plans for the years ended March 31, 2019 and 2018 were ¥14 million ($136 thousand) and ¥14 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, 2019 and 2018 were as follows:

	Thousands of shares			
	March 31, 2018	Increase in the year	Decrease in the year	March 31, 2019
Shares outstanding:				
Common stock	746,484	—	597,188	149,296
Total	746,484	—	597,188	149,296
Treasury stock:				
Common stock	32,215	19	25,783	6,451
Total	32,215	19	25,783	6,451

	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

Notes: 1. Fuji Electric conducted an 1-for-5 common stock consolidation effective October 1, 2018.
2. The decrease of shares outstanding of common stock amounted to 597,188 thousand is due to stock consolidation.
3. The increase of treasury stock of common stock amounted to 19 thousand consist of the increase amounted to 2 thousand due to purchase of fractions less than a share as a result of the stock consolidation, and the increase amounted to 17 thousand (Before the stock consolidation: 13 thousand, after stock consolidation: 3 thousand) due to purchase of shares of less than a share trading unit associated with the stock consolidation.
4. The decrease of treasury stock of common stock amounted to 25,783 thousand consist of the stock consolidation amounted to 25,782 thousand and the sales of shares of less than a share trading unit amounted to 1 thousand (Before the stock consolidation: 0 thousand, after stock consolidation: 0 thousand).

2. Dividends

(1) Dividends paid

For the year ended March 31, 2019

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 24, 2018	Common stock	¥5,714	$51,947	¥8.0	$0.07	March 31, 2018	June 6, 2018
Meeting of the Board of Directors on October 25, 2018	Common stock	5,714	51,947	8.0	0.07	September 30, 2018	December 4, 2018

For the year ended March 31, 2018

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 25, 2017	Common stock	¥4,285	¥6.0	March 31, 2017	June 7, 2017
Meeting of the Board of Directors on October 26, 2017	Common stock	4,285	6.0	September 30, 2017	December 5, 2017

(2) Dividends with the cut-off date in the year ended March 31, 2019 and effective date in the year ending March 31, 2020

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 23, 2019	Common stock	¥5,713	$51,944	Retained earnings	¥40.0	$0.36	March 31, 2019	June 5, 2019

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

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 24, 2018	Common stock	¥5,714	Retained earnings	¥8.0	March 31, 2018	June 6, 2018

Note 13. Research and Development Costs

Research and development costs charged to income were ¥33,669 million ($306,087 thousand) and ¥35,620 million for the years ended March 31, 2019 and 2018, respectively.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Research and development costs	¥33,669	¥35,620	$306,087

Note 14. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Salaries and wages	¥79,830	¥77,637	$725,731
Retirement benefit expenses	3,974	4,607	36,134
Research and development costs	29,581	30,796	268,920

Note 15. Extraordinary Income, Net

Extraordinary income, net, for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Extraordinary income			
Gain on sales of noncurrent assets	¥ 96	¥ 209	$ 876
Gain on sales of investment securities	1,055	1,691	9,594
Foreign currency transtation adjustment reversal gains	1,299	—	11,813
Extraordinary loss			
Loss on disposal of noncurrent assets	(1,121)	(366)	(10,194)
Loss on devaluation of investment securities	(279)	(776)	(2,543)
Impairment loss	(2,242)	—	(20,383)
Extraordinary income (loss), net	¥(1,192)	¥ 758	$(10,837)

Note 16. Impairment Loss

The Companies determine the asset group by considering the categories of management accounting.

For the year ended March 31, 2019, the Companies recognized an impairment loss on the following asset groups:

Usage	Location	Classification	Millions of yen	Thousands of U.S. dollars (Note 3)
—	United States of America	Goodwill and intangible assets	¥1,540	$14,005
Assets to be disposed	Tokyo	Buildings and other assets	¥ 572	$ 5,207
Assets to be disposed	Kanagawa Prefecture	Construction in progress	¥ 94	$ 855
Assets to be disposed	Chiba Prefecture	Buildings and other assets	¥ 36	$ 316

Regarding above Goodwill and intangible assets, the Companies recognized an impairment loss on goodwill and intangible assets as an extraordinary loss up to the recoverable amount of the asset groups as a result of having examined the possibility of future recovery based on the current business environment of a consolidated subsidiary in power generation business.

