Fuji Electric

Innovating Energy Technology

Fuji Electric Report Financials

2021

Contents

Consolidated Financial Highlights

Years ended March 31	Millions of yen 2017	2018	2019	2020	2021	Thousands of U.S. dollars*1 2021
Operating Results						
Net sales	¥ 837,765	¥ 893,451	¥ 914,915	¥ 900,604	¥ 875,927	$ 7,962,980
Japan	632,723	674,744	682,503	679,719	654,020	5,945,639
Overseas	205,042	218,707	232,412	220,885	221,907	2,017,340
Operating income	44,709	55,962	59,972	42,515	48,595	441,779
Net Income Attributable to Owners of Parent	40,978	37,763	40,267	28,793	41,926	381,154
R&D and Capital Investment						
R&D expenditures	¥ 34,910	¥ 35,620	¥ 33,669	¥ 34,457	¥ 33,562	$ 305,114
Plant and equipment investment*2	27,149	26,465	43,338	48,208	35,890	326,281
Depreciation and amortization*3	29,445	30,151	30,906	32,319	36,194	329,039
Cash Flows						
Cash flows from operating activities	¥ 58,185	¥ 53,146	¥ 54,949	¥ 46,087	¥ 26,931	$ 244,827
Cash flows from investing activities	9,748	(14,550)	(21,448)	(27,621)	23,477	213,435
Free cash flow	67,934	38,596	33,501	18,466	50,408	458,262
Cash flows from financing activities	(56,082)	(46,887)	(38,172)	16,918	(39,518)	(359,276)
Financial Position						
Total assets*4	¥ 886,663	¥ 914,744	¥ 952,659	¥ 996,827	¥ 1,051,952	$ 9,563,209
Total net assets	323,863	366,546	392,061	406,002	461,254	4,193,224
Equity	291,216	330,636	352,922	365,620	416,997	3,790,881
Net interest-bearing debt	141,578	130,177	124,850	153,617	140,872	1,280,658
Interest-bearing debt	183,465	163,507	153,985	217,364	216,205	1,965,503
Financial Indicators						
Ratio of operating income to net sales (%)	5.3	6.3	6.6	4.7	5.5	—
ROE (Return on equity) (%)	15.7	12.1	11.8	8.0	10.7	—
ROA (Return on assets) (%)*4	4.7	4.2	4.3	3.0	4.1	—
Equity ratio (%)*4	32.8	36.1	37.0	36.7	39.6	—
Net debt-equity ratio (times)*5	0.5	0.4	0.4	0.4	0.3	—
Debt-equity ratio (times)*6	0.6	0.5	0.4	0.6	0.5	—
Per Share Data *7						U.S. dollars*1
Net income	¥ 57.36	¥ 264.34	¥ 281.89	¥ 201.57	¥ 293.52	$ 2.668
Net assets	407.68	2,314.50	2,470.65	2,559.60	2,919.34	26.539
Cash dividends	11.00	14.00	48.00	80.00	85.00	0.773
Others						
Employees	26,503	27,009	27,416	27,960	27,593	—
Japan	17,716	17,704	17,647	17,681	17,647	—
Overseas	8,787	9,305	9,769	10,279	9,946	—

*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, 2021.
*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 equity.
*6 Debt-equity ratio is the ratio of interest-bearing debt to 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.

Management's Discussion and Analysis

Overview

In fiscal 2019, we launched a five-year Medium-Term Management Plan called "Reiwa Prosperity 2023." The final year of the plan is fiscal 2023, when we will celebrate the 100th anniversary of our founding. Under the plan, we are promoting various growth strategies. These include focusing resources on growth fields—namely, power electronics systems and power semiconductors—while expanding our overseas business.

In fiscal 2020, the operating environment remained challenging, with continued investment restraint in Japan and overseas due to the global spread of COVID-19. Under these circumstances, economic activity in China resumed quickly in the first half of the year, and there were signs of a recovery in capital investment in the manufacturing sector. In the second half of the year, meanwhile, domestic demand for machine tools increased, and demand for semiconductors in Japan and overseas jumped significantly, bolstered by the electrification of automobiles and the growing popularity of renewable energy.

Financial Performance

Net Sales

Net sales in fiscal 2020 decreased by 2.7%, to ¥875,927 million.

In the Power Electronics Systems Industry and Electric Devices segments, net sales increased. However, in the Power Electronics Systems Energy, Food and Beverage Distribution and Power Generation segments, net sales decreased. Domestic sales decreased by 3.8%, to ¥654,020 million. Overseas sales increased by 0.5%, to ¥221,907 million.

The ratio of overseas sales increased by 0.8 percentage points, to 25.3%.

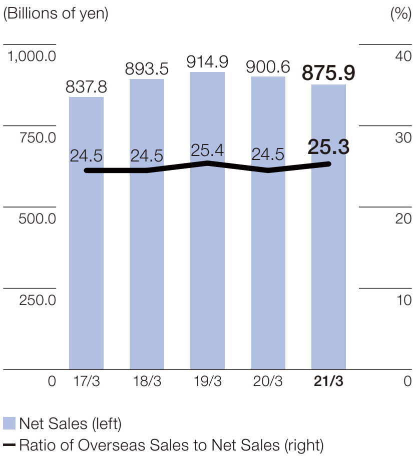
Cost of Sales, Selling, General and Administrative Expenses and Operating Income

The cost of sales decreased by 3.7 percentage points, to ¥654,661 million. The ratio of cost of sales to net sales decreased by 0.8 percentage points, to 74.7%.

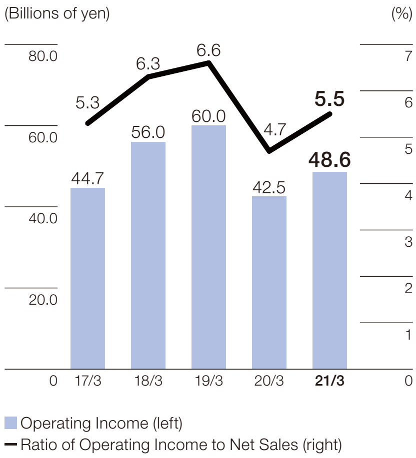
Selling, general and administrative expenses decreased by 3.0%, to ¥172,670 million. The ratio of selling, general and administrative expenses to net sales decreased by 0.1 percentage point, to 19.7%.

Operating income increased by ¥6,080 million, to ¥48,595 million, primarily due to cost and fixed expenses reduction, despite a decrease in net sales. The operating margin increased by 0.8 percentage points, to 5.5%.

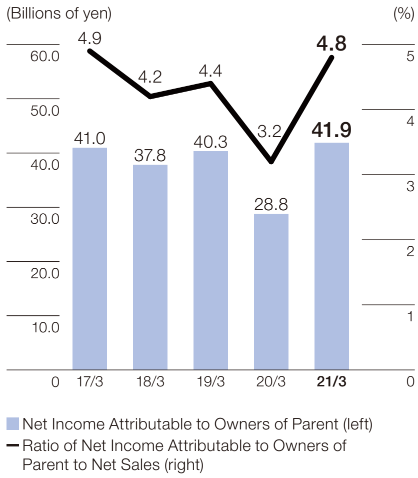
Net Sales / Ratio of Overseas Sales to Net Sales



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



Non-Operating Income (Expenses) and Ordinary Income

Non-operating income (net) was ¥1,806 million, a ¥192 million decrease from ¥1,998 million in the previous fiscal year. This decrease was primarily due to an increase in provision of allowance for doubtful accounts for subsidiaries and affiliates by ¥454 million and a ¥442 million of provision of allowance for doubtful accounts for investment loss for subsidiaries and associates, partially offset by a decrease in foreign exchange loss of ¥947 million. As a result, ordinary income increased by ¥5,888 million, to ¥50,401 million.

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

Extraordinary income was ¥41,145 million, included gain on sales of noncurrent assets and gain on sales of investment securities. This represented a ¥38,374 increase due to an increase in gain on sales of investment securities.

Extraordinary loss was ¥28,262 million, included loss on disposal of noncurrent assets, loss on devaluation of investment securities, impairment loss and cost of corrective measures for product defects. This represented a ¥24,839 million increase due to impairment loss and cost of corrective measures for product defects, partially offset by a decrease in loss on disposal of noncurrent assets and loss on devaluation of investment securities.

Net Income

Income before income taxes increased by ¥19,424 million, to ¥63,284 million. After subtracting ¥17,941 million of income taxes (the net of income taxes-current and income taxes-deferred) and ¥3,417 million of net income attributable to non-controlling interests, net income attributable to owners of parent increased by ¥13,133 million, to ¥41,926 million.

Results by Business Segment

Power Electronics Systems Energy

Net sales: ¥209,229 million (a decrease of 4.0%)
Operating income: ¥14,018 million (an increase of ¥1,696 million)

Although net sales in all of the business units decreased, operating income increased as a result of cost reduction.

- In the energy management business, net sales decreased primarily due to large-scale orders for industrial power supplies in the previous fiscal year and lower demand for smart meters. However, operating income increased as a result of cost reduction.
- In the facility / power source system business, net sales decreased primarily due to large-scale orders for switchboards. However, the operating income increased as a result of cost reduction.
- In the ED&C components business, net sales and operating income decreased primarily due to lower demand in the first half year, while demand from machine set manufacturers was recovering in the second half year.

Orders received in fiscal 2020 (Power Electronics Systems Energy segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥112.1 billion.

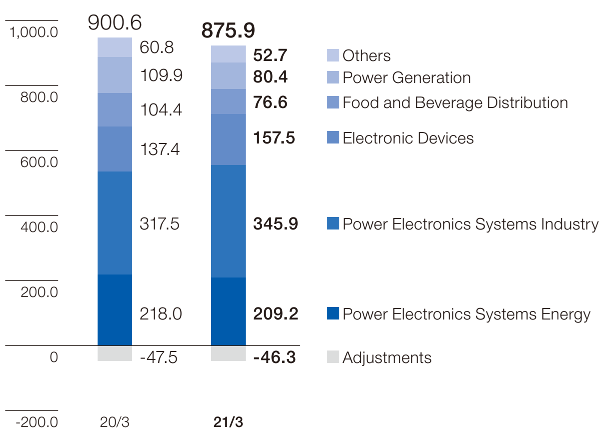
Power Electronics Systems—Industry Solutions

Net sales: ¥345,884 million (an increase of 8.9%)
Operating income: ¥21,781 million (an increase of ¥5,234 million)

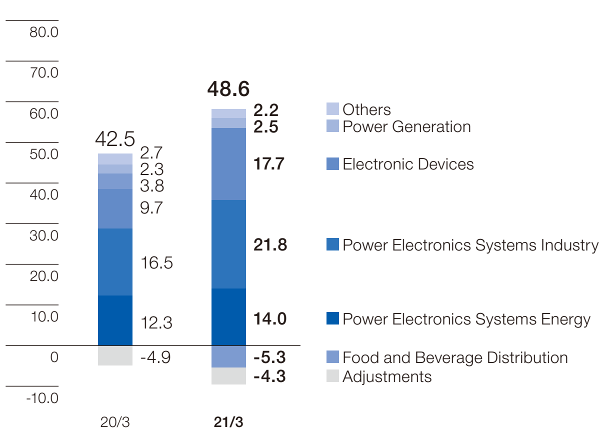
Net sales and operating income increased primarily due to higher demand in the IT solutions business, the factory automation business and the social solutions business, partially offset by a decease in net sales in the equipment construction business due to suspensions of investment by customers.

- In the factory automation business, net sales and operating income increased primarily due to higher demand for FA components in China, while lower demand in the domestic market.

Net Sales by Segment



Operating Income (Loss) by Segment



- In the social solutions business, net sales and operating income increased due to higher demand for the scrubber systems and the electrical products for transport systems.
- In the equipment construction business, net sales decreased due to suspensions of investment by costumers and large-scal orders for electricity equipment constructions in the previous fiscal year. However, operating insomes increased due to cost reduction.
- In the IT solutions business, net sales and operating income increased due to large-scale orders for the GIGA (global and innovation gateway for all) school plan in the academic sector.

Orders received in fiscal 2020 (Power Electronics Systems Industry segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥137.7 billion.

