

Fuji Electric Report

2017



Brand Statement

Innovating Energy Technology

Through our pursuit of innovation in electric and thermal energy technology, we develop products that maximize energy efficiency and lead to a responsible and sustainable society.

Corporate Philosophy

Corporate Mission

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

Our mission is to:

- Contribute to prosperity
- Encourage creativity
- Seek harmony with the environment

Slogan

To be enthusiastic, ambitious and sensitive.

Management Policies

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

Fuji Electric Code of Conduct

The Code of Conduct outlines principles to guide and unify the conduct of Fuji Electric and its employees, by articulating the values we share in the pursuit of our corporate principles.

Fuji Electric and its employees, from a global perspective always strives to meet our corporate mission of "We, Fuji Electric, pledge as responsible corporate citizens in a global society to strengthen our trust with communities, customers and partners."

- | | |
|--|---|
| 1 Respect and value our customers | 4 Respect and value our shareholders and investors |
| 2 Respect and value all people | 5 Respect and value interaction with society |
| 3 Respect and value the global environment | 6 Respect, value and conform with all applicable laws and regulations |

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Objectives of This Report

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



Detailed information is available on our website:

<http://www.fujielectric.com/>



- About Fuji Electric
- Investor Relations (IR)
- Corporate Social Responsibility (CSR)
- Research & Development

Fuji Electric's Energy and Environment Businesses

With energy and environment technology as its core technology, Fuji Electric contributes to the creation of responsible and sustainable societies through its four business segments: Power Electronics Systems, Power and New Energy, Electronic Devices, and Food and Beverage Distribution.

Power Electronics Systems

Energy Solutions

Stable and Optimal Energy Supply

Fuji Electric supports electricity infrastructure with proven technologies to ensure that energy can be supplied in a stable, reliable, and optimal manner.



Factory energy management systems (FEMS)



Uninterruptible power systems



Substation equipment



Magnetic switches

Industry Solutions

Increased Productivity and Energy Savings

Fuji Electric combines its power electronics products with measuring instruments and the Internet of Things (IoT) and facilitates the advance of plant automation and visualization to increase productivity and save energy.



Inverters and servo systems



Industrial drive systems



Gas analyzers



Passenger door systems

Power and New Energy

Supply of Clean Energy

Fuji Electric's sophisticated plant engineering capabilities helps meet the growing demand for electricity by providing an array of highly efficient power plant equipment that supplies environmentally friendly clean energy.



Steam turbines



Geothermal power generation



Solar power generation systems

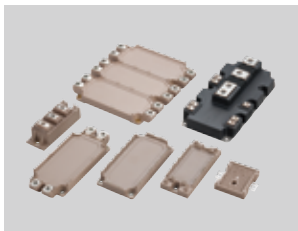


Fuel cells

Electronic Devices

Key Devices for Power Control and Conversion

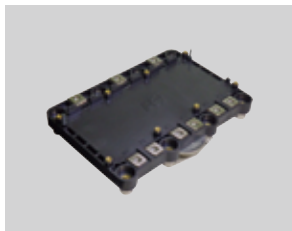
Across the industrial and automotive fields, Fuji Electric contributes to high levels of efficiency and energy savings by supplying power semiconductors, which are key devices in power electronics.



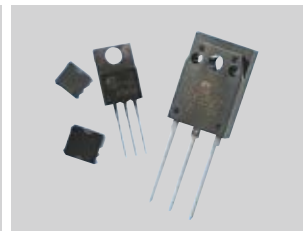
IGBT modules



SiC modules



Automotive IGBTs



Power MOSFETs

Food and Beverage Distribution

Safety and Security of Food

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



Can and PET bottle vending machines



Vending machines for food and other goods (models for China and other Asian markets)