The impairment loss consisted of ¥1,243 million ($11,309 thousand) for goodwill and ¥297 million ($2,696 thousand) for intangible assets.

The value-in-use was measured using discounting future cash flows at a rate of 11.3%.

Regarding the asset to be disposed, the Companies recognized an impairment loss up to the recoverable amount of assets to be disposed as they are not expected to be used.

The impairment loss consisted of ¥606 million ($5,513 thousand) for buildings and structures, ¥94 million ($855 thousand) for construction in progress and ¥1million ($10 thousand) for other assets.

The recoverable amount of the above assets was measured by the net realizable value.

The net realizable value was measured as zero for the assets because it seems difficult to sell or convert to other use.

Note 17. Income Taxes

1. The Components of Income Taxes for the Years Ended March 31, 2019 and 2018 were as Follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Current	¥16,051	¥13,738	$145,920
Deferred	1,166	1,066	10,597
Income taxes	¥17,217	¥14,804	$156,517

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, 2019 and 2018 were as Follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Deferred tax assets			
Net defined benefit liability	¥ 21,609	¥ 21,688	$ 196,447
The investment deduction of the foreign consolidated subsidiaries	13,668	14,216	124,262
Inventories	7,596	7,487	69,061
Accrued employees' bonuses	6,860	6,584	62,369
Investment securities	6,366	6,353	57,876
Tangible fixed assets	2,185	2,112	19,872
Other	7,259	6,547	65,961
Gross deferred tax assets	65,543	64,987	595,848
Less: Valuation allowance	(21,554)	(21,822)	(195,945)
Total deferred tax assets	43,989	43,165	399,903
Deferred tax liabilities			
Unrealized gain on other securities	(19,700)	(21,095)	(179,096)
Investment securities	(2,451)	(2,062)	(22,284)
Other	(5,488)	(4,852)	(49,880)
Gross deferred tax liabilities	(27,639)	(28,009)	(251,260)
Net deferred tax assets (liabilities)	¥ 16,350	¥ 15,156	$ 148,643

3. The Reconciliation Between the Statutory Income Tax Rate and the Effective Income Tax Rate for the Years Ended March 31, 2019 and 2018 were as Follows:

	2019	2018
Statutory income tax rate	30.6 %	30.9 %
Tax credits	(3.6)	(3.2)
Tax rate difference of overseas consolidated subsidiaries	(2.8)	(2.1)
Valuation allowance	(0.1)	(1.9)
Permanent difference resulting from non-taxable income, including dividends received	(0.4)	(0.3)
Permanent difference resulting from expenses not deductible for income tax purposes	2.0	1.4
Other	1.9	1.3
Effective income tax rate	27.6 %	26.1 %

Note 18. 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)
	2019	2018	2019
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥(4,246)	¥ 8,952	$(38,603)
Reclassification adjustments	(931)	(1,690)	(8,466)
Before tax effect	(5,177)	7,262	(47,069)
Tax effect	1,395	(2,169)	12,686
Valuation difference on available-for-sale securities	(3,782)	5,093	(34,383)
Deferred gains or losses on hedges:			
Amount arising during the year	(532)	2,312	(4,839)
Before tax effect	(532)	2,312	(4,839)
Tax effect	163	(624)	1,481
Deferred gains or losses on hedges	(369)	1,688	(3,358)
Foreign currency translation adjustments:			
Amount arising during the year	(443)	1,600	(4,034)
Reclassification adjustments	(1,300)	—	(11,813)
Before tax effect	(1,743)	1,600	(15,847)
Tax effect	382	—	3,489
Foreign currency translation adjustments	(1,361)	1,600	(12,358)
Remeasurements of defined benefit plans:			
Amount arising during the year	(1,757)	1,492	(15,976)
Reclassification adjustments	199	1,802	1,812
Before tax effect	(1,558)	3,294	(14,164)
Tax effect	452	(993)	4,101
Remeasurements of defined benefit plans	(1,106)	2,301	(10,063)
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the year	68	31	624
Reclassification adjustments	133	140	1,204
Share of other comprehensive income of associates accounted for using equity method	201	171	1,828
Total other comprehensive income	¥(6,417)	¥10,853	$(58,334)