Note: From the third quarter of the current fiscal year, the Scrubber system business was transferred from the factory automation business to the social solutions business and the figures were changed after the transfer of the figures in the previous fiscal year.

Electronic Devices

Net sales: ¥157,484 million (an increase of 14.6%)
Operating income: ¥17,652 million (an increase of ¥7,934 million)

- In the electronic devices business, net sales and operating income increased, primarily due to higher demand for new energy markets and factory automation, while increasing in expenses for investment relating to power semiconductor production capacity enhancement for electric vehicles (xEV).

Food and Beverage Distribution

Net sales: ¥76,556 million (a decrease of 26.7%)
Operating loss: ¥5,280 million (a decrease of ¥9,122 million)

Net sales and operating income decreased due to sharply fallen demand caused by restraints of investment and suspensions of delivery by costumers, which were attributable to the continuous effect of the COVID-19.

- In the vending machine business, net sales and operating income decreased primarily due to restraints of investment by domestic beverage manufacturers and lower demand in China and Asia.
- In the store distribution business, net sales and operating income decreased primarily due to lower demand for store equipment for convenience stores and suspensions of delivery.

Orders received in fiscal 2020 (Food and Beverage Distribution segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥69.8 billion.

Power Generation

Net sales: ¥80,352 million (a decrease of 26.9%)
Operating income: ¥2,517 million (an increase of ¥219 million)

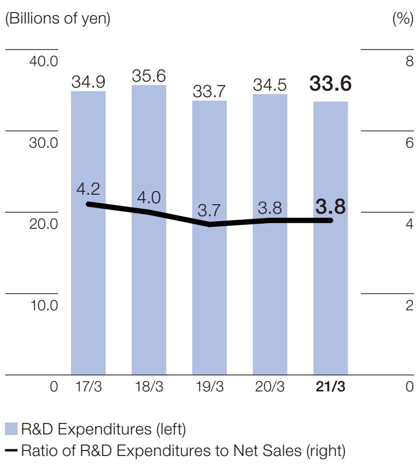
- In the power generation plant field, net sales decreased primarily due to large-scale orders for thermal power generation and renewable energy. However, operating income increased as a result of the favorable sales mix, despite the fact the COVID-19 caused extensions of construction and the cost increased.

Orders received in fiscal 2020 (Power Generation segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥80.6 billion.

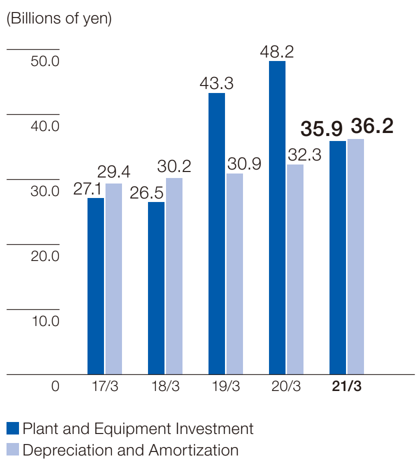
Others

Net sales: ¥52,695 million (a decrease of 13.4%)
Operating income: ¥2,215 million (a decrease of ¥482 million)

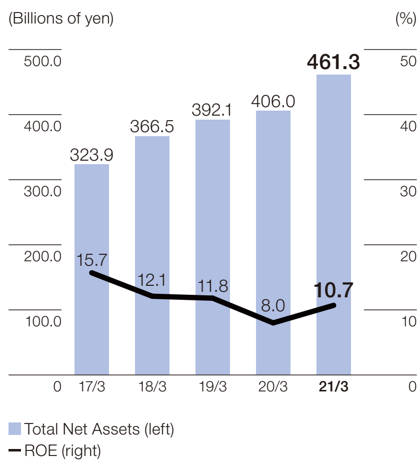
R&D Expenditures / Ratio of R&D Expenditures to Net Sales



Plant and Equipment Investment / Depreciation and Amortization



Total Net Assets / ROE



R&D Investment and Plant and Equipment Investment

R&D

We focus on research and development activities that create solutions producing value for customers by utilizing the synergies of power electronics technology and power semiconductor technology as well as combined elemental technologies.

We improve our real technology, deepen the latest digital technology and accelerate to expand an application of analytics and AI. In addition, we contribute to creations of clean energy, stable supplies, automations to the consumer side and energy and cost savings.

The Company's R&D expenditures in fiscal 2020 totaled ¥33,562 million.

As of March 31, 2021, the number of our industrial property rights registered in Japan and overseas was 13,398.

Plant and Equipment Investment

In fiscal 2020 , we made investments totaling ¥35,890 million, including plant and equipment investment and leases, mainly to increase the production capacity of electronic devices and to strengthen the product competitiveness of power electronics systems. Major investments were as follows.

In the Electronic Devices segment, we continued making large-scale investments in the Yamanashi Factory, as we did in the previous year, aimed at increasing production capacity of power semiconductor chips, mainly for automobiles. In back-end processes, we made investments to increase production of pressure sensors for vehicles, air-conditioning IPMs, and high-capacity IGBT modules used in power conversion equipment for power generation of renewable energy, in Japan and overseas.

In the Power Electronics Systems segment, we completed construction of an engineering center at the Chiba Factory to strengthen our energy-related products. To accelerate product development of high-capacity UPSs for data centers, we introduced high-capacity testing equipment at the Tokyo Factory. In addition, we started construction of a plant system building at the Tokyo Factory aimed at establishing an integrated production system to expand sales of the switchgear and control-gear system.

Financial Position

Total Assets

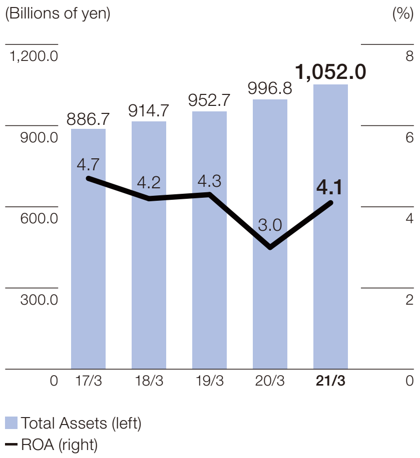
As of March 31, 2021, total assets was ¥1,051,952 million, an increase ¥55,125 million from the the previous fiscal year-end.

Current Assets and Current Liabilities

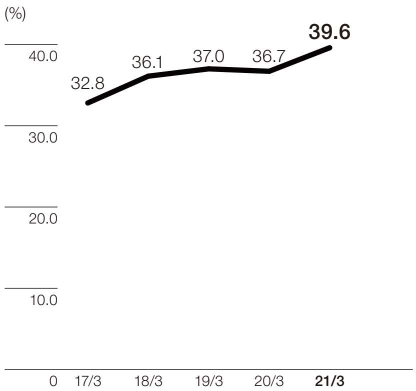
Total current assets increased by ¥33,515 million from the previous fiscal year-end, to ¥629,207 million. This increase was primarily due to an increase of ¥11,586 million in cash and cash equivalents and ¥25,140 million in trade receivables, partially offset by a decrease of ¥4,923 million in inventories.

Total current liabilities decreased by ¥66,744 million from the previous fiscal year-end, to ¥356,416 million. This decrease was primarily due to a decrease of ¥12,654 million in trade payables, ¥53,170 million in short-term debt and ¥12,929 million in current portion of long-term debt, partially offset by an increase of ¥15,479 million in provision for product warranties.

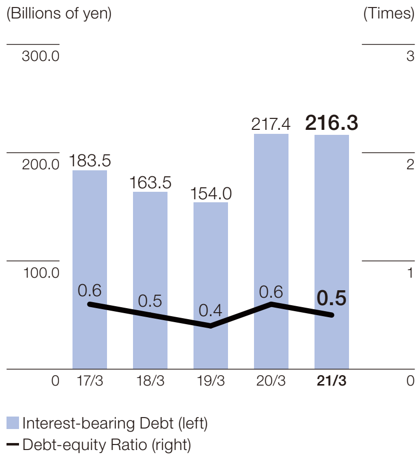
Total Assets / ROA



Equity Ratio



Interest-bearing Debt / Debt-equity Ratio



Noncurrent Assets

Total noncurrent assets increased by ¥21,610 million from the previous fiscal year-end, to ¥422,745 million. Net property, plant and equipment was ¥209,758 million, an increase of ¥7,866 million. Total investments and other assets was ¥212,987 million, an increase of ¥13,744 million year-on-year. This increase was primarily due to a ¥7,993 million increase in investment securities corresponding to an increase in valuation difference on available-for-sale securities and a ¥5,960 million increase in net defined benefit asset.

Long-term Liabilities

Total long-term liabilities increased by ¥66,617 million from the previous fiscal year-end, to ¥234,282 million. This increase was primarily due to an increase in long-term debt by ¥58,082 million.

Net Assets

As of March 31, 2021, net assets was ¥461,254 million, an increase of ¥52,252 million from the previous fiscal year-end. This increase was primarily due to an increase of ¥30,467 million in retained earnings and ¥11,155 million in valuation difference on available-for-sale securities. As a result, the equity ratio was 39.6%, an increase of 2.9 percentage points.

Debt

As of March 31, 2021, interest-bearing debt was ¥216,205 million, a decrease of ¥1,159 million. The ratio of interest-bearing debt to total assets was 20.6%, representing a 1.2 percentage-points increase 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 ¥50,408 million, a ¥31,942 million increase from the previous fiscal year's positive free cash flow of ¥18,466 million.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥26,931 million, compared with ¥46,087 million in the previous fiscal year. Major factors of cash decrease included payment of income taxes, an increase in trade receivables and a decrease in trade payable. Major factors of cash increase included income before income taxes and a decrease in inventories. Cash flows from operating activities decreased by ¥19,156 million.

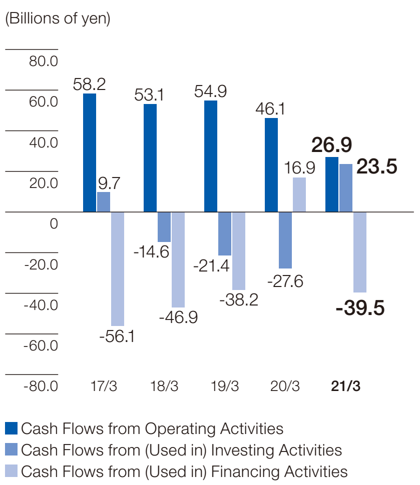
Cash Flows from Investing Activities

Net cash provided by investing activities was ¥23,477 million, compared with net cash used in investing activities of ¥27,621 million in the previous fiscal year. This was primarily due to proceeds from sales of investment securities, while purchasing of property, plant and equipment. Net cash provided by investing activities increased by ¥51,098 million.

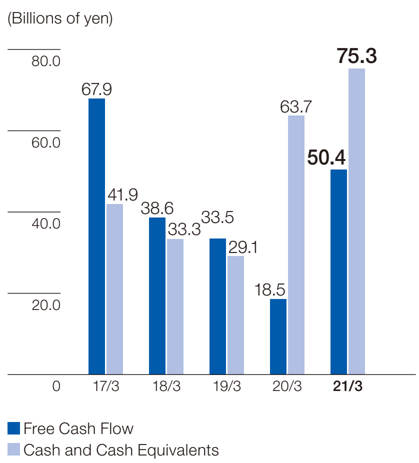
Cash Flows from Financing Activities

Net cash used in financing activities was ¥39,518 million, compared with net cash provided in financing activities of ¥16,918 million in the previous fiscal year. This was primarily due to an decrease in short-term loans payable and repayments of lease obligations, while increasing proceeds from long-term loans payable. Net cash used in financing activities increased by ¥56,436 million.

Cash Flows



Free Cash Flow / Cash and Cash Equivalents



Risk Factors

Fuji Electric manages business and other risks in a coordinated, systematic manner and takes appropriate measures to minimize the impact of such risks. The following factors were judged to have a potential future effect on Fuji Electric's business performance and financial position. Any forward-looking statements in the following are based on the judgment of management as of the date of submitting the securities report (June 25, 2021).

