

Securities code: 6504

To Our Shareholders
144th Term (Fiscal 2019) Annual Business Report

(April 1, 2019–March 31, 2020)

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Business Report (April 1, 2019–March 31, 2020)

[Business Overview]

Overview

In the fiscal year ended March 31, 2020, Fuji Electric launched “Reiwa Prosperity 2023,” a new five-year medium-term management plan slated to conclude with the fiscal year ending March 31, 2024, the year in which we celebrate the centennial anniversary of Fuji Electric’s founding. Under this plan, the Company is implementing growth strategies prescribing the concentration of resources on growth fields, namely the power electronics systems and power semiconductor businesses, and the expansion of overseas businesses.

Overseas, the operating environment for the fiscal year ended March 31, 2020, saw the ongoing curtailment of investments centered on China as a result of the prolongation of the trade friction between the United States and China that continued on from the previous fiscal year, and the slowdown in the overseas market resulted in bearish exports of machine tools from Japan. Against this backdrop, the global COVID-19 pandemic that struck during the fourth quarter of the fiscal year greatly restricted economic activities, due to factors such as the factory closures and movement limitations seen in countries around the world, and thus resulted in a challenging operating environment characterized by a growing sense of opaqueness.

As part of its efforts to prevent the COVID-19 pandemic, the Company requested that employees working at the head office, divisions, branches, and other business sites in Japan engage in teleworking whenever possible. Employees that cannot telework, such as those working in production bases, were asked to take steps to prevent the spread of the virus through measures like staggered work hours and efforts to avoid confined spaces, crowds, and close interactions. Overseas, operations at certain factories were halted based on the instructions of local governments.

Consolidated net sales in the fiscal year ended March 31, 2020, decreased ¥14.3 billion year on year, to ¥900.6 billion. The Company did benefit from strong upgrade demand for replacing aged facilities in Japan. However, these benefits were outweighed by the absence of large-scale orders recorded in the previous fiscal year and the impacts of the trade friction between the United States and China as well as delivery delays and capital investment curtailments stemming from the restrictions placed on business activities for the purpose of combating the COVID-19 pandemic.

As a result of the lower sales and production volumes, the impacts of foreign exchange influences, and upfront investments in the power semiconductor business, which offset the benefits of cost reduction efforts, consolidated operating profit decreased ¥17.5 billion year on year, to ¥42.5 billion; ordinary profit was down ¥19.0 billion, to ¥44.5 billion; and profit attributable to owners of parent declined ¥11.5 billion, to ¥28.8 billion.

Consolidated results of operations for the fiscal year ended March 31, 2020, were as follows.

Fiscal 2019 (April 1, 2019 to March 31, 2020)

Classification	144th term Fiscal 2019	Increase/Decrease
Net sales	¥900.6 billion	Down ¥14.3 billion YoY
Operating profit	¥42.5 billion	Down ¥17.5 billion YoY
Ordinary profit	¥44.5 billion	Down ¥19.0 billion YoY
Profit attributable to owners of parent	¥28.8 billion	Down ¥11.5 billion YoY
Basic earnings per share	¥201.57	Down ¥80.32 YoY
Total assets	¥996.8 billion	Up ¥44.2 billion YoY

Business Segment Overview

(¥ billion)

Business segment	Classification	143rd term Fiscal 2018	144th term Fiscal 2019	Change (%)
Power Electronics Systems Energy	Net sales	224.1	218.0	97%
	Operating profit	16.8	12.3	73%
Power Electronics Systems Industry	Net sales	322.5	317.5	98%
	Operating profit	19.4	16.5	85%
Electronic Devices	Net sales	137.3	137.4	100%
	Operating profit	15.6	9.7	62%
Food and Beverage Distribution	Net sales	113.6	104.4	92%
	Operating profit	5.8	3.8	67%
Power Generation	Net sales	107.0	109.9	103%
	Operating profit	4.8	2.3	48%
Others	Net sales	62.2	60.8	98%
	Operating profit	2.8	2.7	97%
Sub-total	Net sales	966.8	948.1	98%
	Operating profit	65.1	47.4	73%
Eliminate/Corporate	Net sales	(51.9)	(47.5)	—
	Operating profit (loss)	(5.2)	(4.9)	—
Total	Net sales	914.9	900.6	98%
	Operating profit	60.0	42.5	71%

(Note) From the beginning of the current fiscal year, reflecting change of organization structure, the reporting segments were reclassified from the “Power Electronics Systems—Energy Solutions” and “Power Electronics Systems—Industry Solutions,” to the “Power Electronics Systems Energy” and “Power Electronics Systems Industry.” Additionally, the name of reporting segment was changed from the “Power and New Energy” to the “Power Generation.” The figures of “Change” have been calculated after retrospectively adjusting the figures for fiscal 2018 to reflect the reclassification and name change.

Results by Business Segment

[Power Electronics Systems Energy]

Net sales decreased 3% year on year, to ¥218.0 billion, and operating profit decreased ¥4.5 billion year on year, to ¥12.3 billion.

In the Power Electronics Systems Energy segment, net sales and operating profit were down year on year as lower demand in the ED&C components business counteracted the strong demand in the power supply and facility systems business.

- In the energy management business, net sales and operating results worsened year on year, due to lower demand for smart meters and the rebound from large-scale projects undertaken overseas during the previous fiscal year, the impacts of which offset the benefits of strong demand for power supply equipment for industrial and railcar applications.
- In the power supply and facility systems business, net sales and operating results improved year on year, despite the absence of large-scale orders recorded in the previous fiscal year in Japan, as a result of a rise in large-scale overseas orders in switchgear and controlgear business.
- In the ED&C components business, net sales decreased year on year due to reduced demand from machine manufacturers, including those of machine tools, and operating results worsened year on year following lower demand and higher expenses incurred as a result of product defects.

TOPICS

Expansion of the systems business in Southeast Asia

The Company operates the systems business in Southeast Asia, for semiconductor plants and data centers, which consume large amounts of electric power. Power receiving/distribution facility, uninterrupted power systems and power monitor and control equipment are combined together to achieve a stable power supply and energy efficiency. The Company will further pursue the expansion of orders received and sales by launching systems factories at production bases in Thailand to establish a structure that encompasses phases from engineering to manufacturing.

[Power Electronics Systems Industry]

Net sales decreased 2% year on year, to ¥317.5 billion, and operating profit decreased ¥2.9 billion year on year, to ¥16.5 billion.

In the Power Electronics Systems Industry segment, net sales and operating profit decreased year on year. Factors behind this outcome included lower demand in the factory automation business, a result of the trade friction between the United States and China and the impacts of the COVID-19 pandemic, and the absence of

large-scale orders recorded in the previous fiscal year in the facility construction business. These factors outweighed the benefits of firm demand in the IT solutions business.

- In the factory automation business, net sales and operating results worsened year on year. Factors behind this outcome included the reduced demand for low-voltage inverters and factory automation components centered on the domestic and Chinese markets that stemmed from the trade friction between the United States and China as well as the ceased operations at bases in China and lower demand seen by bases in Asia, Europe, and the United States that was a result of the COVID-19 pandemic.
- In the social solutions business, net sales were down year on year due to the absence of large-scale orders for electrical equipment for railcars recorded in the previous fiscal year, but operating results improved year on year as a result of the benefits of cost reductions.
- In the facility construction business, net sales decreased year on year due to the absence of large-scale orders recorded in the previous fiscal year. However, operating results improved year on year because of the benefits of cost reduction efforts.
- In the IT solutions business, net sales and operating results improved year on year because of a rise in large-scale orders in the private sector and the academic sector.

TOPICS

Expansion of the systems business in India centering on the new company

The Company acquired a leading power systems manufacturer (currently Fuji Electric Consul Neowatt Private Limited) in India and made it a consolidated subsidiary in September 2019. Together with the existing base, Fuji Electric India Private Limited, the new company has been promoting the establishment of a manufacturing structure that integrates the design, manufacture and inspection of power electronics products such as inverters and uninterrupted power systems. The Company will further expand the systems business in India by utilizing the sales and service bases of Fuji Electric Consul Neowatt Private Limited and Fuji Electric India Private Limited all over the country.

[Electronic Devices]

Net sales were relatively unchanged year on year, to ¥137.4 billion, and operating profit decreased ¥5.9 billion year on year, to ¥9.7 billion.

- In the Electronic Devices business, net sales were relatively unchanged year on year as the benefits of higher demand for automotive power

semiconductors for electrified vehicles (xEVs) were outweighed by the impacts of negative foreign exchange influences and lower demand in the industrial field centered on the Chinese market attributable to the trade friction between the United States and China and the COVID-19 pandemic. Operating profit was down year on year as a result higher expenses associated with upfront investments for bolstering capacity for producing power semiconductors for use in xEVs as well as negative foreign exchange influences and increased product repair costs.

TOPICS

Accelerating development and capital investment in power semiconductor products for xEVs

Against a background of environment regulations, the xEVs market is expanding rapidly worldwide. Ahead of its competitors, the Company developed and started mass production of power semiconductor products using RC-IGBT, which will contribute to the achievement of xEVs that are more compact, lighter and more efficient. To respond to the increase in demand, capital investments have been made in the Yamanashi Factory and other facilities to enhance production capacity.

[Food and Beverage Distribution]

Net sales decreased 8% year on year, to ¥104.4 billion, and operating profit decreased ¥1.9 billion year on year, to ¥3.8 billion.

- In the vending machine business, net sales and operating results worsened year on year due to reduced demand in the Japanese and Chinese markets and delays in customers' vending machine installation plans in Japan and China as a result of the COVID-19 pandemic.
- In the store distribution business, net sales were down year on year following lower demand for store facilities for convenience stores as a result of the COVID-19 pandemic, but operating results improved year on year thanks to the benefits of cost reduction activities.