Note 19. Contingent Liabilities

Contingent liabilities as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Guarantees	¥15,169	¥14,396	$137,900

Note 20. 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, 2019 and 2018 were as follows:

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Acquisition cost	¥1,103	¥1,433	$10,031
Accumulated depreciation	1,029	1,277	9,354
Net leased property	¥ 74	¥ 156	$ 677

(b) Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Due within one year	¥ 83	¥ 93	$ 760
Due after one year	31	115	277
Total	¥114	¥208	$1,037

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Lease expense	¥98	¥127	$899
Depreciation expense	82	96	748
Interest expense	5	8	46

(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, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Due within one year	¥2,244	¥2,105	$20,407
Due after one year	1,518	3,024	13,796
Total	¥3,762	¥5,129	$34,203

Note 21. 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, 2018, reflecting change of organization structure, business segments in the reporting segments of Power Electronics Systems—Energy Solutions and Power Electronics Systems—Industry Solutions were reclassified. The reporting segment information for the year ended March 31, 2018 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	Power distribution, smart meters, industrial substation, railway substation, industrial power supplies, datacenters, uninterruptible power systems (UPSs), electrical facilities, switchboards, power distribution and control equipment
Power Electronics Systems —Industry Solutions	Inverters, motors, FA components (servos/controllers), measuring instruments and sensors, FA systems, drive control systems, measuring and control systems, transport systems, radiation monitoring systems, electricity and air conditioning equipment construction, information systems
Power and New Energy	Thermal/biomass/geothermal/hydro power generation facilities, 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 transfers 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, 2019 and 2018 and for the years then ended were as follows:

	Millions of yen								
Year ended March 31, 2019	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	¥220,409	¥308,921	¥106,921	¥133,828	¥113,345	¥31,491	¥914,915	¥ —	¥914,915
Inter-segment sales and transfers	4,378	13,021	91	3,506	261	30,740	51,997	(51,997)	—
Total sales	224,787	321,942	107,012	137,334	113,606	62,231	966,912	(51,997)	914,915
Segment profits (losses)	¥ 16,854	¥ 19,393	¥ 4,750	¥ 15,623	¥ 5,756	¥ 2,766	¥ 65,142	¥ (5,170)	¥ 59,972
Segment assets	¥204,632	¥263,922	¥116,166	¥172,699	¥ 78,733	¥33,962	¥870,114	¥ 82,545	¥952,659
Other items									
Depreciation and amortization	¥ 5,668	¥ 6,267	¥ 1,367	¥ 13,168	¥ 2,498	¥ 874	¥ 29,842	¥ 1,064	¥ 30,906
Investments for companies applied equity method	¥ 14,828	¥ 1,426	¥ —	¥ —	¥ —	¥ —	¥ 16,254	¥ —	¥ 16,254
Capital expenditures	¥ 6,443	¥ 7,006	¥ 1,193	¥ 20,451	¥ 2,647	¥ 929	¥ 38,669	¥ 869	¥ 39,538