(1) Management Strategies, Business Strategies, and Operating Environment

Fuji Electric works to swiftly concentrate management resources on businesses earmarked for growth while making capital and R&D investments aimed at expanding and developing its businesses. With respect to semiconductor-related capital investments, which require large amounts of money, we make decisions based on negotiations with customers regarding physical quantities and pricing. Regarding R&D investments, we emphasize consistency with our business strategies and contribution to our businesses. Based on our roadmap, we pursue R&D on fundamental and advanced technologies that support Fuji Electric's future. Here, the management engages in regular deliberations about key development themes and constantly reviews the roadmap according to market changes. However, the semiconductor field is characterized by short product cycles, major fluctuations in product supply/demand levels, and intense competition. In some cases, therefore, we may be unable to recover our investment, which may affect its business performance and financial position.

Fuji Electric is contributing to realize a sustainable society through our energy and environment related businesses, considering protection of the global environment to be an important management priority. Also, we promote our Environmental Vision 2050, which aims to realize a low-carbon society, recycling-oriented society, and a society in harmony with nature, across the supply chain. Further, we announced its support for the recommendations of the TCFD, Task Force on Climate-related Financial Disclosures, and conduct risk analysis. However, stricter enforcement of the Paris Agreement and other environmental regulations, as well as assessments by ESG evaluation institutions may lead to stronger criticism of part of Fuji Electric's operations (coal-fired power generation business), which may affect its business performance and financial position.

Fuji Electric has business bases around the world and provides products and services to markets and customers in multiple regions. The spread of COVID-19 in many countries has led to emergency declarations, lockdowns, and other restrictions on economic activities. These have had various effects on Fuji Electric's business activities, including restrictions on sales activities, factory operation suspensions, and limitations on construction site visits. If restrictions are further tightened, it could increase the impact on Fuji Electric's business activities, which may affect its business performance and financial position.

(2) Corporate Governance

Fuji Electric is working to strengthen its corporate governance by improving management transparency and auditing functions during normal times. However, an unprecedented event may lead to deficiencies in our internal control and audit functions, resulting in corporate governance breakdown and business disruption, etc., which may affect our business performance and financial position.

(3) Business Reorganizations, Alliances, and Withdrawals

Fuji Electric actively engages in M&As, joint ventures, business alliances, and the like with third parties in order to strengthen its competitiveness in each business field. As part of these activities, we share our corporate philosophy, management policy, code of conduct, business plans, business strategies, and so on to facilitate integration of our business strategies, technologies, products, and human resources. Through management meetings and other forums, we strive to maintain close communication with partners and build good relationships with them. Due to differences in systems and cultures, however, we may be unable to achieve the desired outcomes, which may affect our business performance and financial position.

(4) Orders, Marketing, and Sales Promotion

Fuji Electric is developing operations actively in overseas markets, focusing particularly on expanding sales in China and other Asian markets. We have sales offices in various markets to better understand customer trends and centrally manage the information we collects for analysis and consideration and otherwise strive not to miss business opportunities. We also work to reduce costs and expenses in order to minimize the impact of domestic and overseas trends on our business performance. However, any number of events may affect our business performance and financial position. These include deteriorating market conditions in each country —including private capital investments and public expenditures— as well as sudden changes in supply and demand of products, intensifying competition, and the resultant significant falls in prices.

Fuji Electric receives orders for large-scale plant projects in power electronics systems and power generation. In order to secure appropriate profits in each project, we work to improve the accuracy of our quotations at the time of order receipt and strengthen project management afterwards. After receipt of orders, however, any number of events may affect our business performance and financial position. These include unanticipated specification changes, process delays, and profitability declines due to natural disasters and the like.

(5) Development and Design Engineering

Fuji Electric has established an R&D system to accelerate research and development and constantly monitors market, customer needs and the latest technological trends. At the same time, we conduct R&D aimed at creating strong components and systems, focused on power electronics and power semiconductor technologies, and R&D to develop solutions that generate customer value through combinations of elemental technologies.

Due to rapid technological advances, however, we may lose our advantage over other companies, and product development may not proceed as planned, making it impossible to launch new product at the right time. Any of these events may affect our business performance and financial position.

(6) Procurement

Fuji Electric deploys various means, including product swaps, to reduce the risk of rising raw material prices. However, 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 and significant increases in their prices. Any of these events may affect our business performance and financial position.

(7) Production, Manufacturing, Shipping, Logistics, Installation, Delivery, and Service

Fuji Electric always keeps track of the latest physical quantity flows by sharing information between its sales and business departments at management meetings and other forums. We have also built an optimal production management system that can respond to changes in physical quantity flows by such as improving productivity and promoting local production for local consumption. However, an unprecedented event could result in increased/decreased demand and other changes in physical quantity flows, leading to delayed responses and inventory shortages/surpluses, which may affect our business performance and financial position.

Through reforms of its supply chain, Fuji Electric works to promote “completely localized” manufacturing through local production for local consumption while also emphasizing global procurement. However, an unprecedented event could result in restrictions on human and commodity movements and disruptions to our distribution network. This could prevent our supply chain from functioning and cause delays in deliveries, which may affect our business performance and financial position.

(8) Quality Assurance

Fuji Electric has established a quality control system for the products it manufactures and sells and strives to ensure high quality standards. Although we have made the necessary insurance arrangements, an unprecedented event could cause quality-related problems to arise, which may affect our business performance and financial position. In addition, regarding to the defect in some of our power semiconductors in specific fields, which was disclosed in FY2021 3Q Financial Results filed in Feb 12, 2021, we recorded JPY 25.7 billion costs of corrective measures for product defects as a extraordinary loss. The part of the costs was reasonably estimated based on factors such as the application by customers of equipment in which the products were incorporated and the usage conditions of such equipment. However, events occurring which are not considered in the estimation may incur additional costs. We will appropriately disclose the events when they have a material impact on our business performance and financial position.

(9) Human Resources and Labor

The business activities of Fuji Electric depend heavily on its human resources. To attract and develop excellent human resources in various fields —such as technology, production, sales, and business management— we focus on cultivating professional human resources who will help strengthen our global competitiveness. We also actively conduct employee education and training and are expanding mid-career recruitment and other measures to attract exceptional human resources. However, failure to attract and develop such important human resources may have an impact on our business performance and financial position.

(10) Finance and Accounting

Seeking to minimize fund-raising costs, Fuji Electric constantly examines the optimal mix of corporate bonds, commercial paper, and short-term and long-term borrowings, in order to ensure flexible and stable financing arrangements. However, an unexpected increase in interest rates could raise the interest rate burden on our interest-bearing debt, which may have an impact on our business performance and financial position.

Fuji Electric works to strengthen credit management, including by monitoring long-overdue receivables and the financial status of business partners, in order to enhance its collection of trade receivables. However, restrictions on economic activities and economic downturn could cause business partners’ cash flows to deteriorate and prevent us from recovering debts, which may have an impact on our business performance and financial position.

(11) Legal and Ethical

Fuji Electric engages in business in various fields and regions, and as such is subject to the laws and regulations of each country. The Fuji Electric Compliance Promotion Committee, chaired by our representative director, spearheads efforts to ensure rigorous compliance with laws and regulations. We also have a compliance program that clearly identifies roles and responsibilities covering each aspect of legal regulations—namely, internal rules, monitoring, auditing, and education—and our compliance structure also includes a whistleblowing system. However, any occurrence of legal violations and the like may have an impact on our business performance and financial position.

In preparation for lawsuits and other legal disputes, Fuji Electric has formed a task force aimed at building a system to ensure that necessary procedures (fact investigation, corrective action, recurrence prevention, internal write-down, and disclosure) and are conducted promptly. However, we may be ordered to pay unexpectedly large amounts of damages, which, depending on the nature of the decision, may have an impact on our business performance and financial position.

Fuji Electric strives to effectively protect intellectual property rights and develop products and technologies that respect the rights of other companies. Due to the speed of technological innovation and the global expansion of our business activities, however, intellectual property disputes could arise, which may have an impact on our business performance and financial position.

(12) Political and Socioeconomic Trends

Fuji Electric engages in currency exchange contracts, based on certain criteria, to minimize the impact of foreign exchange fluctuations. However, any changes in exchange rates, primarily between the yen and the U.S. dollar, may have an impact on our business performance and financial position.

Fuji Electric develops its business in many overseas markets, mainly in China and other Asian markets, and always closely monitors the latest information on geopolitical risks. We are also diversifying our production and sales bases in preparation for unexpected risks.

However, any of the following events may have an impact on our business performance and financial position:

- Unexpected enactment of laws/regulations and changes in tax systems with adverse effects
- Disadvantageous political situations
- Social turmoil due to social upheaval, terrorism, war, and the like

(13) Trends of Shareholder and Other Investors

Fuji Electric attaches great importance to disclosure of financial information, active disclosure of non-financial information, and communication with shareholders and institutional investors. We also strive to foster understanding of our management through sincere and accurate disclosure of information according to our Disclosure Policy. However, the intentions of stockholders and other investors may differ from those of the Company's management, which could result in a vote against the election of directors. Also, a shareholder proposal against management could cause disruption of our operations. These and other events may have an impact on our business performance and financial position.

(14) Natural Disasters and Accidents

Fuji Electric has business bases all over the world and is committed to fulfilling its responsibilities to customers and society by continuously supplying products and services in the event of disaster or accident. To this end, we established a dedicated crisis management team to spearhead fire and disaster prevention efforts, formulation of a business continuity plan (BCP), and adoption of necessary insurance arrangements in order to "strengthen our business continuity capability." However, any number of events may have an impact on our business performance and financial position. These include large-scale disasters or accidents at/near our business sites, which could cause damage of production equipment, interruption of operations, and delays in product shipments.

(15) External Attacks

To address increasingly diversified and sophisticated cyber-security threats, Fuji Electric established a countermeasure system and a security response organization (CSIRT/SOC) to monitor and suppress any attacks. We are also continuously strengthening our response capabilities —in such areas as defense, detection system reinforcement, and cyber training—to prepare for the emergence of new threats. However, any number of events may have an impact on our business performance and financial position. These include system malfunction and information leakage due to external attacks (such as cyber-terrorism), resulting in loss of social trust.

(16) Individual Event (Impact of COVID-19)

Fuji Electric has established a set of "Contingency Plan" to implement in times of emergency resulting from various risks that may affect its operations. Based on these procedures, we set up the "New Coronavirus Infection Prevention and Business Continuity Promotion Countermeasures Headquarters," chaired by the president, to address the COVID-19 pandemic. The stated policy is to "take prompt and appropriate measures with top priority on respecting human life, preventing the spread of infections, and minimizing damage." Under this policy, we are collecting and aggregating information related to COVID-19 and taking measures to prevent the spread of infections (for example, enforcing rules, such as hand washing and hand sanitizing; avoiding confined spaces, large gatherings, and close interactions; and asking employees to work from home and staggered work hours), while also emphasizing business continuity. However, we may be forced to suspend various business activities, including production and sales, if infections occur in the workplace or among customers and business partners, which may have an impact on our business performance and financial position.