TOPICS

Enhancement of development of store equipment for convenience stores to promote labor and energy saving

We will enhance the development of manpower-saving and labor-saving store equipment for convenience stores where the shortage of workers is a serious problem. The Company developed a “2 way case” that functions as a showcase when a store is open and as a vending machine when a store is closed, an “automatic change dispenser” for self-checkout, and a “positive pressure control

system” that controls the amount of air to intake or ventilate to maintain the store environment and save the energy used for air conditioning. We will continuously contribute to solving the problems of our customers and society.

[Power Generation]

Net sales increased 3% year on year, to ¥109.9 billion, and operating profit decreased ¥2.5 billion year on year, to ¥2.3 billion.

- In the power generation business, net sales were up year on year, due to an increase in large-scale thermal power generation facility projects, which offset the decline in large-scale solar power generation system projects. Conversely, operating results worsened year on year because of disparities in profitability between projects and increased expenses associated with a large-scale overseas project.

TOPICS

Expansion of the renewable energy business

The Company is expanding the renewable energy business, which includes geothermal power, hydro power, and solar power. In Japan, we received an order for facilities from the Onikobe Geothermal Power Plant (Miyagi Prefecture), while orders for renewal projects for hydro power generation facilities have been increasing. At the Suzuran Kushiro-cho Solar Power Plant (tentative name) that was constructed by the Company, the battery-equipped solar power generation facility (generating capacity: 92.26MW) has started commercial operations. Overseas, the Muara Laboh Geothermal Power Plant in Indonesia (generating capacity: 85.26 MW) has started commercial operations. Compared with the previous fiscal year, the renewable energy business’s contribution to CO₂ emissions reduction increased by 20%.

[Others]

Net sales decreased 2% year on year, to ¥60.8 billion, and operating profit decreased ¥0.1 billion year on year, to ¥2.7 billion.

Research and Development Activities

In fiscal 2019, our efforts were focused on creating competitive components and systems centered on power electronics technologies and power semiconductor technologies as well as on research and development for solutions that create value for customers by combining fundamental technologies.

The following provides an overview of these activities.

In the Power Electronics Systems Energy business, we developed and released “7400WX-T3U,” a high-capacity uninterruptible power supply system (UPS) for hyperscale data centers. It will meet customers’ needs for higher capacity and energy saving facilities. Capacity as a single unit is from 330kVA up to 1000kVA, and the operation of units in parallel enables the construction of large-scale systems of up to 8000kVA. It achieved an efficiency rating of 97.4%, one of the highest in the industry.

In the Power Electronics Systems Industry business, we developed and released “SignAiEdge,” a type of on-site diagnostic equipment that contributes to improving productivity using IoT and Analytics AI (MSPC) which visualize issues at production sites. In addition, we developed and released the world’s first ultrasonic flowmeter for saturated steam that is installable without turning off facilities and does not require piping construction. The product visualizes steam flow used broadly in heating and drying process at customers’ factories and facilities, and thus contributes to saving energy.

In the Electronic Devices business, we developed and launched mass production of “Reverse Conducting IGBT (RC-IGBT),” a chip for power semiconductors, which reduces power losses more than previous products. RC-IGBT modules equipped with this chip realized one of the highest power densities in the industry. The products will contribute to downsizing, reducing weight and improving the efficiency of electric vehicles and hybrid vehicles that are increasingly becoming popular.

In the Food and Beverage Distribution business, we developed a “thickened tea vending machine” that can make thickened tea automatically and started mass production of it. People with dysphagia who are not able to swallow foods or drinks easily can enjoy tea without difficulty. The machines are used at medical facilities and nursing facilities for the elderly and contribute to energy saving and labor saving for medical professionals and caregivers.

In the Power Generation business, we established technology to simulate power transmission systems of wind power generation. This technology prevents voltage from becoming unstable as the transmission cables get longer, enables the

verification of requirements for wind power generation facilities, and contributes to the expansion of renewable energy.

Capital Investment

In fiscal 2019, we made investments totaling ¥48.2 billion, mainly in the Power Electronics Systems business and the Electronic Devices business, including investment for expanding production capacity and investment for rationalization of production line, as well as those for leasing.

Key investments were as follows.

In the Power Electronics Systems Energy business, the construction of new production facilities was completed at Fuji Electric Manufacturing (Thailand) Co., Ltd., aimed at systems business expansion in Asia. Moreover, we have started construction of an engineering center at Chiba Factory, aiming for the enhancement of energy-related products.

In the Power Electronics Systems Industry business, we invested in rationalization of production lines at Suzuka Factory and Tokyo Factory in order to expand internal manufacturing, aiming for reinforcement of competitiveness of inverters and measuring devices.

In the Electronic Devices business, we continued to make large-scale investments that started in the previous fiscal year in Yamanashi Factory for production capacity expansion of power semiconductor chips mainly for automotive applications. With respect to back-end processes, we made investments to increase production of pressure sensors for vehicles and high-capacity IGBT modules for power conversion equipment, in Japan and overseas.

In the Food and Beverage Distribution business, we invested in the rationalization of production utilizing the IoT at Mie Factory and established integrated production lines for vending machines.

Financing

In fiscal 2019, we procured funds to secure sufficient on-hand liquidity to safeguard against the impacts of further economic decline caused by the COVID-19 pandemic.

As a result, our consolidated bonds, commercial papers and loans payable as of the end of March 2020 increased by ¥44.6 billion year on year to ¥161.4 billion.

Initiatives contributing to the environment and society

- Environment

Efforts to protect the global environment are a key management issue for Fuji Electric, and we have established Environmental Vision 2050 in June 2019 and started to work toward a higher goal in our long-term vision.

To achieve the “Low-Carbon Society” set out in the said vision, we strive to reduce greenhouse gas emissions across the supply chain by reducing greenhouse gas emissions in production activity and contributing to CO₂ emissions reductions in society through our products. In fiscal 2019, greenhouse gas emissions in the production activities were 460,000 tons (reduced 12% year on year) as a result of capital investment in energy efficiency such as LED lightings and highly efficient air-conditioning equipment for each factory and a solar power facility for the Thai Factory. In addition, the contribution to reducing CO₂ emissions through products was 36.51 million tons (increased 14% year on year) as a result of an increase in the shipment of energy saving facilities including clean energy such as solar power facility, inverters, and power semiconductors.

On the other hand, to achieve a “Recycling-Oriented Society,” we work to save resources during production including reduction of final disposal amount through recycling waste plastic and the effective utilization of recycled water. Moreover, we promote eco-friendly designs to realize more energy saving and lightweight products and are engaged in 3R^{*1} activities across the supply chain.

In fiscal 2019, we were selected as an “A List” company, the top rating of CDP^{*2}, as one of the most excellent companies leading measures against climate change and the transparency of those measures.

*1: 3R means Reduce, Reuse and Recycle

*2: CDP is an international environmental NGO that investigates, evaluates and discloses companies’ environmental measures. CDP encourages companies to set measures for environmental issues and disclose such measures, based on requests from institutional investors and major companies.

- Society (Involvement with employees)

Based on our management policy of “Maximize our strengths as a team, respecting employees’ diverse ambition,” we actively work for all employees’ success.

In order to evaluate and develop human resources who are excellent at improvement and rationalization, we established a “Manufacturing Meister System” for highly skilled technicians. Taking into account the Company’s personnel composition and society’s need to promote the utilization of human resources over 60, we established the “Employment Guidelines for Employees over 65,” which enables employees who display high performance based on their abundant knowledge and experience to work for the Company up to the age of 75. In addition, we plan to implement a “Senior Task System” in fiscal 2020, aiming to further motivate executive employees who continuously show significant performance at ages over 60. As value diversity is growing, we believe that for our sustainable growth it is necessary to maximize our

corporate power through the expansion of opportunities for female employees to succeed. We strive to raise the annual ratio of female employees among new hires, while working on increasing female officers through a mentor system and career development training.

In addition, we conduct employee awareness surveys every year as a part of measures to establish a working environment where employees can maximize their potential. By taking into consideration the result of the surveys, we figure out the employees' understanding of corporate philosophy and management policies and their satisfaction level, as well as work to visualize challenges and improve the management of each organization.

Challenges to Be Addressed

The Company announced “Reiwa Prosperity 2023” in June last year, a medium-term management plan which sets targets of net sales of ¥1 trillion and an operating profit ratio of 8% or more. We work for the “promotion of growth strategies” centered on the expansion of the power electronics systems business and the power semiconductor business, “further improvement of profitability” by strengthening manufacturing globally, and “ongoing reinforcement of operating foundations” centered on the environment, human resources and governance, as well as promoting companywide “Pro-7” activities to improve work quality and work efficiency.

The environment surrounding the Company’s operations is getting more and more complicated and there are a variety of uncertainties. However, we view fiscal 2020 as the year to establish a foundation for achieving our goals in fiscal 2023 and will engage in the following measures.

1. Promotion of growth strategies

[Investment to increase production and expand the power semiconductor business]

As for power semiconductors, we focus on IGBT contributing to the energy efficiency and downsizing of the equipment it is applied to. Centered on the 7th generation IGBT, which achieved 30% lower loss compared to existing products, we will work to expand sales in the industrial field and renewable energy field and the mass production of RC-IGBT (Reverse Conducting IGBT) for xEVs ahead of competitors in the industry in the automobile field.

In order to respond to the increasing demand for power semiconductor, we will accelerate investment to enhance the capacity of production facilities for power semiconductors for xEVs, as well as promote the optimization of production bases in Japan and overseas based on the idea of local production for local consumption.

[Further enhancement of the power electronics systems business]

We strive to strengthen the systems business, which combines strong components, engineering services, optimal control technology and IoT.