Year ended March 31, 2018	Millions of yen								
	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	¥214,450	¥310,165	¥ 96,757	¥123,502	¥117,485	¥31,092	¥893,451	¥ —	¥893,451
Inter-segment sales and transfers	3,165	10,815	122	3,369	268	29,313	47,052	(47,052)	—
Total sales	217,615	320,980	96,879	126,871	117,753	60,405	940,503	(47,052)	893,451
Segment profits (losses)	¥ 14,015	¥ 18,920	¥ 5,521	¥ 13,699	¥ 6,234	¥ 2,861	¥ 61,250	¥ (5,288)	¥ 55,962
Segment assets	¥187,996	¥255,618	¥113,246	¥150,783	¥ 80,191	¥32,062	¥819,896	¥ 94,848	¥914,744
Other items									
Depreciation and amortization	¥ 5,726	¥ 6,126	¥ 1,444	¥ 12,882	¥ 2,271	¥ 808	¥ 29,257	¥ 894	¥ 30,151
Investments for companies applied equity method	¥ 13,802	¥ 1,318	¥ —	¥ —	¥ —	¥ —	¥ 15,120	¥ —	¥ 15,120
Capital expenditures	¥ 6,470	¥ 4,960	¥ 1,335	¥ 10,614	¥ 5,081	¥ 641	¥ 29,101	¥ 1,347	¥ 30,448

Year ended March 31, 2019	Thousands of U.S. dollars (Note 3)								
	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	$2,003,719	$2,808,378	$ 972,018	$1,216,622	$1,030,416	$286,261	$8,317,414	$ —	$8,317,414
Inter-segment sales and transfers	39,804	118,376	826	31,874	2,370	279,457	472,707	(472,707)	—
Total sales	2,043,523	2,926,754	972,844	1,248,496	1,032,786	565,718	8,790,121	(472,707)	8,317,414
Segment profits (losses)	$ 153,220	$ 176,301	$ 43,186	$ 142,031	$ 52,334	$ 25,139	$ 592,211	$ (47,008)	$ 545,203
Segment assets	$1,860,298	$2,399,298	$1,056,062	$1,570,000	$ 715,759	$308,713	$7,910,130	$ 750,415	$8,660,545
Other items									
Depreciation and amortization	$ 51,528	$ 56,981	$ 12,432	$ 119,717	$ 22,715	$ 7,914	$ 271,287	$ 9,678	$ 280,965
Investments for companies applied equity method	$ 134,803	$ 12,969	$ —	$ —	$ —	$ —	$ 147,772	$ —	$ 147,772
Capital expenditures	$ 58,577	$ 63,695	$ 10,852	$ 185,919	$ 24,064	$ 8,430	$ 351,537	$ 7,901	$ 359,438

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		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Corporate expense*	¥(5,187)	¥(5,287)	$(47,163)
Elimination of intersegment sales	17	(1)	155
Total	¥(5,170)	¥(5,288)	$(47,008)

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Corporate assets*	¥ 262,857	¥ 266,495	$ 2,389,609
Elimination of intersegment transactions	(180,312)	(171,647)	(1,639,194)
Total	¥ 82,545	¥ 94,848	$ 750,415

* 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, 2019 and 2018 and for the years then ended were as follows:

Geographic information

(a) Sales

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Japan	¥682,503	¥674,744	$6,204,573
Asia (except for China), Others	121,733	110,935	1,106,649
China	78,368	74,968	712,445
Europe	16,477	17,584	149,799
America	15,834	15,220	143,948
Consolidated	¥914,915	¥893,451	$8,317,414

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

(b) Tangible fixed assets

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Japan	¥141,585	¥136,205	$1,287,141
Asia (except for China), Others	24,900	22,342	226,341
China	14,354	14,597	130,500
Europe	660	782	6,008
America	625	674	5,685
Consolidated	¥182,124	¥174,600	$1,655,675

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, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Power Electronics Systems—Energy Solutions	¥ 34	¥—	$ 315
Power Electronics Systems—Industry Solutions	572	—	5,207
Power and New Energy	1,636	—	14,861
Electronic Devices	—	—	—
Food and Beverage Distribution	—	—	—
Others	—	—	—
Total	¥2,242	¥—	$20,383

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, 2019 and 2018 were as follows:

	Millions of yen						
Year ended March 31, 2019	Power Electronics Systems— Energy Solutions	Power Electronics Systems— Industry Solutions	Power and New Energy	Electronic Devices	Food and Beverage Distribution	Others	Consolidated
Amortization	¥292	¥134	¥186	¥11	¥—	¥—	¥623
Balance as of March 31	¥292	¥580	¥ —	¥64	¥—	¥—	¥936

	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

	Thousands of U.S. dollars (Note 3)						
Year ended March 31, 2019	Power Electronics Systems— Energy Solutions	Power Electronics Systems— Industry Solutions	Power and New Energy	Electronic Devices	Food and Beverage Distribution	Others	Consolidated
Amortization	$2,661	$1,221	$1,696	$ 90	$—	$—	$5,668
Balance as of March 31	$2,661	$5,279	$ —	$576	$—	$—	$8,516

5. Information on Gain on Negative Goodwill by Each Reporting Segment

None

Note 22. Information on Transactions with Related Parties

For the year ended March 31, 2019

None

Note 23. Business Combinations

For the year ended March 31, 2019

This disclosure is omitted due to the immateriality.

Note 24. 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 12 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, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Balance at the beginning of the year	¥1,931	¥1,986	$17,557
Increase due to acquisition of property, plant and equipment	3	—	32
Adjustment due to passage of time	6	8	60
Decrease due to fulfillment of obligations	(22)	(63)	(206)
Balance at the end of the year	¥1,918	¥1,931	$17,443

Note 25. Amounts Per Share

Information of amounts per share as of March 31, 2019 and 2018 and for the years then ended were as follows:

	Yen		U.S. dollars (Note 3)
	2019	2018	2019
Net assets per share	¥2,470.65	¥2,314.50	$22.460
Net income per share	281.89	264.34	2.563

Diluted net income per share in 2019 and 2018 are not disclosed because there is no potential common stock that has a dilutive effect.

Fuji Electric conducted an 1-for-5 common stock consolidation effective October 1, 2018.

Net assets per share and Net income per share are calculated assuming that the share consolidation was executed at the beginning of the year ended March 31, 2018.

Note 26. Subsequent Events

(The Acquisition of Company through the Acquisition of Shares)

The Company has adopted a resolution to acquire the entire shares of Consul Neowatt Power Solutions Private Limited (CNPS) and to make the CNPS its subsidiary at a meeting of its Board of Directors held on June 20, 2019.

(1) Purpose of the acquisition

CNPS is a leading manufacturer of power supply equipment in India.

Uninterruptible power systems (UPSs), which is the CNPS's main product, is winning the first place of the domestic market share in the country.

CNPS is also achieving many business results of sales to manufacturing, medical and social infrastructure industries etc. in India.

The company is expanding its power electronics systems business in India through obtaining CNPS's price competitive products, manufacturing bases and sales and service bases which are locating throughout India mainly targeting on markets of manufacturers and data centers, which is active in recent years.

(2) Share transferees

Peepul Capital Fund III LLC, management of CNPS and other individual shareholders

(3) Acquired company, description and size of the business

a. Acquired company

Consul Neowatt Power Solutions Private Limited

b. Description of the business

Development, manufacturing, engineering, sales, and services of UPSs, servo voltage stabilizers, active harmonic filters, off-grid solar inverters and other customized power electronic solutions.

c. Business size

Gross asset: 3,123 million Indian Rupee, Sales amount: 4,168 million Indian Rupee

(4) Acquisition schedule

End of August 2019 (planned)

(5) Number of shares to be acquired, Acquisition price and Shareholding ratio after the acquisition

a. Number of shares to be acquired: 177,569 shares

b. Acquisition price: 10,550 million yen (estimated amount (*))

c. Shareholding ratio after the acquisition: 100%

(*) Note: The acquisition price above is estimated based on the CNPS's financial information at the end of March, 2019. Final acquisition price may be adjusted since it will be determined based on the actual value as at point in time of the share transfer.

Independent Auditor's Report

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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, 2019, 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, 2019, 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 25, 2019
Tokyo, Japan

A member firm of Ernst & Young Global Limited

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

Fuji Electric Co., Ltd.

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