Consolidated Balance Sheets

As of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Assets			
Current Assets:			
Cash and cash equivalents (Note 6)	¥ 75,332	¥ 63,746	$ 684,845
Short-term investments (Notes 5, 6 and 7)	1,213	327	11,029
Trade receivables (Note 6)	319,644	294,504	2,905,860
Allowance for doubtful accounts	(3,897)	(2,597)	(35,427)
Inventories (Note 4)	183,190	188,113	1,665,370
Other current assets	53,725	51,599	488,395
Total Current Assets	629,207	595,692	5,720,072
Property, Plant and Equipment (Note 5)**:**			
Land	35,537	35,504	323,066
Buildings and structures	259,147	251,118	2,355,883
Machinery and equipment	220,735	216,080	2,006,689
Lease assets (Note 20)	107,292	95,860	975,390
Construction in progress	3,932	5,045	35,728
Others	1,697	1,391	15,433
	628,340	604,998	5,712,189
Less accumulated depreciation	(418,582)	(403,106)	(3,805,296)
Net Property, Plant and Equipment	209,758	201,892	1,906,893
Investments and Other Assets:			
Investment securities (Notes 5, 6 and 7):			
Unconsolidated subsidiaries and affiliates	19,775	19,897	179,779
Other	116,506	108,391	1,059,151
Long-term loans receivable	655	672	5,955
Net defined benefit asset (Note 2 and 11)	21,043	15,083	191,301
Deferred tax assets (Note 17)	14,682	17,756	133,476
Other investments and other assets (Note 20)	40,787	37,866	370,780
Allowance for doubtful accounts	(461)	(422)	(4,198)
Total Investments and Other Assets	212,987	199,243	1,936,244
Total Assets	¥1,051,952	¥996,827	$9,563,209

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)
	2021	2020	2021
Liabilities and Net Assets			
Current Liabilities:			
Short-term debt (Notes 5, 6 and 9)	¥ 17,601	¥ 70,771	$ 160,018
Current portion of long-term debt (Notes 5, 6 and 9)	4,142	17,071	37,657
Trade payables (Note 5 and 6)	167,260	179,914	1,520,551
Lease obligations (Notes 6 and 10)	18,376	15,668	167,063
Advances received	35,239	47,203	320,363
Income taxes payable (Note 17)	18,183	6,625	165,307
Provision for product warranties (Note 2)	15,698	219	142,714
Other current liabilities (Notes 17 and 24)	79,917	85,689	726,479
Total Current Liabilities	356,416	423,160	3,240,152
Long-term Liabilities:			
Long-term debt (Notes 5, 6, and 9)	131,686	73,604	1,197,148
Lease obligations (Notes 6 and 10)	43,226	39,197	392,964
Net defined benefit liability (Note 2 and 11)	53,322	50,011	484,752
Provision for directors' retirement benefits	150	193	1,366
Deferred tax liabilities (Note 17)	1,678	1,172	15,257
Other long-term liabilities (Note 24)	4,220	3,488	38,346
Total Long-term Liabilities	234,282	167,665	2,129,833
Total Liabilities	590,698	590,825	5,369,985
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, 2021	47,586	—	432,601
149,296,991 shares as of March 31, 2020	—	47,586	—
Capital surplus	46,003	45,949	418,216
Retained earnings	271,772	241,305	2,470,657
Treasury stock at cost (Note 12) :			
6,457,667 shares as of March 31, 2021	(7,340)	—	(66,733)
6,454,259 shares as of March 31, 2020	—	(7,327)	—
Total Shareholders' Equity	358,021	327,513	3,254,741
Accumulated Other Comprehensive Income (Loss):			
Valuation difference on available-for-sale securities	55,761	44,606	506,923
Deferred gains or losses on hedges (Notes 6 and 8)	322	(231)	2,931
Foreign currency translation adjustments	1,542	(3,544)	13,997
Remeasurements of defined benefit plans	1,351	(2,724)	12,289
Total Accumulated Other Comprehensive Income	58,976	38,107	536,140
Non-controlling interests	44,257	40,382	402,343
Total Net Assets	461,254	406,002	4,193,224
Total Liabilities and Net Assets	¥1,051,952	¥996,827	$9,563,209

Consolidated Statements of Income

Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Net Sales	¥875,927	¥900,604	$7,962,980
Cost of Sales (Note 13)	654,661	680,068	5,951,467
Gross Profit	221,266	220,536	2,011,513
Selling, General and Administrative Expenses (Notes 13 and 14)	172,671	178,021	1,569,734
Operating Income	48,595	42,515	441,779
Non-Operating Income (Expenses):			
Interest and dividend income	2,955	2,830	26,871
Interest expense	(1,441)	(1,405)	(13,104)
Provision of allowance for doubtful accounts for subsidiaries and affiliates	(514)	(60)	(4,673)
Provision of allowance for investment loss for subsidiaries and affiliates	(442)	—	(4,025)
Foreign exchange gains (losses)	(379)	(1,326)	(3,454)
Equity in earnings of affiliates	1,678	1,416	15,256
Other, net	(51)	543	(458)
	1,806	1,998	16,413
Ordinary Income	50,401	44,513	458,192
Extraordinary Income (Loss), Net (Note 15 and 16)	12,883	(653)	117,122
Income Before Income Taxes	63,284	43,860	575,314
Income Taxes (Note 17)	17,941	11,989	163,108
Net Income	45,343	31,871	412,206
Net Income Attributable To Non-controlling Interests	3,417	3,078	31,052
Net Income Attributable To Owners of Parent (Note 25)	¥ 41,926	¥ 28,793	$ 381,154

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

Consolidated Statements of Comprehensive Income

Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Net Income	¥45,342	¥31,871	$412,206
Other Comprehensive Income (Loss) (Note 18)			
Valuation difference on available-for-sale securities	11,400	608	103,642
Deferred gains or losses on hedges	553	49	5,034
Foreign currency translation adjustments	5,938	(4,574)	53,962
Remeasurements of defined benefit plans	4,419	(1,531)	40,180
Share of other comprehensive loss (income) of associates accounted for using equity method	(215)	402	(1,959)
Total Other Comprehensive Income (Loss)	22,095	(5,046)	200,859
Comprehensive Income	¥67,437	¥26,825	$613,065
Comprehensive Income Attributable to:			
Owners of parent	¥62,796	¥24,254	$570,877
Non-controlling interests	4,641	2,571	42,188

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, 2021 and 2020

	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, 2019	149,296	¥47,586	¥46,067	¥223,940	¥43,974	¥(280)	¥ 368	¥(1,417)	¥(7,316)	¥352,922	¥39,139	¥392,061
Net income attributable to owners of parent	—	—	—	28,793	—	—	—	—	—	28,793	—	28,793
Change of scope of consolidation	—	—	—	—	—	—	—	—	—	—	—	—
Cash dividends	—	—	—	(11,428)	—	—	—	—	—	(11,428)	—	(11,428)
Purchase of treasury stock	—	—	—	—	—	—	—	—	(11)	(11)	—	(11)
Sales of treasury stock	—	—	1	—	—	—	—	—	0	1	—	1
Capital increase of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	(119)	—	—	—	—	—	—	(119)	—	(119)
Net changes of items other than shareholders' equity		—	—	—	632	49	(3,912)	(1,307)	—	(4,538)	1,243	(3,295)
Balance at March 31, 2020	149,296	¥47,586	¥45,949	¥241,305	¥44,606	¥(231)	¥(3,544)	¥(2,724)	¥(7,327)	¥365,620	¥40,382	¥406,002
Net income attributable to owners of parent	—	—	—	41,926	—	—	—	—	—	41,926	—	41,926
Change of scope of consolidation	—	—	—	(33)	—	—	—	—	—	(33)	—	(33)
Cash dividends	—	—	—	(11,426)	—	—	—	—	—	(11,426)	—	(11,426)
Purchase of treasury stock	—	—	—	—	—	—	—	—	(13)	(13)	—	(13)
Sales of treasury stock	—	—	1	—	—	—	—	—	0	1	—	1
Capital increase of consolidated subsidiaries	—	—	53	—	—	—	—	—	—	53	—	53
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity		—	—	—	11,155	553	5,086	4,075	—	20,869	3,875	24,744
Balance at March 31, 2021	**149,296**	**¥47,586**	**¥46,003**	**¥271,772**	**¥55,761**	**¥ 322**	**¥ 1,542**	**¥1,351**	**¥(7,340)**	**¥416,997**	**¥44,257**	**¥461,254**
		Thousands of U.S. dollars (Note 3)										
Balance at March 31, 2020		$432,601	$417,722	$2,193,690	$405,518	$(2,103)	$(32,230)	$(24,769)	$(66,613)	$3,323,816	$367,115	$3,690,931
Net income attributable to owners of parent		—	—	381,154	—	—	—	—	—	381,154	—	381,154
Change of scope of consolidation		—	—	(301)	—	—	—	—	—	(301)	—	(301)
Cash dividends		—	—	(103,886)	—	—	—	—	—	(103,886)	—	(103,886)
Purchase of treasury stock		—	—	—	—	—	—	—	(125)	(125)	—	(125)
Sales of treasury stock		—	10	—	—	—	—	—	5	15	—	15
Capital increase of consolidated subsidiaries		—	484	—	—	—	—	—	—	484	—	484
Change in treasury shares of parent arising from transactions with non-controlling shareholders		—	—	—	—	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity		—	—	—	101,405	5,034	46,227	37,058	—	189,724	35,228	224,952
Balance at March 31, 2021		**$432,601**	**$418,216**	**$2,470,657**	**$506,923**	**$ 2,931**	**$ 13,997**	**$ 12,289**	**$(66,733)**	**$3,790,881**	**$402,343**	**$4,193,224**

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

Consolidated Statements of Cash Flows

Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Cash Flows from Operating Activities:			
Income before income taxes	¥63,284	¥43,860	$575,314
Depreciation and amortization	36,194	32,319	329,039
Increase in allowance for doubtful accounts	1,268	352	11,528
Increase in provision for product warranties	15,478	60	140,717
Interest and dividend income	(2,955)	(2,830)	(26,871)
Interest expense	1,441	1,405	13,104
Foreign exchange losses	204	149	1,863
Gain on sales of noncurrent assets	(280)	(245)	(2,550)
Gain on sales of investment securities	(40,864)	(2,525)	(371,500)
Loss on disposal of noncurrent assets	552	1,517	5,022
Loss on devaluation of investment securities	1,018	1,481	9,258
Impairment loss	963	—	8,757
Changes in operating assets and liabilities:			
Trade receivables	(20,852)	12,127	(189,567)
Inventories	7,513	(11,873)	68,308
Trade payables	(15,881)	(15,159)	(144,374)
Advances received	(12,185)	1,557	(110,779)
Other, net	864	(960)	7,844
Cash generated from operations	35,762	61,235	325,113
Interest and dividends received	2,959	2,830	26,903
Interest expenses paid	(1,416)	(1,396)	(12,873)
Income taxes paid	(10,374)	(16,582)	(94,316)
Net cash provided by operating activities	26,931	46,087	244,827
Cash Flows from Investing Activities:			
Purchase of property, plant and equipment	(20,578)	(22,699)	(187,076)
Proceeds from sales of property, plant and equipment	622	741	5,656
Purchase of investment securities	(28)	(638)	(263)
Proceeds from sales of investment securities	49,230	8,956	447,550
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(9,422)	—
Payments of loans receivable	(3,418)	(7,825)	(31,074)
Collection of loans receivable	2,802	7,768	25,478
Other, net	(5,153)	(4,502)	(46,836)
Net cash provided by (used in) investing activities	23,477	(27,621)	213,435
Cash Flows from Financing Activities:			
Net Decrease (increase) in short-term loans payable	(54,178)	41,203	(492,528)
Proceeds from long-term loans payable	62,165	30,126	565,140
Repayment of long-term loans payable	(2,156)	(26,663)	(19,608)
Redemption of bonds	(15,000)	—	(136,364)
Repayments of lease obligations	(17,882)	(14,625)	(162,572)
Proceeds from sales of treasury stock	1	1	15
Purchase of treasury stock	(13)	(11)	(125)
Cash dividends paid	(11,426)	(11,428)	(103,885)
Cash dividends paid to non-controlling interests	(1,134)	(1,442)	(10,310)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(242)	—
Proceeds from share issuance to non-controlling shareholders	105	—	962
Other, net	—	(1)	(1)
Net cash (used in) provided by financing activities	(39,518)	16,918	(359,276)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	680	(772)	6,188
Net Increase in Cash and Cash Equivalents	11,570	34,612	105,174
Cash and Cash Equivalents at Beginning of Year	63,746	29,134	579,519
Increase in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation	16	—	152
Cash and Cash Equivalents at End of Year	¥75,332	¥63,746	$684,845

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, 2021 include the accounts of the Company and its 74 significant subsidiaries and its 4 subsidiaries and affiliates are accounted for by the equity method (73 and 4 in 2020).