In particular, aiming for the expansion of the overseas business, we released new transformer and switch gear products that are competitive in price in Asia. The switch gear and controlgear system factory and engineering center planned to be established at Fuji Electric Manufacturing (Thailand) Co., Ltd. will be a steppingstone to expand the systems business. In India, a joint venture established through M&A with a local partner in 2019 will be merged with Fuji Electric India Private Limited, the Company’s base of operation in India, in order to expand our business in India and the Middle East through the reorganization and expansion of local bases for manufacturing, sales and services.

In addition, we will continue to expand the comprehensive electrical facility solutions

business. Against a backdrop of increasing worldwide demand for network related facilities, we aim to expand our business targeting data centers and semiconductor factories. Moreover, the manufacturing and engineering structure for the railway and vessel field will be strengthened to expand the systems business.

2. Further improvement of profitability

In terms of global business expansion over the medium-term, we work to achieve thorough local production for local consumption, and strengthen our manufacturing capacity globally. In addition to internal manufacturing, automation and standardization, we further promote the digital innovation of manufacturing utilizing the IoT and realize innovative improvements in productivity through cooperation between each process and bases by visualizing and sharing information on design, procurement, manufacturing and inspection. At the same time, we aim to make overseas bases self-sustained by continuously developing local human resources to become managers.

3. Ongoing reinforcement of operating foundations

- Workstyle reforms and encouragement of employees' success

As a measure against the COVID-19 pandemic, teleworking has become a new major workstyle. In addition to rapidly changing workstyles, taking into consideration the expansion of opportunities for female employees and work-life balance, we will promote companywide "Pro-7" activities to improve work quality and work efficiency and realize workstyle reforms.

- Promotion of Environmental Vision 2050

As the Company considers that taking measures responding to climate change in line with global warming is a key management issue, we will promote measures against environmental issues based on the "Environmental Vision 2050" established last year. As we expressed our support for TCFD (the Task Force on Climate-related Financial Disclosures), we will reinforce disclosures relating to the environment.

- Improvement of effectiveness of governance

As the Company builds a system for enabling discussion, decision-making and evaluation at the management level regarding the promotion of SDGs aimed at sustainable growth, we will work to further strengthen risk management to make it more responsive to the changes in the environment.

Furthermore, through using the Nomination and Remuneration Committee, which was established last year and whose chairperson is an Outside Director, the Company will strengthen the fairness, transparency and objectivity of the appointment and dismissal and the remuneration of Directors and Audit & Supervisory Board Members.

[Dividends of Surplus]

Policies Relating to Decisions on the Dividend of Surplus, etc.

We intend to return profit gained through business activities to shareholders. At the same time—while maintaining and strengthening our management foundation—we intend to appropriate profit for consolidated shareholders' equity in order to secure internal reserves for research and development, capital investment, human resources development, and other investments reflecting a medium- to long-term viewpoint.

We will determine the amount of dividends to be paid from retained earnings in light of the above medium- to long-term business cycle; our policy of paying stable and continuous dividends; and comprehensive consideration of the business results of the relevant fiscal year, research and development and capital investment plans for future growth, and business conditions.

We regard the acquisition of treasury shares as a flexible mechanism to supplement dividends when warranted by the cash flow position.

Moreover, the capital strategies as prescribed by Article 459, Paragraph 1 of the Companies Act, shall be conducted with a view to strengthening consolidated shareholders' equity.

Also the matters prescribed by Article 459, Paragraph 1 of the Companies Act will be decided by resolution of the Board of Directors, or the Ordinary General Meeting of Shareholders.

Year-End Dividend for Fiscal Year Ended March 31, 2020

Based on the policies relating to decisions on the dividend of surplus, etc. described in the above, the Company resolved to pay a year-end dividend of ¥40 per share at the meeting of the Board of Directors held on May 29, 2020, with due consideration given to the consolidated operating results for the current and next period, financial conditions, and other factors.

The annual dividend for the fiscal 2019 amounted to ¥80 per share including the amount of interim dividend.

[Consolidated Financial Results and Trends in Assets]

Classification	141st term Fiscal 2016	142nd term Fiscal 2017	143rd term Fiscal 2018	144th term Fiscal 2019
Net sales (¥ billion)	837.8	893.5	914.9	900.6
Operating profit (¥ billion)	44.7	56.0	60.0	42.5
Ordinary profit (¥ billion)	46.3	56.0	63.5	44.5
Profit attributable to owners of parent (¥ billion)	41.0	37.8	40.3	28.8
Basic earnings per share (¥)	286.82	264.34	281.89	201.57
Total assets (¥ billion)	886.7	914.7	952.7	996.8
Annual dividend per share (¥)	55.0	70.0	80.0	80.0

(Note) Effective October 1, 2018, the Company conducted a one-for-five reverse share split pertaining to common shares. Basic earnings per share is calculated assuming that the reverse share split was executed at the beginning of fiscal 2016 (141st term). As for annual dividend per share, the amounts of dividends paid before the reverse share split are presented to reflect the effect of the reverse share split retrospectively.

[Remuneration for Directors and Audit & Supervisory Board Members]

Policy on the Determination of Remuneration for Directors and Audit & Supervisory Board Members

In accordance with the Board of Directors' resolutions, the Company set the policy on determination of remuneration for the Company's Directors and Audit & Supervisory Board Members as described below.

In paying remuneration etc. to Directors and Audit & Supervisory Board Members of the Company, the Company considers its duty to respond to the mandate of the shareholders, acquire and maintain excellent personnel and provide incentive for improvement in earnings performance, and it has in place a remuneration system with set remuneration levels.

While considering changes in the business environment and data objectively compiled by third parties, the Company continuously examines the suitability of the remuneration system and the remuneration levels and whether there is a need to make changes.

1. Standing Directors

Since Standing Directors are charged with a duty to improve consolidated results for each fiscal year and realize medium- to long-term improvement in corporate value, their remuneration is structured and managed as follows.

(i) Base remuneration

Base remuneration shall be paid as a monthly financial sum determined in advance, applicable to that senior management rank.

A portion of the remuneration of Standing Directors, applicable to that senior management rank, shall be contributed to the Director Shareholding Association to share the economic interests of shareholders and as an incentive to make management aware of share value.

(ii) Performance-related remuneration

Performance-related remuneration shall be paid only in instances in which dividends are paid to shareholders from retained earnings. The total amount of performance-related remuneration shall be within one percent of the consolidated profit for the fiscal year prior to the date of payment in order to make the linkage with consolidated results for each fiscal year more transparent.

2. Standing Audit & Supervisory Board Members

Remuneration for Standing Audit & Supervisory Board Members shall be paid as base remuneration as a monthly financial sum determined in advance, applicable to their senior management rank, since Standing Audit & Supervisory Board Members are charged with the duty of auditing the execution of duties across the entire Fuji Electric.

Standing Audit & Supervisory Board Members may acquire shares in the Company at their own discretion.

3. Outside Directors and Outside Audit & Supervisory Board Members

Remuneration for Outside Directors and Outside Audit & Supervisory Board

Members shall be paid as base remuneration as a monthly financial sum determined in advance, applicable to their senior management rank, since Outside Directors and Outside Audit & Supervisory Board Members are charged with the duty of supervising or auditing the execution of duties across the entire Fuji Electric.

Outside Directors and Outside Audit & Supervisory Board Members may acquire shares in the Company at their own discretion.

Total Amount of Remuneration Paid to Directors and Audit & Supervisory Board Members for Fiscal 2019

	Payees (persons)	Payment (¥ million)
Directors	8	269
(Outside)	(3)	(29)
Audit & Supervisory Board Members	5	80
(Outside)	(3)	(22)

(Notes) 1. The amounts of remuneration for Directors shown above do not include performance-related remuneration for fiscal 2019 because the payment amounts of said remuneration are not clear at the time of the preparation of this Business Report.

2. In addition to the above payment, the Company paid ¥126 million in performance-related remuneration to Standing Directors (five Directors) for fiscal 2018.

3. As described earlier in “Policy on the Determination of Remuneration for Directors and Audit & Supervisory Board Members,” a portion of the base remuneration of Standing Directors shall be contributed to the Director Shareholding Association with the obligation to acquire shares of the Company. The following table shows the amount contributed to the Director Shareholding Association, including voluntary contributions, together with the amount of shares of the Company acquired.

	Contribution to Director Shareholding Association (¥ million)	Shares of the Company acquired (hundreds of shares)
Directors	20	61
Audit & Supervisory Board Members	4	10

(Note) As used in this Business Report, the expression “Standing Directors” refers to executive directors as prescribed in Article 2, Item 15 of the Companies Act.

[Corporate Overview]

Share Information (as of March 31, 2020)

1. Authorized shares: **320,000,000**
2. Issued shares: **149,296,991**
3. Number of shareholders: **36,028**
(a decrease of 536 from the end of the previous term)

4. Shareholdings by type of shareholder

Classification	Number of shareholders (persons)	Number of shares (shares)	Ratio of shareholding (%)
Financial institutions/Securities firms	148	70,744,791	47.39
Other domestic corporations	451	14,066,492	9.42
Foreigners	609	41,025,745	27.48
Individuals and others	34,820	23,459,963	15.71
Total	36,028	149,296,991	100.00

(Note) "Individuals and others" includes treasury shares.

5. Top ten shareholders

Name	Number of shares (thousands of shares)	Ratio of shareholding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	16,369	11.46
The Master Trust Bank of Japan, Ltd. (Trust Account)	15,546	10.88
FUJITSU LIMITED	4,066	2.85
Asahi Mutual Life Insurance Company	3,955	2.77
Japan Trustee Services Bank, Ltd. (Trust Account 7)	2,960	2.07
FANUC CORPORATION	2,684	1.88
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,457	1.72
Mizuho Bank, Ltd.	2,250	1.58
JP MORGAN CHASE BANK 385151	2,218	1.55
FURUKAWA CO., LTD.	2,205	1.54

(Notes) 1. Treasury shares of 6,454,259 shares are excluded from the above list of top ten shareholders.