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. 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.

i. Provision for product warranties

To prepare for potential warranty costs, provision for product warranties is recorded based on the past occurrence of the defects and expected specific events.

j. 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.

k. Research and Development Costs

Research and development costs are charged to income as incurred.

l. Recognition for Revenue and Costs

For the portion of work completed up to the end of the current period for construction contracts for which completion is deemed to be certain, the percentage-of-completion method is adopted (the cost-to-cost method is used in estimating progress toward completion of construction). When the outcome of the construction contracts can not be estimated reliably, the completed-contract method is adopted.

m. 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.

n. 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.

o. 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.

p. Accounting for Consumption Taxes

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

q. Adapting tax effect accounting for the transition from Consolidated Tax Return Filing System to Japanese Group Relief System

Regarding the transition to the group tax sharing system, established under the "Law that partially amends the Income Tax Law" (Law No. 8 of 2 years of Reiwa), and the revised items of the Non-consolidated Tax Return Filing System in relation to the transition, Fuji electric and some domestic consolidated subsidiaries did not adopt the "Implementation Guidance on Tax Effect Accounting" (Accounting Standard Board of Japan ("ASBJ") statement No.28 issued on February 16, 2018) paragraph 44, in accordance with "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (Practical Solution No. 39 issued on March 31, 2020) paragraph 3. Therefore, the amount of deferred tax assets and deferred tax liabilities were based on the tax law before the revision.

r. 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.

s. Accounting Standard for Disclosure of Accounting Estimates

1. Recognition of construction revenue based on the percentage-of-completion method

(1) Amounts recorded for the year ended March 31, 2021

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2021
Construction revenues	¥66,897	$608,159
Ending balance of constriction contract receivable	¥30,754	$279,585

Note: The above amounts are stated for incomplete or undelivered construction contracts as of the end of the current fiscal year, to which the percentage-of-completion method is applied. (Construction contracts which have been completed and delivered are not included.)

(2) Supplemental information for understanding the financial statements

a. Calculation method

The Companies apply the percentage-of-completion method for the portion of work completed up to the end of the current period for construction contracts for which completion is deemed to be certain. Revenue for which the percentage-of-completion method is applied is measured based on progress toward completion of construction, and progress toward completion is determined based on the ratio of costs incurred up to the end of the current period to the estimate of the total cost of construction.

b. Principle assumption

The estimates of total construction costs are calculated by accumulating objective prices such as third party quotations and internally approved standard unit prices. However, the total construction costs are principle assumption because the Companies also rely on our specialized knowledge of and experience in construction.

c. Effect on the subsequent fiscal year

Since construction contract is, generally, long-term contract, construction contracts may potentially be modified and there may be fluctuations in material, labor, and other such costs while construction is still in progress. Corresponding to changes in the total construction costs, construction progress rates change and the amount of revenue recognized in the subsequent fiscal year may be affected.

2. Provision for product warranties for costs of corrective measures in response to defects in certain power semiconductors for certain customers

(1) Amounts recorded for the year ended March 31, 2021

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2021
Ending balance of the provision for product warranties for costs of corrective measures in response to defects in certain power semiconductors for certain customers	¥15,476	$140,691

(2) Supplemental information for understanding the financial statements

a. Calculation method

Considering expected product defects of power semiconductors in specific fields, the Companies recorded provision for product warranties to prepare for the expenditure of guarantee costs related to product quality.

b. Principle assumption

The provision for product warranties for costs of corrective measures in response to defects was calculated by assuming a scope of incidence of the defect based on factors such as the application by customers of equipment in which the products were incorporated and the usage conditions of such equipment, in consideration of reports of defects in products stemming from procured parts inside of the products and arising in certain environments in which the products were used.

c. Effect on the subsequent fiscal year

In the case of that assumptions used to estimate provision for product warranties differ from actual results, financial statements for the subsequent fiscal year may be affected.

3. Measurement of defined benefit obligation

(1) Amounts recorded for the year ended March 31, 2021

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2021
Net defined benefit asset	¥21,043	$191,301
Net defined benefit liability	¥53,322	$484,752
Remeasurements of defined benefit plans	¥ 1,351	$ 12,289

(2) Supplemental information for understanding the financial statements

a. Calculation method

The Companies primarily apply defined benefit plans. Defined benefit obligation for defined benefit plans is estimated by payment calculation standard, based on discount rates and actuarial assumptions, such as mortality rates, retirement rates, salary inflation etc.

b. Principle assumption

Discount rates are computed by the yield curve equivalent approach primarily based on high quality corporate bonds.

c. Effect on the subsequent fiscal year

In the case of that it is necessary to review discount rates, which are used to calculate defined benefit obligation, net defined benefit asset, net defined benefit liability and remeasurements of defined benefit plans for the subsequent fiscal year may be affected.

Note: About the effects of novel coronavirus (COVID-19) pandemic
The novel coronavirus (COVID-19) pandemic has restricted economic activity on an unprecedented scale in many countries. Due to the tough situation, we are facing problems such as extensions of delivery and capital investment cutbacks. Since it is very difficult to predict how long it will spread and when it will end, the Companies make accounting estimations based on the information available at the end of the consolidated fiscal year and the assumption that the condition will continue for a certain period of the next consolidated fiscal year.

t. Accounting Standards Issued but not yet Effective

- "Accounting Standard for Revenue Recognition" (Accounting Standard Board of Japan ("ASBJ") statement No. 29 issued on March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 issued on March 26, 2021)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments." (ASBJ Guidance No. 19 issued on March 31, 2020)

(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.

- "Accounting Standard for Fair Value Measurement " (Accounting Standard Board of Japan ("ASBJ") statement No. 30 issued on July 4, 2019)
- "Accounting Standard for Measurement of Inventories" (Accounting Standard Board of Japan ("ASBJ") statement No. 9 issued on July 4, 2019)
- "Accounting Standard for Financial Instruments" (Accounting Standard Board of Japan ("ASBJ") statement No. 10 issued on July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement " (Accounting Standard Board of Japan ("ASBJ") statement No. 31 issued on July 4, 2019)
- "Implementation Guidance on Disclosures about Fair Value of Financia l Instruments." (Accounting Standard Board of Japan ("ASBJ") statement No. 19 issued on March 31, 2020)

(1) Overview

The International Accounting Standards Board (IASB) and the United States Financial Accounting Standards Board (FASB) provide detailed guidance on similar fair value measurements (IFRS 13 "Fair Value Measurements" in International Financial Reporting Standards (IFRS), the Accounting Standards Codification Topic 820 "Fair Value Measurement" in the United States). Based on the situation, the ASBJ improved the comparability of financial statements, with regard to the guidance and disclosure mainly on the fair value of financial instruments, between domestic and international accounting standards, and issued "Accounting Standard for Fair Value Measurement " and relating accounting standards. The ASBJ's basic policy for developing accounting standard for fair value measurement is to basically adopt all the provisions of IFRS 13 in order to improve the comparability of financial statements between domestic and foreign companies by using a uniform calculation method. 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 implementation guidance.

(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 effect of the adoption of this accounting standard and implementation guidance on the consolidated financial statements is undecided.

u. Changes in presentations

(1) Consolidated Balance Sheets

"Provision for product warranties" was previously included in "Other current liabilities" in "Current Liabilities." Since its materiality has increased, "Provision for product warranties" is represented independently from the current fiscal year.In addition, to reflect the change in presentation, previous financial statements have been reclassified. As a result, "Other current liabilities" of ¥85,908 million was reclassified to "Provision for product warranties" of ¥219 million and "Current Liabilities" of ¥85,689 million.

(2) Consolidated Statements of Cash Flows
"Increase in provision for product warranties" was previously included in "Other, net" in "Cash Flows from Operating Activities."Since its materiality has increased, "Increase in provision for product warranties" is represented independently from the current fiscal year. To reflect the change in presentation, previous financial statements have been reclassified. As a result, "Other, net" of negative ¥900 million was reclassified to "Increase in provision for product warranties" of ¥60 million and "Other, net" of negative ¥960 million.

(3) Adaption of "Accounting Standard for Disclosure of Accounting Estimates"
From the year ended March 31, 2021, "Accounting Standard for Disclosure of Accounting Estimates" (Accounting Standard Board of Japan ("ASBJ") statement No. 31 issued on March 31, 2020) is adapted and disclosed in "s. Accounting Standard for Disclosure of Accounting Estimates." However, accounting estimates related to the previous fiscal year are not described in accordance with the accounting standard paragraph 3 supplemental rule for provisional measures.

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, 2021. The U.S. dollar amounts are presented solely for the convenience of the readers outside Japan.

Note 4. Inventories

Inventories as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Merchandise and finished goods	¥ 66,319	¥ 66,866	$ 602,906
Work in process	65,023	67,875	591,121
Raw materials	51,848	53,372	471,343
Inventories	¥183,190	¥188,113	$1,665,370

Losses on valuation of inventories with lower profitability were ¥50 million ($461 thousand) and ¥489 million for the years ended March 31, 2021 and 2020, 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, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Investment securities	¥ 21	¥ 12	$ 194
Property, plant and equipment	585	1,438	5,327
Intangible assets	379	405	3,440
Total	¥ 985	¥ 1,855	$ 8,961

Collateralized liabilities as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Trade payables	¥ 37	¥ 46	$ 338
Short-term debt	479	224	4,355
Long-term debt	—	63	—
Total	¥ 516	¥ 333	$ 4,693

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 to 14 years at the longest after the balance sheet date. Some are exposed to interest rate fluctuation and exchange 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 and exchange 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, 2021 and 2020, 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		
	2021		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	¥ 75,332	¥ 75,332	¥ —
Trade receivables	319,644	319,611	(33)
Investment securities	122,284	136,587	14,303
Trade payables	(167,260)	(167,260)	—
Short-term debt	(17,601)	(17,601)	—
Current portion of long-term debt	(4,142)	(4,142)	—
Lease obligations (Current Liabilities)	(18,376)	(18,376)	—
Long-term debt	(131,686)	(131,785)	99
Lease obligations (Long-term Liabilities)	(43,226)	(43,744)	518
Derivatives			
Derivative transactions to which hedge accounting is not applied	(200)	(200)	—
Derivative transactions to which hedge accounting is applied	464	464	—

	Millions of yen		
	2020		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	¥ 63,746	¥ 63,746	¥ —
Trade receivables	294,504	294,461	(43)
Investment securities	113,511	125,474	11,963
Trade payables	(179,914)	(179,914)	—
Short-term debt	(70,771)	(70,771)	—
Current portion of long-term debt	(17,071)	(17,086)	15
Lease obligations (Current Liabilities)	(15,668)	(15,668)	—
Long-term debt	(73,604)	(73,719)	115
Lease obligations (Long-term Liabilities)	(39,197)	(39,602)	405
Derivatives			
Derivative transactions to which hedge accounting is not applied	15	15	—
Derivative transactions to which hedge accounting is applied	(333)	(333)	—

	Thousands of U.S. dollars (Note 3)		
	2021		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	$ 684,845	$ 684,845	$ —
Trade receivables	2,905,860	2,905,561	(299)
Investment securities	1,111,678	1,241,700	130,022
Trade payables	(1,520,551)	(1,520,551)	—
Short-term debt	(160,018)	(160,018)	—
Current portion of long-term debt	(37,657)	(37,657)	—
Lease obligations (Current Liabilities)	(167,063)	(167,063)	—
Long-term debt	(1,197,148)	(1,198,047)	899
Lease obligations (Long-term Liabilities)	(392,964)	(397,677)	4,713
Derivatives			
Derivative transactions to which hedge accounting is not applied	(1,826)	(1,826)	—
Derivative transactions to which hedge accounting is applied	4,225	4,225	—

(*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)
	2021	2020	2021
	Carrying amounts	Carrying amounts	Carrying amounts
Unlisted stocks (including stocks of unconsolidated subsidiaries and affiliates)	¥13,997	¥14,777	$127,252

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, 2021 and 2020:

	Millions of yen			
	2021			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	¥ 75,332	¥ —	¥ —	¥ —
Trade receivables	313,253	5,920	470	—
Total	¥388,585	¥ 5,920	¥470	¥ —

	Millions of yen			
	2020			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	¥ 63,746	¥ —	¥ —	¥ —
Trade receivables	286,796	7,191	515	—
Total	¥350,542	¥ 7,191	¥515	¥ —

	Thousands of U.S. dollars (Note 3)			
	2021			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	$ 684,845	$ —	$ —	$ —
Trade receivables	2,847,754	53,827	4,279	—
Total	$ 3,532,599	$ 53,827	$ 4,279	$ —

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, 2021 and 2020 were as follows:

	Millions of yen			
	2021			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	¥31,558	¥112,491	¥81,413	¥ (480)
Debt securities	—	—	—	—
Others	—	—	—	—
Total	¥31,558	¥112,491	¥81,413	¥ (480)

	Millions of yen			
	2020			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	¥39,873	¥104,420	¥65,616	¥(1,069)
Debt securities	—	—	—	—
Others	—	—	—	—
Total	¥39,873	¥104,420	¥65,616	¥(1,069)

	Thousands of U.S. dollars (Note 3)			
	2021			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	$286,899	$1,022,649	$740,126	$ (4,376)
Debt securities	—	—	—	—
Others	—	—	—	—
Total	$286,899	$1,022,649	$740,126	$ (4,376)

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, 2021 and 2020 were ¥4,015 million ($36,501 thousand) and ¥3,971 million, respectively.)

2. Sales of other securities for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Proceed from sales	¥49,224	¥1,434	$447,495
Gain on sales	40,864	718	371,500
Loss on sales	(0)	(10)	(0)

3. Impairment of other securities for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Impairment losses	¥1,018	¥1,481	$9,258

Note 8. Derivatives

1. Derivative transactions to which hedge accounting is not applied

	Millions of yen			
	2021			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. Dollar	¥1,013	¥ —	¥ (50)	¥ (50)
Euro	1,882	—	(70)	(70)
Won	340	—	(10)	(10)
Yuan Renminbi	2,302	—	(48)	(48)
Payables:				
U.S. Dollar	1,445	—	16	16
Yen	1,933	—	(39)	(39)
Singapore Dollar	9	—	0	0
Yuan Renminbi	111	—	1	1
Total	¥9,035	¥ —	¥(200)	¥(200)

	Millions of yen			
	2020			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. Dollar	¥ 952	¥ —	¥ (5)	¥ (5)
Euro	714	—	13	13
Won	216	—	0	0
Baht	144	—	4	4
Payables:				
U.S. Dollar	294	—	2	2
Yen	770	—	48	48
Singapore Dollar	884	—	(47)	(47)
Total	¥3,974	¥ —	¥ 15	¥ 15

	Thousands of U.S. dollars (Note 3)			
	2021			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. Dollar	$ 9,185	$ —	$ (462)	$ (462)
Euro	17,115	—	(637)	(637)
Won	3,091	—	(96)	(96)
Yuan Renminbi	20,934	—	(444)	(444)
Payables:				
U.S. Dollar	13,144	—	154	154
Yen	17,580	—	(363)	(363)
Singapore Dollar	85	—	5	5
Yuan Renminbi	1,010	—	17	17
Total	$82,144	$ —	$ (1,826)	$ (1,826)

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

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related contracts

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2021 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable-trade			
	U.S. Dollar		¥ 634	¥ 215	¥ (46)
	Euro		2,023	—	(10)
	Baht		38	—	(3)
	Payables:	Accounts payable-trade			
	U.S. Dollar		157	—	7
	Euro		5,216	3,710	516
	Singapore Dollar		2	—	0
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable-trade			
	U.S. Dollar		¥ 244	¥ —	
	Euro		¥ 88	—	
	Yuan Renminbi		132	—	
	Baht		108	—	(Note2)
	Singapore Dollar		833	—	
	Payables:	Accounts payable-trade			
	U.S. Dollar		6	—	
	Yen		833	—	
	Total		¥10,314	¥3,925	¥ 464

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2020 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable-trade			
	U.S. Dollar		¥ 1,795	¥ —	¥ (97)
	Euro		159	19	(1)
	Payables:	Accounts payable-trade			
	U.S. Dollar		3,204	54	13
	Euro		10,328	5,077	(217)
	Pound sterling		2	—	(0)
	Singapore Dollar		2,460	—	(31)
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable-trade			
	U.S. Dollar		¥ 3,170	¥ —	
	Euro		¥ 86	—	
	Yuan Renminbi		152	—	
	Baht		105	—	(Note2)
	Payables:	Accounts payable-trade			
	U.S. Dollar		914	—	
	Euro		243	—	
	Pound sterling		2	—	
	Total		¥22,620	¥5,150	¥ (333)

Hedge accounting method	Type of derivative	Principal items hedged	Thousands of U.S. dollars (Note 3) 2021 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable-trade			
	U.S. Dollar		$ 5,765	$ 1,960	$ (418)
	Euro		18,393	—	(96)
	Baht		350	—	(31)
	Payables:	Accounts payable-trade			
	U.S. Dollar		1,427	—	70
	Euro		47,381	33,722	4,698
	Singapore Dollar		21	—	2
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable-trade			
	U.S. Dollar		$ 2,226	$ —	(Note2)
	Euro		$ 807	—	
	Yuan Renminbi		1,207	—	
	Baht		984	—	
	Singapore Dollar		7,575	—	
	Payables:	Accounts payable-trade			
	U.S. Dollar		60	—	
	Yen		7,575	—	
	Total		$93,771	$35,682	$4,225

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 2021 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	—	(Note2)

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2020 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	Thousands of U.S. dollars (Note 3) 2021 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	—	(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, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Loans, principally from banks	¥17,601	¥19,271	$160,018
Commercial paper	—	51,500	—
Short-term debt	¥17,601	¥70,771	$160,018

Note: The weighted average interest rates on short-term debt as of March 31, 2021 and 2020 were 1.26% and 0.45%, respectively.

Long-term debt as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Loans, principally from banks and insurance companies	¥100,828	¥40,675	$ 916,623
Bonds issued by the Company:			
0.38% Yen unsecured straight bonds due September 4, 2020	—	15,000	—
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	10,000	90,909
	135,828	90,675	1,234,805
Less: Portion due within one year	4,142	17,071	37,657
Long-term debt	¥131,686	¥73,604	$1,197,148

Note: The weighted average interest rates on loans, principally from banks and insurance companies, as of March 31, 2021 and 2020 were 0.26% and 0.40%, respectively.

As of March 31, 2021, 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)
2023	¥ 30,264	$ 275,119
2024	52,798	479,985
2025	28,524	259,317
2026	100	909
2027 thereafter	20,000	181,818
Total	¥131,686	$1,197,148

Note 10. Lease Obligations

Lease obligations as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Short-term	¥18,376	¥15,668	$167,063
Long-term	43,226	39,197	392,964
Total	¥61,602	¥54,865	$560,027

Note: The weighted average interest rates on lease obligations as of March 31, 2021 and 2020 were 2.07% and 1.88%, respectively.

As of March 31, 2021, the aggregate annual maturities of lease obligations were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
2023	¥15,487	$140,800
2024	12,092	109,936
2025	8,269	75,175
2026	4,937	44,885
2027 thereafter	2,441	22,168
Total	¥43,226	$392,964

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, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Retirement benefit obligation at the beginning of the year	¥176,192	¥181,387	$1,601,748
Service cost	3,115	3,167	28,326
Interest cost	2,349	2,409	21,356
Actuarial loss	2,529	1,406	22,998
Retirement benefits paid	(11,408)	(11,524)	(103,711)
Prior service cost	(109)	(681)	(997)
Deference arising from the change from simplified method to principle method	533	—	4,852
Others	40	28	355
Retirement benefit obligation at the end of the year	¥173,241	¥176,192	$1,574,926

(2) The changes in plan assets at fair value except for plans accounted for by a simplified method during the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Plan assets at fair value at the beginning of the year	¥143,405	¥153,859	$1,303,686
Expected return on plan assets	2,009	2,117	18,266
Actuarial gain	7,226	(2,819)	65,697
Contributions by the Companies	665	1,219	6,046
Retirement benefits paid	(10,710)	(10,965)	(97,367)
Deference arising from the change from simplified method to principle method	562	—	5,111
Others	5	(6)	41
Plan assets at fair value at the end of the year	¥143,162	¥143,405	$1,301,480

(3) The changes in defined benefit liability and asset calculated by a simplified method during the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Retirement benefit obligation at the beginning of the year	¥2,140	¥1,884	$19,461
Retirement benefit expenses	192	493	1,747
Retirement benefits paid	(84)	(79)	(765)
Contributions	(86)	(147)	(786)
Deference arising from the change from simplified method to principle method	22	—	201
Others	17	(11)	148
Defined benefit liability at the end of the year	¥2,211	¥2,140	$20,106
Defined benefit asset at the end of the year	¥ (10)	—	$ (100)

(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 consolidated balance sheet were outlined as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Funded retirement benefit obligation	¥171,106	¥175,370	$ 1,555,511
Plan assets at fair value	(146,055)	(146,953)	(1,327,771)
	25,051	28,417	227,740
Unfunded retirement benefit obligation	7,228	6,510	65,711
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ 32,279	¥ 34,927	$ 293,451
Net defined benefit liability	53,322	50,011	484,752
Net defined benefit asset	(21,043)	(15,084)	(191,301)
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ 32,279	¥ 34,927	$ 293,451

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

(5) The components of retirement benefit expenses for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Service cost	¥3,115	¥3,167	$28,326
Interest cost	2,349	2,409	21,356
Expected return on plan assets	(2,009)	(2,117)	(18,266)
Amortization of actuarial loss	2,418	1,654	21,982
Amortization of prior service cost	(833)	(280)	(7,573)
Retirement benefit expenses calculated by simplified method	192	493	1,747
Deference arising from the change from simplified method to principle method	(6)	—	(58)
Others	92	106	838
Retirement benefit expenses	¥5,318	¥5,432	$48,352

(6) The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Prior service cost	¥ 723	¥ (400)	$ 6,576
Actuarial gain and loss	(7,111)	2,569	(64,655)
Total	¥ (6,388)	¥2,169	$ (58,079)

(7) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Unrecognized prior service cost	¥ (5,755)	¥ (6,479)	$ (52,324)
Unrecognized actuarial gain and loss	2,975	10,087	27,046
Total	¥ (2,780)	¥ 3,608	$ (25,278)

(8) The breakdown of plan assets by major category as of March 31, 2021 and 2020 were as follows:

	2021	2020
Debt securities	37%	40%
Deposit	22	24
Equity securities	19	14
General accounts at life insurance companies	22	21
Others	0	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, 2021 and 9% of total amount of plan assets as of March 31, 2020.

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, 2021 and 2020 were as follows:

	2021	2020
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	0.0% – 5.1%	0.0% – 8.6%

3. Information on defined contribution pension plans

Contributions of defined contribution pension plans for the years ended March 31, 2021 and 2020 were ¥4,819 million ($43,815 thousand) and ¥4,724 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, 2021 and 2020 were ¥15 million ($137 thousand) and ¥15 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, 2021 and 2020 were as follows:

	Thousands of shares			
	March 31, 2020	Increase in the year	Decrease in the year	March 31, 2021
Shares outstanding:				
Common stock	149,296	—	—	149,296
Total	149,296	—	—	149,296
Treasury stock:				
Common stock	6,454	3	0	6,457
Total	6,454	3	0	6,457

	Thousands of shares			
	March 31, 2019	Increase in the year	Decrease in the year	March 31, 2020
Shares outstanding:				
Common stock	149,296	—	—	149,296
Total	149,296	—	—	149,296
Treasury stock:				
Common stock	6,451	3	0	6,454
Total	6,451	3	0	6,454

The increases of treasury stock were due to purchase of shares of less than one voting unit and the decreases of treasury stock were due to sales of shares at the request of shareholders who own less than one voting unit for the years ended March 31, 2021 and 2020.