2. Ratio of shareholding is calculated by deducting treasury shares from the total number of issued shares based on the provisions of the Ordinance for Enforcement of the Companies Act.

Type of Bonds with Share Acquisition Rights (as of March 31, 2020)

Not applicable.

Status of Directors and Audit & Supervisory Board Members

1. Directors and Audit & Supervisory Board Members

Name	Positions and direct duties in the Company	
Michihiro Kitazawa	Representative Director	President General Management
	President and Director	Nomination and Remuneration Committee member
Kenzo Sugai	Representative Director	Executive Vice President Assistant to President Sales Management Nomination and Remuneration Committee member
Toshihito Tamba	Outside Director	Nomination and Remuneration Committee chairman
Naomi Tachikawa	Outside Director	Nomination and Remuneration Committee member
Yoshitsugu Hayashi	Outside Director	Nomination and Remuneration Committee member
Michio Abe	Director	Senior Managing Executive Officer In charge of Production & Procurement and Power Generation Business
Masatsugu Tomotaka	Director	Senior Managing Executive Officer In charge of Power Electronics Systems Energy Business and Power Electronics Systems Industry Business
Junichi Arai	Director	Managing Executive Officer Corporate General Manager, Corporate Management Planning Headquarters General Manager, Export Administration Office In charge of compliance management and crisis management
Yoshio Okuno	Standing Audit & Supervisory Board Member	
Junichi Matsumoto	Standing Audit & Supervisory Board Member	
Yoshiki Sato	Outside Audit & Supervisory Board Member	
Akiko Kimura	Outside Audit & Supervisory Board Member	
Tetsuo Hiramatsu	Outside Audit & Supervisory Board Member	

(Notes) 1. We expect Outside Directors to play roles in strengthening the management supervisory function and ensuring adequacy and appropriateness of decision-making related to the execution of business. To this end, Mr. Toshihito Tamba and Mr. Naomi Tachikawa, who are management executives of listed companies, and Mr. Yoshitsugu Hayashi, who is an expert of environmental engineering, which is closely related to Fuji Electric's business activities were selected as Outside Directors at the General Meeting of Shareholders as persons who have an understanding of the Fuji Electric's management, as well as insights and experience necessary for making multifaceted management decisions.

Mr. Toshihito Tamba, Mr. Naomi Tachikawa and Mr. Yoshitsugu Hayashi are reported as Independent Officers as stipulated by the Securities Listing Regulations of the Financial Instruments and Securities Exchange.

2. We expect Outside Audit & Supervisory Board Members, along with Outside Directors, to be conducive to ensuring the adequacy and legality of decision-making related to the execution of business, as well as to play roles in strengthening the management audit function, by giving advice and making suggestions about the entire spectrum of management activities at meetings of the Board of Directors and on other occasions. To this end, Mr. Yoshiki Sato, who is a manager in a financial institution, Ms. Akiko Kimura, who is an attorney, and Mr. Tetsuo Hiramatsu, who is a corporate manager, were selected as Outside

Audit & Supervisory Board Members at the General Meeting of Shareholders upon obtaining approval at a meeting of the Audit & Supervisory Board as persons who have expertise and experience necessary for performing audits.

Mr. Yoshiki Sato, Ms. Akiko Kimura, and Mr. Tetsuo Hiramatsu are reported as Independent Officers as stipulated by the Securities Listing Regulations of the Financial Instruments and Securities Exchange.

3. The financial, accounting and other expertise possessed by each Audit & Supervisory Board Member is as follows:

- Standing Audit & Supervisory Board Member Yoshio Okuno is highly knowledgeable about sales & marketing and overall corporate management, which he has gained from his longstanding career in Fuji Electric as Representative Director, Executive Vice President and person in charge of the sales and other divisions mainly in the overseas plants.
- Standing Audit & Supervisory Board Member Junichi Matsumoto is highly knowledgeable about financial and accounting matters and overall corporate management, which he has gained from his longstanding career in Fuji Electric as person in charge of finance and accounting division, including Director.
- Outside Audit & Supervisory Board Member Yoshiki Sato is highly knowledgeable of financial and accounting matters and overall corporate management, which he has gained from his career in the management of financial institutions.
- Outside Audit & Supervisory Board Member Akiko Kimura is highly knowledgeable about legal, financial and accounting matters thanks to her involvement as an attorney in many corporate legal matters, securities transactions and financial and legal affairs.
- Outside Audit & Supervisory Board Member Tetsuo Hiramatsu is highly knowledgeable of financial and accounting matters and overall corporate management, which he has gained from his previous career in the management of financial institutions.

4. Positions and direct duties of Directors in the Company were changed as follows on April 1, 2020.

Michio Abe	Director	Senior Managing Executive Officer Corporate General Manager, Production & Procurement Group In charge of Power Generation Business
Junichi Arai	Director	Senior Managing Executive Officer Corporate General Manager, Corporate Management Planning Headquarters General Manager, Export Administration Office In charge of compliance management and crisis management

2. Significant Concurrent Positions of Directors and Audit & Supervisory Board Members

(1) Directors

Name	Significant concurrent positions
Toshihito Tamba	Chairman, Representative Director, Tokyo Century Corporation
Naomi Tachikawa	Advisor, Furukawa Electric Co., Ltd. (retired on June 30, 2019) Outside Board Director, Solekia Limited (retired on June 27, 2019)

(Notes) 1. Information in parenthesis () describes Directors who assumed office of, or retired from concurrent positions during the period under review.

2. Mr. Toshihito Tamba retired as Chairman, Representative Director of Tokyo Century Corporation as of March 31, 2020, and assumed office as Director of the said company as of April 1, 2020.

3. There is no noteworthy relationship based on Article 124 of the Ordinance for Enforcement of the Companies Act between the Company and the other companies where Outside Directors serve concurrent positions.

(2) Audit & Supervisory Board Members

Name	Significant concurrent positions
Yoshiki Sato	Chairman of the Board, Asahi Mutual Life Insurance Company External Auditor, ADEKA CORPORATION Outside Director, FUJI KYUKO CO., LTD. President, National Federation of UNESCO Associations in Japan (assumed office on June 15, 2019)
Akiko Kimura	Attorney, Advisor of Anderson Mori & Tomotsune
Tetsuo Hiramatsu	Representative Director and President, Nippon Tochi-Tatemono Co., Ltd.

- (Notes) 1. Information in parenthesis () describes Audit & Supervisory Board Members who assumed office of, or retired from concurrent positions during the period under review.
2. Mr. Tetsuo Hiramatsu assumed office as Representative Director and President of Chuo-Nittochi Group Co., Ltd. as of April 1, 2020.
3. The Company has a business relationship that includes borrowing funds with Asahi Mutual Life Insurance Company, where Mr. Yoshiki Sato served a concurrent position. Asahi Mutual Life Insurance Company holds a 2.65% interest in the total issued shares of the Company. Meanwhile, the Company has made a contribution equivalent to 0.55% to the total foundation funds of Asahi Mutual Life Insurance Company.
4. Besides the above, there is no noteworthy relationship based on Article 124 of the Ordinance for Enforcement of the Companies Act between the Company and the other companies where Outside Audit & Supervisory Board Members serve concurrent positions.

3. Status of Outside Directors and Outside Audit & Supervisory Board Members

(1) Major activities

(i) Outside Directors

Name	Number of attendance at the Board of Directors meetings (attended/held)	Opinions offered
Toshihito Tamba	13/13	Offered necessary opinions concerning the overall business management of Fuji Electric including the following items at the Board of Directors meetings as appropriate, based on his extensive experience and considerable insight as a management executive of a listed company. <ul style="list-style-type: none"> - Formulation of business plans by taking into account changes in the market environment - Method of effectiveness evaluation of the Board of Directors
Naomi Tachikawa	13/13	Offered necessary opinions concerning the overall business management of Fuji Electric including the following items at the Board of Directors meetings as appropriate, based on his extensive experience and considerable insight as a management executive of a listed company. <ul style="list-style-type: none"> - Management of progress of management plan - Management status of fixed costs
Yoshitsugu Hayashi	13/13	Offered necessary opinions concerning the overall business management of Fuji Electric including the following items at the Board of Directors meetings as appropriate, based on his professional standpoint and considerable insight in the environmental engineering. <ul style="list-style-type: none"> - Appropriate way of research and development strategy - Initiatives to reduce environmental impact

(ii) Outside Audit & Supervisory Board Members

Name	Number of attendance at the Board of Directors meetings Number of attendance at the Audit & Supervisory Board meetings (attended/held)	Opinions offered
Yoshiki Sato	11/13 9/9	Offered necessary opinions at meetings of the Board of Directors as appropriate, concerning the contents of meeting items and the Fuji Electric's business activities, based on his extensive experience and considerable insight as a manager in financial institutions. Also, at meetings of the Audit & Supervisory Board, confirmed the legality of business activities overall from the viewpoint of ensuring legal compliance, and offered appropriate opinions.
Akiko Kimura	13/13 9/9	Offered necessary opinions at meetings of the Board of Directors as appropriate, concerning the contents of meeting items and the Fuji Electric's business activities, based on her professional experience as an attorney. Also, at meetings of the Audit & Supervisory Board, confirmed the legality of business activities overall from the viewpoint of ensuring legal compliance, and offered appropriate opinions.
Tetsuo Hiramatsu	12/13 9/9	Offered necessary opinions at meetings of the Board of Directors as appropriate, concerning the contents of meeting items and the Fuji Electric's business activities, based on his extensive experience and considerable insight as an experienced manager in financial institutions. Also, at meetings of the Audit & Supervisory Board, confirmed the legality of business activities overall from the viewpoint of ensuring legal compliance, and offered appropriate opinions.

(2) Outline of limited liability agreement with Outside Directors and Outside Audit & Supervisory Board Members

In accordance with laws and regulations and the Articles of Incorporation of the Company, the Company has concluded a limited liability agreement with each Outside Director and Outside Audit & Supervisory Board Member stipulating that in the event that he or she bears liability with regard to the Company, the maximum amount of his or her liability to the Company will be the amount of ¥6 million or the minimum amount for damages stipulated in the Companies Act, whichever is higher, so long as he or she has carried out his or her duties in good faith and in absence of gross negligence.

In the agreement, the Company has set forth articles to provide instruction ensuring that duties of due diligence as Outside Director or Outside Audit & Supervisory Board Member are fulfilled and these duties are executed sincerely even after the conclusion of the agreement to ensure the propriety of duties of Outside Director and Outside Audit & Supervisory Board Member.

Matters Related to Accounting Auditor

1. Designation of accounting auditor ERNST & YOUNG SHINNIHON LLC

2. Accounting auditor remuneration for the period

Category	Payment amounts (¥ million)
(i) Remuneration and other amounts payable by the Company for the period	181
(ii) Total profit on cash and other financial assets payable by the Company and its subsidiaries	375

- (Notes) 1. In the audit contract between the Company and the accounting auditor, no distinction is made and no such distinction can be made substantially in the amounts of auditing fees under the Companies Act and audit fees under the Financial Instruments and Exchange Act. For this reason, the sum of these two is entered in the total amount under (i) above.
2. The Audit & Supervisory Board confirmed and deliberated on the details of the audit plan of the accounting auditor, the execution of duties regarding an accounting audit, and the calculation basis of remuneration estimates upon receiving necessary documents and reports from Directors, related divisions of the Company, and the accounting auditor. As a result, the Audit & Supervisory Board believes these are appropriate and agrees to the amount of remuneration and other amounts payable to the accounting auditor.
3. The total profit under (ii) above includes the amount the Company paid as remuneration to the accounting auditor for advisory services related to adoption of new accounting standard, that is entrusted as services (non-audit services) other than those stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act.

3. Policy for determining accounting auditor dismissal or non-reappointment

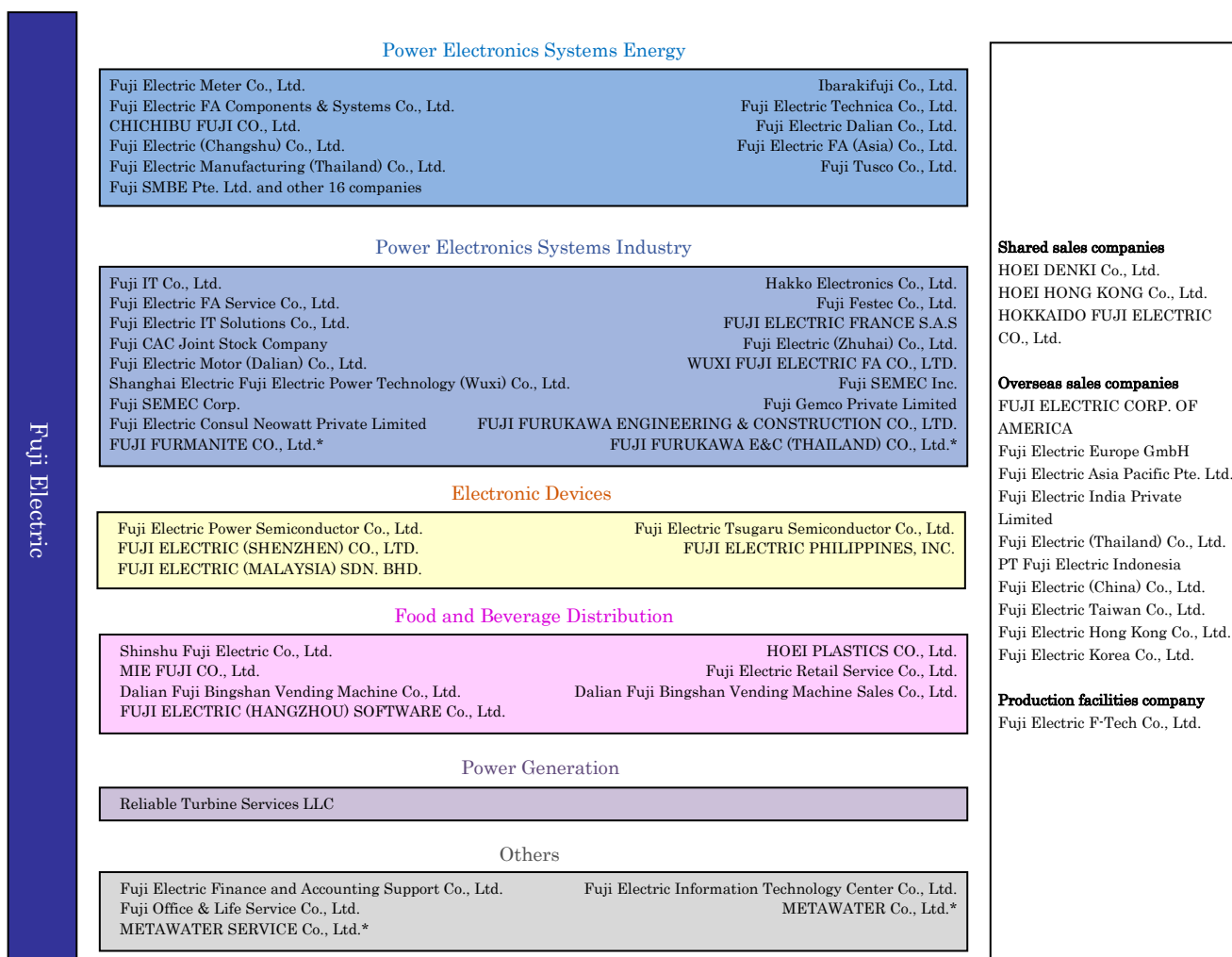
If any matters or circumstances surrounding the accounting auditor apply to any of the items under Article 340, Paragraph 1 of the Companies Act, and no improvement is expected, the Audit & Supervisory Board will dismiss the accounting auditor with the consent of all of the Audit & Supervisory Board Members.

In addition, if it is deemed impossible for the accounting auditor to perform its duties properly, the Audit & Supervisory Board may determine the content of a proposal concerning dismissal or non-reappointment of the accounting auditor which will be submitted to the Ordinary General Meeting of Shareholders.

[The Fuji Electric Group]

Group Companies

(as of March 31, 2020)



- (Notes) 1. The number of consolidated subsidiaries for fiscal 2019 including those above is 73 and the number of equity method affiliates is 4.
2. Companies marked with an asterisk (*) are accounted for as equity method affiliates.

Important Subsidiaries of the Corporate Group

(as of March 31, 2020)

Company name	Fuji Electric FA Components & Systems Co., Ltd.		
The Company's capital contribution	63.2%		
Major business	Development, manufacturing and sales of control equipment and power receiving/distribution equipment.		
Net sales (¥ billion)	45.2	Net assets (¥ billion)	37.4
Operating profit (loss) (¥ billion)	1.4	Capital (¥ billion)	7.6
Profit (loss) (¥ billion)	1.3	Number of employees	906

Company name	FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO., LTD.		
The Company's capital contribution	46.1%		
Major business	Designing and construction of plant facilities, air conditioning facilities, electrical engineering work, civil engineering work, solar power facilities, power transmission work, and information and communications work.		
Net sales (¥ billion)	69.7	Net assets (¥ billion)	23.2
Operating profit (loss) (¥ billion)	5.0	Capital (¥ billion)	2.0
Profit (loss) (¥ billion)	3.4	Number of employees	1,147

Company name	Fuji Electric IT Solutions Co., Ltd.		
The Company's capital contribution	91.1%		
Major business	Sales of computer and telecommunication equipment, development of information processing systems and provision of total solutions.		
Net sales (¥ billion)	80.4	Net assets (¥ billion)	8.2
Operating profit (loss) (¥ billion)	2.8	Capital (¥ billion)	1.0
Profit (loss) (¥ billion)	1.7	Number of employees	659

Specified Wholly Owned Subsidiaries

Not applicable.

Important Corporate Realignments

Not applicable.

Main Facilities of the Group (as of March 31, 2020)

1. Power Electronics Systems Energy

Domestic bases

Production bases	Ichihara, Kobe, Ami machi (Ibaraki), Konosu, Otawara
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Overseas bases

Fuji Electric Dalian Co., Ltd. (China), Fuji Electric (Changshu) Co., Ltd. (China), Fuji Electric FA (Asia) Co., Ltd. (China), Fuji Electric Manufacturing (Thailand) Co., Ltd., Fuji Tusco Co., Ltd. (Thailand), Fuji SMBE Pte. Ltd. (Singapore)

2. Power Electronics Systems Industry

Domestic bases

Production bases	Hino, Suzuka
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Overseas bases

FUJI ELECTRIC FRANCE S.A.S, Fuji CAC Joint Stock Company (Vietnam), Fuji Electric (Zhuhai) Co., Ltd. (China), Fuji Electric Motor (Dalian) Co., Ltd. (China), WUXI FUJI ELECTRIC FA CO., LTD. (China), Shanghai Electric Fuji Electric Power Technology (Wuxi) Co., Ltd. (China), Fuji SEMEC Inc. (Canada), Fuji SEMEC Corp. (U.S.A.), Fuji Gemco Private Limited (India), Fuji Electric Consul Neowatt Private Limited (India), FUJI FURUKAWA E&C (THAILAND) CO., Ltd.