2. Dividends

(1) Dividends paid

For the year ended March 31, 2021

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 29, 2020	Common stock	¥5,713	$51,942	¥40.0	$0.36	March 31, 2020	June 29, 2020
Meeting of the Board of Directors on October 29, 2020	Common stock	5,713	51,942	40.0	0.36	September 30, 2020	December 1, 2020

For the year ended March 31, 2020

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 23, 2019	Common stock	¥5,713	¥40.0	March 31, 2019	June 5, 2019
Meeting of the Board of Directors on October 31, 2019	Common stock	5,713	40.0	September 30, 2019	December 3, 2019

(2) Dividends with the cut-off date in the year ended March 31, 2021 and effective date in the year ending March 31, 2022

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 27, 2021	Common stock	**¥6,427**	**$58,434**	Retained Earnings	**¥45.0**	**$0.41**	March 31, 2021	June 9, 2021

Dividends with the cut-off date in the year ended March 31, 2020 and effective date in the year ended March 31, 2021

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 29, 2020	Common stock	¥5,713	Retained Earnings	¥40.0	March 31, 2020	June 29, 2020

Note 13. Research and Development Costs

Research and development costs charged to income were ¥33,562 million ($305,114 thousand) and ¥34,457 million for the years ended March 31, 2021 and 2020, respectively.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	**2021**
Research and development costs	**¥33,562**	¥34,457	**$305,114**

Note 14. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	**2021**
Salaries and wages	**¥82,860**	¥81,061	**$753,276**
Retirement benefit expenses	**4,845**	4,592	**44,048**
Research and development costs	**29,452**	30,366	**267,754**

Note 15. Extraordinary Income, Net

Extraordinary income, net, for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	**2021**
Extraordinary income			
Gain on sales of noncurrent assets	**¥ 280**	¥ 245	**$ 2,550**
Gain on sales of investment securities	**40,864**	2,525	**371,500**
Extraordinary loss			
Loss on disposal of noncurrent assets	**(552)**	(1,517)	**(5,022)**
Loss on devaluation of investment securities	**(1,019)**	(1,481)	**(9,258)**
Impairment loss	**(963)**	—	**(8,757)**
Costs of corrective measures for product defects	**(25,727)**	—	**(233,891)**
Loss on compensation for damage	**—**	(425)	**—**
Extraordinary income (loss), net	**¥ 12,883**	¥ (653)	**$117,122**

Note 16. Impairment Loss

For the year ended March 31, 2021, the Companies recognized an impairment loss on the following asset groups:

Usage	Location	Classification	Millions of yen	Thousands of U.S. dollars (Note 3)
Business assets - production equipment	Thailand	Machinery and equipment, Lease equipment and other assets	¥627	$5,701
Business assets - other	Ibaraki Prefecture	Buildings and structures, Land	¥174	$1,587
Assets to be disposed	Mie Prefecture	Construction in progress	¥162	$1,469

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

Regarding the above business assets - production equipment, the Companies recognized an impairment loss of ¥627 million ($5,701 thousand) on the machinery and other assets as an extraordinary loss up to the recoverable amounts, reviewing future plans based on the current business environment of consolidated subsidiaries in the substation business. The impairment loss consisted of ¥171 million ($1,562 thousand) for machinery and equipment and ¥331 million ($3,018 thousand) for lease equipment and ¥125 million ($1,121 thousand) for other assets . The recoverable amount of the assets group was assessed with its value-in-use discounted at a rate of 12.6%.

Regarding the Business assets-other, the Companies recognized an impairment loss of ¥174 million ($1,587 thousand) on the buildings and structures and land, which were converting to warehouse accompanying the reorganization of the production bases, as an extraordinary loss up to the recoverable amounts. The impairment loss consisted of ¥72 million ($659 thousand) for buildings and structures and ¥102 million ($928 thousand)for land. The recoverable amount of the asset group was assessed with the net realizable value. Further, as it was difficult to sell, the net realizable value was assessed at zero.

Regarding the assets to be disposed, the Companies recognized an impairment loss of ¥162 million ($1,469 thousand) on construction in progress as an extraordinary loss up to the recoverable amounts as they were not expected to be used. The recoverable amount of the asset group was assessed with the net realizable value. Further, as it was difficult to sell or convert to other use, the net realizable value was assessed at zero.

Note 17. Income Taxes

1. The components of income taxes for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Current	¥21,423	¥12,488	$194,755
Deferred	(3,482)	(499)	(31,647)
Income taxes	¥17,941	¥11,989	$163,108

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, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Deferred tax assets			
Net defined benefit liability	¥19,979	¥22,069	$181,635
The investment deduction of the foreign consolidated subsidiaries	11,893	12,021	108,123
Inventories	7,728	8,448	70,259
Accrued employees' bonuses	6,919	6,965	62,901
Investment securities	6,814	6,443	61,947
Tangible fixed assets	1,937	1,935	17,613
Other	12,537	7,510	113,953
Gross deferred tax assets	67,807	65,391	616,431
Less: Valuation allowance	(21,409)	(20,321)	(194,623)
Total deferred tax assets	46,398	45,070	421,808
Deferred tax liabilities			
Unrealized gain on other securities	(25,125)	(20,082)	(228,417)
Investment securities	(1,358)	(2,423)	(12,352)
Other	(6,911)	(5,981)	(62,820)
Gross deferred tax liabilities	(33,394)	(28,486)	(303,589)
Net deferred tax assets (liabilities)	¥13,004	¥16,584	$118,219

3. The reconciliation between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2021 and 2020 were as follows:

	2021	2020
Statutory income tax rate	30.6%	30.6%
Tax credits	(4.0)	(3.8)
Tax rate difference of overseas consolidated subsidiaries	(3.3)	(5.7)
Valuation allowance	1.7	(0.1)
Permanent difference resulting from non-taxable income, including dividends received	(0.4)	(2.1)
Permanent difference resulting from expenses not deductible for income tax purposes	1.0	2.9
Consolidation adjustment for gain on sales of investment securities	—	3.5
Other	2.8	2.0
Effective income tax rate	28.4%	27.3%

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)
	2021	2020	2021
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥57,286	¥ 1,049	$520,791
Reclassification adjustments	(40,843)	(58)	(371,302)
Before tax effect	16,443	991	149,489
Tax effect	(5,043)	(383)	(45,847)
Valuation difference on available-for-sale securities	11,400	608	103,642
Deferred gains or losses on hedges:			
Amount arising during the year	798	70	7,256
Before tax effect	798	70	7,256
Tax effect	(245)	(21)	(2,222)
Deferred gains or losses on hedges	553	49	5,034
Foreign currency translation adjustments:			
Amount arising during the year	5,938	(4,574)	53,962
Before tax effect	5,938	(4,574)	53,962
Tax effect	—	—	—
Foreign currency translation adjustments	5,938	(4,574)	53,962
Remeasurements of defined benefit plans:			
Amount arising during the year	4,803	(3,542)	43,670
Reclassification adjustments	1,585	1,373	14,409
Before tax effect	6,388	(2,169)	58,079
Tax effect	(1,969)	638	(17,899)
Remeasurements of defined benefit plans	4,419	(1,531)	40,180
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the year	97	299	883
Reclassification adjustments	(312)	103	(2,842)
Share of other comprehensive income of associates accounted for using equity method	(215)	402	(1,959)
Total other comprehensive income	¥22,095	¥ (5,046)	$200,859

Note 19. Contingent Liabilities

Contingent liabilities as of March 31, 2021 and 2020 were as follows:

(1) Guarantees

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Guarantees	¥6,505	¥11,127	$59,145

(2) Product defects

For some of our power semiconductors in specific fields, the company recorded ¥25,727 million ($233,891 thousand) costs of corrective measures for product defects as an extraordinary loss. The part of the costs was reasonably estimated based on factors such as the application by customers of equipment in which the products were incorporated and the usage conditions of such equipment. However, events occurring which are not considered in the estimation may incur additional costs.

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, 2021 and 2020 were as follows:

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Acquisition cost	¥ 133	¥ 240	$1,212
Accumulated depreciation	133	232	1,212
Net leased property	—	¥ 8	—

(b) Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Due within one year	¥ 10	¥ 20	$ 93
Due after one year	—	10	—
Total	¥ 10	¥ 30	$ 93

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Lease expense	¥ 10	¥ 86	$ 95
Depreciation expense	8	71	79
Interest expense	0	2	4

(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, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Due within one year	¥ 2,444	¥1,604	$22,227
Due after one year	8,107	2,705	73,699
Total	¥10,551	¥4,309	$95,926

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, Power Electronics Systems Industry, Electronic Devices, Food and Beverage Distribution and Power Generation. These segments except for Electronic Devices and Power Generation consist of 2 or more business segments.

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

Reporting segments	Main products and services
Power Electronics Systems Energy	Substations, energy management systems, smart meters, uninterruptible power systems (UPSs), switchboards, power distribution and control equipment
Power Electronics Systems Industry	Inverters, motors, servo systems, controllers, programmable display, measuring instruments, sensors, FA systems, drive control systems, measuring and control systems, transport systems, scrubber systems, radiation monitoring systems, electricity construction, air conditioning equipment construction, ICT equipment and software
Electronic Devices	Power semiconductors for industrial and vehicles, magnetic disks
Food and Beverage Distribution	Beverage vending machines, vending machines for food and other goods, store equipment, currency handling equipment
Power Generation	Geothermal power generation, hydroelectric power generation, solar power generation, wind power generation, fuel cells, thermal power generation

(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 based on operating income in the consolidated statements of income. Intersegment sales and transfer are determined by market value.

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

Reporting segment information as of March 31, 2021 and 2020 and for the years then ended were as follows:

	Millions of yen								
Year ended March 31, 2021	Power Electronics Systems Energy	Power Electronics Systems Industry	Electronic Devices	Food and Beverage Distribution	Power Generation	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net sales									
Sales to third parties	¥206,559	¥332,294	¥154,033	¥76,300	¥80,114	¥26,627	¥875,927	¥ —	¥ 875,927
Inter-segment sales and transfers	2,670	13,590	3,451	256	238	26,068	46,273	(46,273)	—
Total sales	209,229	345,884	157,484	76,556	80,352	52,695	922,200	(46,273)	875,927
Segment profits (losses)	¥ 14,018	¥ 21,781	¥ 17,652	¥ (5,280)	¥ 2,517	¥ 2,215	¥ 52,903	¥ (4,308)	¥ 48,595
Segment assets	¥203,048	¥307,864	¥215,624	¥82,411	¥67,052	¥37,390	¥913,389	¥ 138,563	¥1,051,952
Other items									
Depreciation and amortization	¥ 5,879	¥ 6,660	¥ 18,049	¥ 2,519	¥ 1,263	¥ 863	¥ 35,233	¥ 961	¥ 36,194
Investments for companies applied equity method	¥ 10,995	¥ 1,729	¥ —	¥ —	¥ —	¥ —	¥ 12,724	¥ —	¥ 12,724
Capital expenditures	¥ 7,380	¥ 7,042	¥ 21,507	¥ 2,131	¥ 1,136	¥ 499	¥ 39,695	¥ 1,297	¥ 40,992

Year ended March 31, 2020	Millions of yen Power Electronics Systems Energy	Power Electronics Systems Industry	Electronic Devices	Food and Beverage Distribution	Power Generation	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net sales									
Sales to third parties	¥214,851	¥307,013	¥134,384	¥104,052	¥109,278	¥31,026	¥900,604	¥ —	¥900,604
Inter-segment sales and transfers	3,162	10,469	3,037	361	613	29,820	47,462	(47,462)	—
Total sales	218,013	317,482	137,421	104,413	109,891	60,846	948,066	(47,462)	900,604
Segment profits (losses)	¥ 12,322	¥ 16,547	¥ 9,718	¥ 3,842	¥ 2,298	¥ 2,697	¥ 47,424	¥ (4,909)	¥ 42,515
Segment assets	¥201,907	¥275,030	¥202,694	¥ 88,336	¥ 74,046	¥35,013	¥877,026	¥119,801	¥996,827
Other items									
Depreciation and amortization	¥ 5,679	¥ 6,059	¥ 15,071	¥ 2,399	¥ 1,216	¥ 885	¥ 31,309	¥ 1,010	¥ 32,319
Investments for companies applied equity method	¥ 10,051	¥ 1,722	¥ —	¥ —	¥ —	¥ —	¥ 11,773	¥ —	¥ 11,773
Capital expenditures	¥ 6,865	¥ 7,677	¥ 31,739	¥ 2,633	¥ 1,087	¥ 698	¥ 50,699	¥ 868	¥ 51,567