3. Electronic Devices

Domestic bases

Production bases	Matsumoto, Minami Alps
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Overseas bases

FUJI ELECTRIC (SHENZHEN) CO., LTD. (China), FUJI ELECTRIC PHILIPPINES, INC., FUJI ELECTRIC (MALAYSIA) SDN. BHD.

4. Food and Beverage Distribution

Domestic bases

Production bases	Yokkaichi, Ueda
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Overseas bases

Dalian Fuji Bingshan Vending Machine Co., Ltd. (China), Dalian Fuji Bingshan Vending Machine Sales Co., Ltd. (China), FUJI ELECTRIC (HANGZHOU) SOFTWARE Co., Ltd. (China)

5. Power Generation

Domestic bases

Production bases	Kawasaki
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Overseas bases

Reliable Turbine Services LLC (U.S.A.)
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6. Others, Common

Domestic bases

Sales bases	Shinagawa-ku (Tokyo), Chiba, Saitama, Sapporo, Sendai, Toyama, Kanazawa, Nagoya, Chiryu, Osaka, Kobe, Fukuoka, Hiroshima, Takamatsu, Naha
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Overseas bases

FUJI ELECTRIC CORP. OF AMERICA, Fuji Electric Europe GmbH (Germany), Fuji Electric Asia Pacific Pte. Ltd. (Singapore), Fuji Electric India Private Limited, Fuji Electric (Thailand) Co., Ltd., PT Fuji Electric Indonesia, Fuji Electric (China) Co., Ltd., Fuji Electric Taiwan Co., Ltd., Fuji Electric Hong Kong Co., Ltd. (China), Fuji Electric Korea Co., Ltd., HOEI HONG KONG CO., Ltd. (China)

Employees of Fuji Electric (as of March 31, 2020)

(Persons)

Business segment	Number of employees	Year-on-year change
Power Electronics Systems Energy	6,676	102
Power Electronics Systems Industry	9,129	800
Electronic Devices	6,621	(161)
Food and Beverage Distribution	2,346	(176)
Power Generation	1,224	(71)
Others	1,964	50
Total	27,960	544

(Note) The number of employees of the Company at the end of March 2020 is 10,524 (a decrease of 15 from the end of the previous year).

Major Lenders (as of March 31, 2020)

Name of lenders	Balance of loans (¥ billion)
Mizuho Bank, Ltd.	15.0
MUFG Bank, Ltd.	9.8
Resona Bank, Limited	6.4
Mizuho Trust & Banking Co., Ltd.	4.7

Basic Policy on System of Internal Controls and Operation of the Internal Controls System

1. Basic policy on system of internal controls

Based on the provisions of Article 362, Paragraph 5 of the Companies Act, as for the development of an internal control system as provided for in Article 362, Paragraph 4, Item 6 of the Companies Act and each Item of Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act, the Board of Directors resolved to adopt the proposal as follows.

(1) System for ensuring that Directors and employees carry out their duties in accordance with laws, regulations, and the Articles of Incorporation

- (i) Under the following corporate governance system, the Company shall ensure management transparency and soundness.
 - To clarify management responsibilities and respond rapidly to changes in the operating environment, the term of office of Directors shall be one (1) year.
 - To strengthen management supervision and management audit functions, and ensure the appropriateness of managerial decisions related to the execution of important business, the Company will invite outside directors and outside audit & supervisory board members with relevant qualities.
- (ii) The Company will repeatedly give explanations to employees of the Company and its subsidiaries on management principles applicable to the Company, and on the spirit behind the Criteria of Corporate Behavior, which serves as a code of behavior for all executives and employees, and ensure such principles and criteria are rigorously followed.
- (iii) The Company will establish and promote a compliance system as follows, based on internal regulations, to ensure the transparency and soundness of business execution.
 - The Compliance Promotion Committee is chaired by the Representative Director of the Company. It will ensure full compliance with laws, regulations, and social norms pertaining to the Company and its subsidiaries.
 - The Company will establish a compliance program that systematizes roles and responsibilities in terms of internal rules, daily monitoring, auditing, education, and other areas for each law and regulation, and carry out the program in accordance with the annual plan.
 - Compliance training is conducted for all full-time executives of the Company and its subsidiaries.
 - The Company will establish an internal reporting system that facilitates communication from employees of the Company and its subsidiaries to the President of the Company and external attorneys, using a route that is independent of normal lines of communication. This is intended to prevent actions that violate laws, regulations, Articles of Incorporation, or internal rules before they occur, and aid the early discovery of such actions.
 - The establishment and promotion of the above systems will also enable the Company to provide an organized response aimed at rejecting antisocial forces and groups that threaten public order and the safety of private citizens.
- (iv) Internal auditing divisions of the Company under the jurisdiction of the respective company presidents conduct audits of the Company and subsidiaries. In addition, to ensure effective internal auditing, information

on various activities is shared within the committee, which consists of members of internal auditing divisions of the Company and subsidiaries.

(2) System for retaining and managing information pertaining to the performance of Directors

Internal regulations will be formulated to ensure accurate retention and management of records of important business and to ensure that Directors and Audit & Supervisory Board Members acquire knowledge of records. The regulations establish procedures for Directors, Audit & Supervisory Board Members, and managers involved in saving and storing records regarding access to information. Audit & Supervisory Board Members are also consulted in advance with regard to formulating, amending, or eliminating regulations.

(3) Regulations for managing loss-related risk and other systems

- (i) The internal regulations will be formulated to systematically manage operational risks faced by the Company and its subsidiaries. Based on these regulations, the Company and its subsidiaries will establish appropriate risk management systems, and a system for managing specific group-wide risks will be established. The system involves the designation of departments to manage each category of risk.
- (ii) The Company will establish an emergency response manual to minimize damage incurred at the time of a crisis, such as a major disaster. The manual will prescribe the directors in charge of crisis management and establishment of a conference system and response headquarters to be activated when an emergency occurs.
- (iii) The internal auditing division audits the progress of risk management at the Company and its subsidiaries and reports the results to the president.

(4) System for ensuring effective execution of business by Directors

- (i) The Company will adopt the executive officer structure to separate management and execution, and accelerate decision-making procedures. The division of duties of each executive officer will be clarified by a resolution of the Board of Directors.
In addition, the internal regulations that prescribe the duties and authority of executive officers and employees will be formulated to clarify decision-making authority and locus of responsibilities with regard to business execution.
- (ii) A management meeting will be established as a permanent corporate body to advise the Company's president. It will comprise the Company's executive officers and other individuals, and will deliberate and formulate reports on important matters pertaining to the management. The Company's Representative Director will communicate the deliberations and reports of the management meeting to the Company's Board of Directors as necessary.
- (iii) To formulate annual and medium-term management plans for the Company and its subsidiaries and to share information, the management meeting and the Company's Board of Directors will confirm, evaluate, and review progress for each business division on a monthly basis.

(5) System to ensure reliable financial reporting

The Company will formulate internal regulations to ensure the appropriateness of documents and other information related to financial settlements as stipulated by the Financial Instruments and Exchange Act. Based on these regulations, the Company will build internal controls for financial reporting,

appropriately conduct evaluations and reporting, and report the results of evaluations to the Board of Directors.

(6) System for ensuring the appropriate administration of the company group comprising the Company and its subsidiaries

(i) The Company will formulate internal regulations that prescribe authority and responsibilities pertaining to business execution of the Company and its subsidiaries. Based on these regulations, the Company will ensure systematic and efficient management.

In addition, the Company will request subsidiaries to comply with these regulations and report to the Company or obtain approval from the Company regarding important matters pertaining to business execution of subsidiaries.

(ii) The Company will enhance systems to ensure appropriate administration for the items discussed above, to maximize the corporate value of the entire company group comprising the Company and its subsidiaries.

In addition, the Company will request the formulation of a basic policy on the establishment of a system that ensures subsidiaries conduct appropriate business activities as stipulated by the Companies Act, and will ensure the effectiveness of such systems.

(7) Matters pertaining to employees assisting Audit & Supervisory Board Members, their independence from Directors, and ensuring the effectiveness of instructions to these employees

(i) Audit & Supervisory Board Members may request the assistance of employees from internal auditing divisions or management planning divisions as necessary. Employees carrying out this work may do so independently of instructions or orders from Directors.

(ii) If these employees are concurrently engaged in other business, they will prioritize the assistance business.

(8) System for reporting to Audit & Supervisory Board Members by Directors and employees, system for reporting to Audit & Supervisory Board Members by subsidiaries' Directors, Audit & Supervisory Board Members, and employees or those who have received report from these persons, and other matters pertaining to reporting to Audit & Supervisory Board Members

Internal regulations will be established to ensure Audit & Supervisory Board Members acquire sufficient information for them to fulfill their duties. The regulations establish specific methods for ensuring Audit & Supervisory Board Members have opportunities to attend important meetings where decisions are made on business execution of the company group comprising the Company and its subsidiaries, for distributing regular reports and important documents from executives and employees of the Company and its subsidiaries to Audit & Supervisory Board Members, and for making it possible for Audit & Supervisory Board Members to otherwise collect information on the performance of duties by executives and employees of the Company and its subsidiaries.

(9) System for ensuring that persons who report (8) above are not treated disadvantageously on the basis of making the report

The Company shall prohibit disadvantageous treatment of persons who report (8) above on the basis of making the report.

(10) Matters pertaining to procedures for advance payment or repayment of costs arising from the execution of duties by Audit & Supervisory Board Members and other matters pertaining to the policy for processing costs or liabilities arising from the execution of Audit & Supervisory Board Members' duties

When Audit & Supervisory Board Members request the Company to make advance payment of costs, etc. pertaining to the execution of their duties, the Company will promptly process the payment, etc. except when it is deemed unnecessary for the execution of duties by Audit & Supervisory Board Members.

(11) Other systems to ensure audits are conducted effectively by Audit & Supervisory Board Members

- (i) The Company recruits outside audit & supervisory board members who understand the management of the Company and its subsidiaries and have expertise and experience necessary to conduct audits.
- (ii) A committee comprising Audit & Supervisory Board Members from the Company and subsidiaries, which are large companies as defined by the Companies Act, and a committee comprising Audit & Supervisory Board Members, members of internal audit divisions, and accounting auditors work to strengthen communication among all auditing bodies and ensure the effectiveness of auditing practices for the entire company group comprising the Company and its subsidiaries.

2. Overview of operation of the internal controls system

An overview of the operation of the internal controls system for the Company in the current fiscal year is as provided below.

(1) System for ensuring that Directors and employees carry out their duties in accordance with laws, regulations, and the Articles of Incorporation

Regarding a compliance system, the Company holds the Compliance Promotion Committee chaired by the Representative Director twice a year. It deliberates on the operation of an internal reporting system as well as the implementation and implementation plan of a compliance program to make sure that there is no compliance violation that would have a material impact on the management of the Company and its subsidiaries.

In addition, the annual results and plans for the details deliberated at the Compliance Promotion Committee above are reported to the Board of Directors meeting once a year.

The Company conducts internal audits on organizational management, risk management, compliance management, business execution, and accounting of the entire company group comprising the Company and its subsidiaries. This is done based on an internal audit plan and from the perspectives of compliance with laws and regulations related to business activities, reliability of financial reporting, protection of assets, and effectiveness and efficiency of business.

(2) System for retaining and managing information pertaining to the performance of Directors

The Company appropriately retains and manages documents pertaining to the performance of Directors including minutes of the Board of Directors meetings and other related documents pursuant to the related laws and regulations as well as internal regulations.

(3) Regulations for managing loss-related risk and other systems

The Company systematically manages risks based on its risk management regulations. The Company strives to maximize the corporate value of the Company and its subsidiaries while minimizing the impact on management when risks materialize. It does so by fully and appropriately managing and addressing risks that may impact the management of the Company and its subsidiaries while preventing the materialization of risks (occurrence of critical situations) or reducing losses.

In preparation for the occurrence of major accidents, disasters, and other situations, the Company has established a business continuity plan (BCP), implemented drills based on the assumption of earthquakes and other disasters, and facilitated the dissemination, full enforcement, and increased efficiency of a BCP.

The Company has included clear stipulations in Group regulations prohibiting participation in transactions for which actual existence cannot be confirmed in order to prevent reoccurrence of fictitious transactions such as those described in the news release entitled “Statement Regarding Allegations of Fictitious Transactions Against Subsidiary” that was issued on January 30, 2020. In addition, the risk management frameworks pertaining to the order receipt and receiving inspection processes of the involved a subsidiary have been revised (confirmation and verification of sales channels, Company roles, existence of transaction, etc.), education programs aimed at entrenching risk awareness in sales divisions have been conducted, and other measures have been implemented to prevent reoccurrence.

(4) System for ensuring effective execution of business by Directors

Matters deliberated on by the Board of Directors are deliberated on and reported at a management meeting comprising the Company’s executive officers and other individuals prior to the Board of Directors meetings. In the current fiscal year, the management meetings were held 24 times and business plans and important matters pertaining to the management of the Company and its subsidiaries were deliberated on and reported there appropriately based on the internal regulations that prescribe the duties and authority of executive officers and employees.

(5) System to ensure reliable financial reporting

Regarding the internal control evaluation pertaining to financial reporting, the Company evaluates the effectiveness of internal controls for financial reporting of the company group comprising the Company and its subsidiaries. It does so upon selecting the scope of evaluation pursuant to evaluation criteria generally deemed fair and appropriate. The results of the evaluation are reported to the Board of Directors meeting once a year.

(6) System for ensuring the appropriate administration of the company group comprising the Company and its subsidiaries

Based on internal regulations that prescribe authority and responsibilities pertaining to business execution of the Company and its subsidiaries, systematic and efficient management is ensured and important matters pertaining to business execution of subsidiaries are reported to the Company appropriately. Also, when needed, they are deliberated on and reported to the management or the Board of Directors meetings of the Company.

(7) Matters pertaining to employees assisting Audit & Supervisory Board Members, their independence from Directors, and ensuring the effectiveness of instructions to these employees

Employees carrying out assistance business based on requests from Audit & Supervisory Board Members are doing so independently of instructions or orders from Directors and prioritizing the business over other businesses.

(8) System for reporting to Audit & Supervisory Board Members by Directors and employees, system for reporting to Audit & Supervisory Board Members by subsidiaries' Directors, Audit & Supervisory Board Members, and employees or those who have received report from these persons, and other matters pertaining to reporting to Audit & Supervisory Board Members

Each Audit & Supervisory Board Member conducts audits by attending the Board of Directors and other important meetings, collecting information on the performance of duties by Directors, internal auditing divisions and others, viewing important approval forms and other documents, investigating the situation of business and assets at major offices, and if needed, requesting subsidiaries to report on their business.

(9) System for ensuring that persons who report (8) above are not treated disadvantageously on the basis of making the report

The Company makes executives and employees well aware of the fact that it is prohibited to treat persons who report to Audit & Supervisory Board Members disadvantageously.

(10) Matters pertaining to procedures for advance payment or repayment of costs arising from the execution of duties by Audit & Supervisory Board Members and other matters pertaining to the policy for processing costs or liabilities arising from the execution of Audit & Supervisory Board Members' duties

The Company promptly processes costs arising from the execution of duties by Audit & Supervisory Board Members based on requests from Audit & Supervisory Board Members.

(11) Other systems to ensure audits are conducted effectively by Audit & Supervisory Board Members

The Audit & Supervisory Board meetings of the Company were held nine times in the current fiscal year. The Audit & Supervisory Board receives reports, deliberates on, and resolves important matters pertaining to auditing.

A committee comprising Audit & Supervisory Board Members from the Company and subsidiaries, which are large companies as defined by the Companies Act, and a committee comprising Audit & Supervisory Board Members, members of internal audit divisions, and accounting auditors are working to strengthen communication among all auditing bodies thereby ensuring the effectiveness of auditing practices for the entire company group comprising the Company and its subsidiaries.

Basic Policy on Control of the Company

1. Details of the basic policy

In implementing the Corporate philosophy and continuing to improve corporate value, Fuji Electric amasses unique technologies, experience and know-how, and strives to develop and maintain good relations with various stakeholders, including customers, partners, communities, and employees.

These are the Fuji Electric's precious tangible and intangible assets, the Fuji Electric's DNA, and resources that support the creation of corporate value for Fuji Electric.

Based on that philosophy, the Company strives to manage in line with changes in the environment. The Company recognizes that the most effective countermeasures against share purchases that could damage the corporate value of Fuji Electric are increasing corporate value in the medium- to long-term vision and further raising the share of profits to shareholders, and strives to realize those aims.

Furthermore, the Company is actively engaging in a range of IR activities to ensure that the Fuji Electric's share value is properly understood. The Company will strive to further deepen understanding of Fuji Electric by issuing reports on its performance including quarterly financial reports and holding plant tour programs for the shareholders.

The Board of Directors recognizes that the free trade of shares by shareholders is a reality as a listed company, and believes that the question of whether or not large-scale purchases of shares in the Company by specific individuals should be permitted is a matter that should ultimately be delegated to the shareholders.

However, corporate acquisitions undertaken to profit unduly from selling a company's shares at the highest price do occur. The Board of Directors does not believe that any parties who engage in any such large-scale share purchases of the Company's shares or table proposals which do not contribute to the corporate value of Fuji Electric or the mutual benefit of the shareholders are suitable parties to control the Company's finances and the determination of its business policy.

At this point in time, no specific threat related to large-scale purchases of the Company's shares has emerged. Moreover, the Company has not yet put in place any specific preventative measures (so-called "poison pill") against the emergence of a takeover threat.

However, the Board of Directors will, as a managerial duty to the shareholders, establish an internal system to install measures against any large-scale purchases of the Company's shares that threaten the corporate value of Fuji Electric or the mutual benefit of the shareholders.

2. The Fuji Electric's measures to realize the basic policy

(1) Initiatives to improve corporate value of Fuji Electric

As our basic strategy for sustainable growth, Fuji Electric aims to create growth on the global market based on our power electronics technologies cultivated over many years, which handle electrical energy universally, backed by energy and environmental investments projected to take place in many countries.

To realize this, we will rapidly shift our managerial resources to the field of "energy and the environment," aiming to maximize our corporate value and contribute to the resolution of social and environmental issues as a "company that contributes to the global society through business."

(2) Measures to prevent control of the Company by undesirable parties as described in the basic policy

The Company will, based on 1. Details of the basic policy above, strive to establish an internal system in view of any potential or actual purchases of the Company’s shares that threaten the corporate value of Fuji Electric or the mutual benefit of the shareholders.

Specifically, the Company will very carefully monitor daily trading movements and shareholder changes and at the same time put in place a first-response manual for contingencies, and establish a framework for collaboration with external experts. The Company will determine specific preventative measures in a timely and appropriate manner, and strive towards the enhancement of internal systems.

Furthermore, the Company will continue to consider the introduction of a “poison pill,” from the viewpoints of ensuring and increasing the corporate value of Fuji Electric or the mutual benefit of the shareholders, based on the opinions and judgments of the legal system and the relevant authorities, social trends, and the opinions of our stakeholders.

3. The decisions and rationale of the Board of Directors regarding the measures above

Because the measures referred to in 2. above mean: (1) to maintain and enhance the corporate value of the Company over the medium-term, and (2) to establish internal systems to respond to large-scale purchases of the Company’s shares that threaten the corporate value of Fuji Electric or mutual benefits of shareholders, the Board of Directors confirmed and resolved at its meeting that these measures comply with the basic policy in 1. above, and neither measure represents a threat to the mutual benefits of the shareholders or is a means to maintain the members of the current top management team in their positions.