Year ended March 31, 2021	Thousands of U.S. dollars (Note 3) Power Electronics Systems Energy	Power Electronics Systems Industry	Electronic Devices	Food and Beverage Distribution	Power Generation	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net sales									
Sales to third parties	$1,877,817	$3,020,859	$1,400,303	$ 693,643	$ 728,313	$ 242,045	$7,962,980	$ —	$7,962,980
Inter-segment sales and transfers	24,265	123,541	31,377	2,323	2,166	236,994	420,666	(420,666)	—
Total sales	1,902,082	3,144,400	1,431,680	695,966	730,479	479,039	8,383,646	(420,666)	7,962,980
Segment profits (losses)	$ 127,437	$ 198,010	$ 160,475	$ (48,007)	$ 22,884	$ 20,145	$ 480,944	$ (39,165)	$ 441,779
Segment assets	$1,845,893	$2,798,766	$1,960,222	$ 749,194	$ 609,566	$ 339,903	$8,303,544	$1,259,665	$9,563,209
Other items									
Depreciation and amortization	$ 53,450	$ 60,552	$ 164,086	$ 22,907	$ 11,489	$ 7,817	$ 320,301	$ 8,738	$ 329,039
Investments for companies applied equity method	$ 99,955	$ 15,718	$ —	$ —	$ —	$ —	$ 115,673	$ —	$ 115,673
Capital expenditures	$ 67,096	$ 64,026	$ 195,526	$ 19,381	$ 10,328	$ 4,508	$ 360,865	$ 11,794	$ 372,659

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 2021	2020	Thousands of U.S. dollars (Note 3) 2021
Corporate expense*	¥ (4,314)	¥ (4,932)	$ (39,226)
Elimination of intersegment sales	6	23	61
Total	¥ (4,308)	¥ (4,909)	$ (39,165)

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

	Millions of yen 2021	2020	Thousands of U.S. dollars (Note 3) 2021
Corporate assets*	¥ 276,445	¥ 266,851	$ 2,513,145
Elimination of intersegment transactions	(137,882)	(147,050)	(1,253,480)
Total	¥ 138,563	¥ 119,801	$ 1,259,665

* 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, 2021 and 2020 and for the years then ended were as follows:

Geographic information

(a) Sales

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Japan	¥654,020	¥679,719	$5,945,639
Asia (except for China), Others	108,207	124,623	983,694
China	83,874	62,644	762,495
Europe	16,512	18,961	150,113
America	13,314	14,657	121,039
Consolidated	¥875,927	¥900,604	$7,962,980

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

(b) Tangible fixed assets

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Japan	¥168,724	¥160,998	$1,533,863
Asia (except for China), Others	25,449	26,505	231,333
China	14,327	13,214	130,251
Europe	605	598	5,504
America	653	577	5,942
Consolidated	¥209,758	¥201,892	$1,906,893

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, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Power Electronics Systems Energy	¥ 801	¥ —	$7,288
Power Electronics Systems Industry	162	—	1,469
Electronic Devices	—	—	—
Food and Beverage Distribution	—	—	—
Power Generation	—	—	—
Others	—	—	—
Total	¥ 963	¥ —	$8,757

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, 2021 and 2020 were as follows:

	Millions of yen						
Year ended March 31, 2021	Power Electronics Systems Energy	Power Electronics Systems Industry	Electronic Devices	Food and Beverage Distribution	Power Generation	Others	Consolidated
Amortization	¥ —	¥ 843	¥ 10	¥ —	¥ —	¥ —	¥ 853
Balance as of March 31	¥ —	¥6,294	¥ 44	¥ —	¥ —	¥ —	¥6,338

	Millions of yen						
Year ended March 31, 2020	Power Electronics Systems Energy	Power Electronics Systems Industry	Electronic Devices	Food and Beverage Distribution	Power Generation	Others	Consolidated
Amortization	¥ 292	¥ 455	¥ 11	¥ —	¥ —	¥ —	¥ 758
Balance as of March 31	¥ —	¥6,642	¥ 53	¥ —	¥ —	¥ —	¥6,695

	Thousands of U.S. dollars (Note 3)						
Year ended March 31, 2021	Power Electronics Systems Energy	Power Electronics Systems Industry	Electronic Devices	Food and Beverage Distribution	Power Generation	Others	Consolidated
Amortization	$ —	$ 7,669	$ 89	$ —	$ —	$ —	$ 7,758
Balance as of March 31	$ —	$57,226	$ 396	$ —	$ —	$ —	$57,622

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, 2021

None

For the year ended March 31, 2020

Transactions with the Company's consolidated subsidiaries and related parties as follows:

Type	Name	Location	Capital or investments in capital Millions of yen	Business description	Holding ratio of voting rights (Owned)
Affiliated company	METAWATER Co., Ltd	Chiyoda-ku, Tokyo	¥11,946	Plant Engineering	24.4

Relationship	Transaction	Amounts Millions of yen	Accounts	Ending balance (Millions of yen)
Production sales interlocking directors	Sale of securities of the affiliated company	(Proceed) ¥7,484	—	—
		(Gain) ¥1,772	—	—

Note: This transaction was due to the sale of a portion of the Company's shares in response to the tender offer for treasury stock by Metawater Co., Ltd.

Note 23. Business Combinations

For the year ended March 31, 2021

None

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 17 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, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Balance at the beginning of the year	¥1,896	¥1,918	$17,243
Adjustment due to passage of time	6	6	57
Decrease due to fulfillment of obligations	(2)	(28)	(23)
Balance at the end of the year	¥1,900	¥1,896	$17,277

Note 25. Amounts Per Share

Information of amounts per share as of March 31, 2021 and 2020 and for the years then ended were as follows:

	Yen		U.S. dollars (Note 3)
	2021	2020	2021
Net assets per share	¥2,919.34	¥2,559.60	$26.539
Net income per share	293.52	201.57	2.668

Diluted net income per share in 2021 and 2020 are not disclosed because there is no potential common stock that has a dilutive effect.

Independent Auditor's Report

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Independent Auditor's Report

The Board of Directors
Fuji Electric Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Fuji Electric Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

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Recognition of construction revenue based on the percentage-of-completion method	
Description of Key Audit Matter	Auditor's Response
As described in Note 2. s. "Accounting Standard for Disclosure of Accounting Estimates" (1. Recognition of construction revenue based on the percentage-of-completion method), in recording construction revenue mainly in the power electronics systems segments and the power generation segment, the Fuji Electric Group applies the percentage-of-completion method for the portion of work completed up to the end of the current period for construction contracts for which completion is deemed to be certain (the cost-to-cost method is used in estimating progress toward completion). Of construction contracts for which the percentage-of-completion method is applied, construction revenue from incomplete or undelivered construction contracts recorded as of the end of the fiscal year ended March 31, 2021 was 66,897 million yen, accounting for 7% of total net sales of 875,927 million yen recorded for the fiscal year ended March 31, 2021. Revenue for which the percentage-of-completion method is applied is measured based on progress toward completion of construction, and progress toward completion is determined based on the ratio of costs incurred up to the end of the current period to the estimate of the total cost of construction. Construction contracts are highly individual in nature and carried out in accordance with fundamental specifications and work details instructed by customers. Accordingly, estimates of the total cost of construction involve certain assumptions and determinations that are based on specialized knowledge of and experience in construction, and are subject to uncertainty. Further, given that construction is	We mainly performed the following audit procedures to evaluate the validity of estimates of the total cost of construction in cases where the percentage-of-completion method was applied. (1) Evaluation of internal controls We evaluated the design and operating effectiveness of the following internal controls relating to estimates of the total cost of construction. ・Controls to ensure reliability by requiring that a breakdown of execution budget (a budget prepared and approved for managing project costs) on which estimates of the total cost of construction are based is prepared by responsible personnel with specialized knowledge and approved by managers ・A system to confirm that each of the elements of the total cost of construction are accumulated and calculated in detail based on objective prices such as third party quotations and internally approved standard unit prices ・A system for revising estimates of the total cost of construction in a timely manner in accordance with factors such as construction progress and the amounts of costs actually incurred, or changes in specifications instructed by customers ・A system for the effective and timely monitoring under the cost management department, which is responsible for the reliability of estimates of the total cost of construction, to the estimation of the total cost of construction (2) Evaluation of the adequacy of estimates of the total cost of construction We identified construction contracts involving a relatively high degree of uncertainty over the estimate of the total cost of construction in light of factors such as construction contract amount, profit (loss) on construction, project details, and construction

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generally long-term in nature, construction contracts may potentially be modified and there may be fluctuations in material, labor, and other such costs while construction is still in progress, thus making timely and appropriate revisions of the total cost of construction is complex. Based on the above, we consider estimates of the total cost of construction made in calculating construction revenue and progress toward completion of construction to be of particular significance in the current period and, accordingly, we have determined that this is a key audit matter.	progress, and performed the following procedures. ・We reconciled estimates of the total cost of construction to breakdowns of execution budget on which calculations of such estimates are based, and evaluated whether total cost of construction is consistent with construction contract deliverables and calculated by accumulating each of the elements of the total cost, and whether breakdowns of finishing costs are free from reconciling items with abnormal amounts included in response to future uncertainty. ・For construction contracts for which changes in the total cost of construction from the end of the previous fiscal year were above a certain threshold, we evaluated whether the details of such changes are consistent with the current status of construction by making inquiries of project managers and reconciling changes to work schedules and quotations from suppliers. ・We made inquiries of project managers about changes in construction contracts, construction progress, and determinations of whether changes need to be made to the total cost of construction, and evaluated the reasonableness of their responses with reference to work schedules and amounts of expenses incurred. ・We inspected construction sites and evaluated whether construction progress is consistent with estimates of the total cost of construction and progress toward completion of construction. ・We evaluated the process for estimating total cost of construction by comparing estimates of the total cost of construction as of the end of the previous fiscal year with the re-estimated amounts or outcomes of such estimates.

Provision for product warranties for costs of corrective measures in response to defects in certain power semiconductors for certain customers	
Description of Key Audit Matter	Auditor's Response
Provision for product warranties of 15,698 million yen was recorded in the consolidated balance sheet of Fuji Electric Co., Ltd. for the fiscal year ended March 31, 2021 and, as described in Note 2. s. "Accounting Standard for Disclosure of Accounting Estimates" (2. Provision for product warranties for costs of corrective measures in response to defects in certain power semiconductors for certain customers), this amount includes a provision for product warranties of 15,476 million yen for costs of corrective measures in response to defects in certain power semiconductors for certain customers (hereinafter, the "provision for product warranties for costs of corrective measures in response to defects"). The provision for product warranties for costs of corrective measures in response to defects was calculated by assuming a scope of incidence of the defect based on factors such as the application by customers of equipment in which the products were incorporated and the usage conditions of such equipment, in consideration of reports of defects in products stemming from procured parts inside of the products and arising in certain environments in which the products were used. Considering that there is a wide variety of environments in which the products were used, the scope of incidence of the defect, which is assumed based on the application by customers of equipment in which the products were incorporated and the usage conditions of such equipment, involves uncertainty since it requires management to make judgments. Based on the above, we consider that the estimate of the scope of incidence of the defect that was assumed based on the application by customers of equipment in	We mainly performed the following audit procedures to evaluate the validity of the estimate of the provision for product warranties for costs of corrective measures in response to defects. (1) Evaluation of internal controls We evaluated the design and operating effectiveness of the following internal controls relating to the estimate of the provision for product warranties for costs of corrective measures in response to defects. ・ Controls to ensure the reliability of data accumulation tables for estimates of the scope of incidence of defects, assumed based on the application by customers of equipment in which the products were incorporated and the usage conditions of such equipment, by requiring that such tables are prepared by responsible personnel with specialized knowledge and approved by managers ・A system for obtaining information necessary for estimating the scope of incidence of defects, assumed based on the application by customers of equipment in which the products were incorporated and the usage conditions of such equipment (2) Evaluation of the adequacy of the estimate of the provision for product warranties for costs of corrective measures in response to defects We performed the following procedures related to the estimate of the provision for product warranties for costs of corrective measures in response to defects. ・We discussed with management the method used to estimate the scope of incidence of the defect, assumed based on the application by customers of equipment in which the products were incorporated and the usage conditions of such equipment, and evaluated whether these assumptions are consistent with the response to customers.

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which the products were incorporated and the usage conditions of such equipment and used in recording the provision for product warranties for costs of corrective measures in response to defects is of particular significance for the fiscal year ended March 31, 2021 and, accordingly, we have determined that this is a key audit matter.	・We evaluated the consistency between information serving as the basis for the estimate, including the application by customers of equipment in which the products were incorporated and the usage conditions of such equipment, and information obtained by the responsible business department and available external data. ・We evaluated the process for estimating the provision for product warranties by comparing the estimate of costs of corrective measures in response to defects to the re-estimated amount of the costs or the actual amount.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

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Ernst & Young ShinNihon LLC
Tokyo, Japan

June 25, 2021

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