Further, the resolution was unanimously agreed upon at an Audit & Supervisory Board meeting, provided that the specific operations of the measures described in 2. above are conducted properly.

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(Notes) 1. Amounts less than a unit are rounded to the nearest yen in the Business Report.
 2. The number of shares shown in the Business Report are rounded down to the nearest whole unit.
 3. As used in this Business Report, the expression “Fuji Electric” refers to the company group comprising the Company, its subsidiaries, and affiliates.
 4. The business object in the future, stated in the Business Report is calculated based on given assumptions that we assess to be reasonable at the time of writing the Business Report. The description may differ from the actual results, and we cannot guarantee the accuracy of the content.

Consolidated Balance Sheets

(as of March 31, 2020)

(¥ Millions)

[Assets]		[Liabilities]	
Current assets	595,692	Current liabilities	423,160
Cash and deposits	64,073	Notes and accounts payable - trade	179,914
Notes and accounts receivable - trade	294,504	Short-term borrowings	21,342
Merchandise and finished goods	66,866	Commercial papers	51,500
Work in process	67,875	Current portion of bonds payable	15,000
Raw materials and supplies	53,371	Lease obligations	15,668
Other	51,599	Accrued expenses	39,831
Allowance for doubtful accounts	(2,597)	Income taxes payable	6,625
		Advances received	47,203
		Other	46,074
Non-current assets	401,016	Non-current liabilities	167,664
Property, plant and equipment	201,892	Bonds payable	35,000
Buildings and structures	85,108	Long-term borrowings	38,604
Machinery, equipment and vehicles	22,452	Lease obligations	39,197
Tools, furniture and fixtures	5,689	Deferred tax liabilities	1,172
Land	35,504	Provision for retirement benefits for directors (and other officers)	193
Leased assets	47,045	Retirement benefit liability	50,011
Construction in progress	5,045	Other	3,484
Other	1,047		
		Total liabilities	590,825
Intangible assets	24,606	[Net assets]	
Software	8,944	Shareholders' equity	327,513
Other	15,662	Share capital	47,586
		Capital surplus	45,949
Investments and other assets	174,517	Retained earnings	241,305
Investment securities	128,289	Treasury shares	(7,327)
Long-term loans receivable	672	Accumulated other comprehensive income	38,105
Net defined benefit asset	15,083	Valuation difference on available-for-sale securities	44,606
Retirement benefit asset	17,756	Deferred gains or losses on hedges	(231)
Other	13,137	Foreign currency translation adjustment	(3,545)
Allowance for doubtful accounts	(422)	Remeasurements of defined benefit plans	(2,724)
Deferred assets	118	Non-controlling interests	40,382
Bond issuance costs	118		
		Total net assets	406,002
Total assets	996,827	Total liabilities and net assets	996,827

Consolidated Statements of Income

(from April 1, 2019 to March 31, 2020)

(¥Millions)

Net sales		900,604
Cost of sales		680,067
Gross profit		220,536
Selling, general and administrative expenses		178,020
Operating profit		42,515
Non-operating income		
Interest and dividend income	2,830	
Miscellaneous income	2,674	5,505
Non-operating expenses		
Interest expenses	1,405	
Miscellaneous expenses	2,102	3,507
Ordinary profit		44,513
Extraordinary income		
Gain on sales of non-current assets	245	
Gain on sales of investment securities	2,525	2,771
Extraordinary losses		
Loss on disposal of non-current assets	1,517	
Loss on valuation of investment securities	1,481	
Loss on compensation for damage	425	3,423
Profit before income taxes		43,860
Income taxes - current	12,488	
Income taxes - deferred	(499)	11,989
Profit		31,871
Profit attributable to non-controlling interests		3,078
Profit attributable to owners of parent		28,793

Consolidated Statement of Changes in Equity

(from April 1, 2019 to March 31, 2020)

(¥Millions)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2019	47,586	46,067	223,940	(7,316)	310,276
Changes of items during the period					
Dividends of surplus			(11,427)		(11,427)
Profit attributable to owners of parent			28,793		28,793
Purchase of treasury shares				(11)	(11)
Disposal of treasury shares		1		0	1
Change in ownership interest of parent due to transactions with non-controlling interests		(118)			(118)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(117)	17,365	(10)	17,237
Balance at March 31, 2020	47,586	45,949	241,305	(7,327)	327,513

(¥Millions)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2019	43,974	(280)	368	(1,417)	42,645	39,139	392,061
Changes of items during the period							
Dividends of surplus					-		(11,427)
Profit attributable to owners of parent					-		28,793
Purchase of treasury shares					-		(11)
Disposal of treasury shares					-		1
Change in ownership interest of parent due to transactions with non-controlling interests					-		(118)
Net changes of items other than shareholders' equity	632	49	(3,913)	(1,306)	(4,539)	1,243	(3,296)
Total changes of items during the period	632	49	(3,913)	(1,306)	(4,539)	1,243	13,940
Balance at March 31, 2020	44,606	(231)	(3,545)	(2,724)	38,105	40,382	406,002

Non-Consolidated Balance Sheet

(as of March 31, 2020)

(¥Millions)

[Assets]		[Liabilities]	
Current assets	372,236	Current liabilities	327,891
Cash and deposits	1,769	Notes payable - trade	79
Notes receivable - trade	21,894	Accounts payable - trade	158,827
Accounts receivable - trade	173,621	Short-term borrowings	10,300
Merchandise and finished goods	31,777	Commercial papers	51,500
Work in process	55,262	Current portion of bonds payable	15,000
Raw materials and supplies	32,157	Current portion of long-term borrowings	1,346
Advance payments - trade	16,573	Lease obligations	8,836
Short-term loans receivable	12	Accounts payable - other	3,967
Accounts receivable - other	21,610	Accrued expenses	25,028
Deposits paid	5,016	Income taxes payable	1,965
Other	12,560	Advances received	34,888
Allowance for doubtful accounts	(18)	Deposits received	7,749
		Other	8,402
Non-current assets	352,990	Non-current liabilities	133,364
Property, plant and equipment	116,698	Bonds payable	35,000
Buildings	49,188	Long-term borrowings	36,091
Structures	1,963	Lease obligations	25,089
Machinery and equipment	5,999	Provision for retirement benefits	34,909
Vehicles	39	Asset retirement obligations	1,557
Tools, furniture and fixtures	2,472	Other	716
Land	24,221		
Leased assets	29,624		
Construction in progress	3,189		
		Total liabilities	461,256
Intangible assets	8,047	[Net assets]	
Software	5,639	Shareholders' equity	221,205
Other	2,407	Share capital	47,586
		Capital surplus	56,823
Investments and other assets	228,244	Legal capital surplus	56,777
Investment securities	103,697	Other capital surplus	45
Shares of subsidiaries and associates	96,340	Retained earnings	124,316
Investments in capital	397	Legal retained earnings	11,515
Long-term loans receivable	528	Other retained earnings	112,801
Prepaid pension costs	12,355	Retained earnings brought forward	112,801
Deferred tax assets	11,927	Treasury shares	(7,520)
Other	3,183		
Allowance for doubtful accounts	(186)		
		Valuation and translation adjustments	42,883
Deferred assets	118	Valuation difference on available-for-sale securities	43,114
Bond issuance costs	118	Deferred gains or losses on hedges	(231)
		Total net assets	264,088
Total assets	725,345	Total liabilities and net assets	725,345

Non-Consolidated Statements of Income

(from April 1, 2019 to March 31, 2020)

(¥Millions)

Net sales		565,845
Cost of sales		449,426
Gross profit		116,419
Selling, general and administrative expenses		108,026
Operating profit		8,393
Non-operating income		
Interest and dividend income	7,521	
Other	251	7,772
Non-operating expenses		
Interest expenses	521	
Other	1,362	1,884
Ordinary profit		14,281
Extraordinary income		
Gain on sales of non-current assets	20	
Gain on sales of investment securities	566	
Gain on sales of shares of subsidiaries and associates	6,455	7,042
Extraordinary losses		
Loss on disposal of non-current assets	1,134	
Loss on valuation of investment securities	578	
Loss on valuation of shares of subsidiaries and associates	409	
Loss on compensation for damage	425	
Other	146	2,694
Profit before income taxes		18,628
Income taxes - current	3,246	
Income taxes - deferred	(1,048)	2,197
Profit		16,431

Non-Consolidated Statement of Changes in Equity

(from April 1, 2019 to March 31, 2020)

(¥Millions)

	Shareholders' equity								Total shareholders' equity
	Share capital	Capital surplus			Retained earnings			Treasury shares	
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
Balance at April 1, 2019	47,586	56,777	44	56,822	11,515	107,797	119,312	(7,509)	216,211
Changes of items during the period									
Dividends of surplus				-		(11,427)	(11,427)		(11,427)
Profit for the year				-		16,431	16,431		16,431
Purchase of treasury shares				-		-	-	(11)	(11)
Disposal of treasury shares			1	1		-	-	0	1
Net changes of items other than shareholders' equity									
Total changes of items during the period	-	-	1	1	-	5,003	5,003	(10)	4,993
Balance at March 31, 2020	47,586	56,777	45	56,823	11,515	112,801	124,316	(7,520)	221,205

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at April 1, 2019	42,842	(280)	42,561	258,772
Changes of items during the period				
Dividends of surplus			-	(11,427)
Profit for the year			-	16,431
Purchase of treasury shares			-	(11)
Disposal of treasury shares			-	1
Net changes of items other than shareholders' equity	272	49	321	321
Total changes of items during the period	272	49	321	5,315
Balance at March 31, 2020	43,114	(231)	42,883	264,088