Freezers and refrigerated showcases



Automatic change dispensers

Consolidated Financial Highlights

Fiscal year	2009	2010	2011
Operating Results			
Net sales	691,223	689,065	703,534
Japan	513,616	510,843	525,096
Overseas	177,607	178,221	178,437
Operating income	924	11,917	19,252
Net income attributable to owners of parent	6,757	15,104	11,801
R&D and Capital Investment			
R&D expenditures	24,296	32,568	32,247
Plant and equipment investment* ²	19,124	27,223	24,989
Depreciation and amortization* ³	26,053	27,945	29,755
Cash Flows			
Cash flows from operating activities	11,923	53,853	28,314
Cash flows from investing activities	(528)	84,241	(13,489)
Free cash flow	11,395	138,094	14,825
Cash flows from financing activities	(62,575)	(93,468)	(32,593)
Financial Position			
Total assets	908,938	805,797	792,848
Total net assets	196,134	174,935	183,217
Shareholders' equity	178,866	155,355	163,576
Net Interest-bearing debt	322,507	192,222	191,603
Interest-bearing debt	359,790	274,019	255,865
Financial Indicators			
Ratio of operating income to net sales (%)	0.1	1.7	2.7
ROE (Return on equity) (%)	4.4	9.0	7.4
ROA (Return on assets) (%)	0.7	1.8	1.5
Equity ratio (%)	19.7	19.3	20.6
Net debt-equity ratio (times)* ⁴	1.8	1.2	1.2
Debt-equity ratio (times)* ⁵	2.0	1.8	1.6
Per Share Data			
Net income	9.46	21.14	16.52
Net assets	250.28	217.40	228.91
Cash dividends	1.50	4.00	4.00
Others			
Employees	23,524	24,562	24,973
Japan	18,692	18,002	17,933
Overseas	4,832	6,560	7,040

*1 The U.S. dollar amounts represent the arithmetic results of translating yen into dollars at ¥112 = U.S. \$1, the approximate exchange rate at March 31, 2017.

*2 Plant and equipment investment is the total of investment in tangible fixed assets, including acquisition amounts for lease contracts.

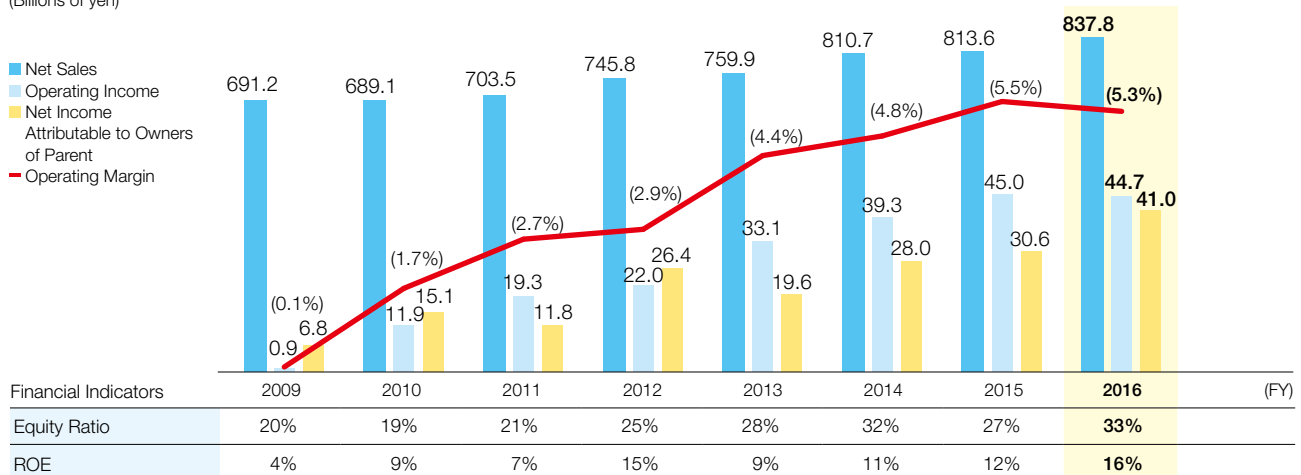
*3 Depreciation and amortization expense is the total of the depreciation of tangible fixed assets and amortization of intangible assets.

*4 Net debt-equity ratio: Net interest-bearing debt (interest-bearing debt – cash and cash equivalents) / Net assets

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

Business Performance Trends

(Billions of yen)



				(Millions of yen)	(Thousands of U.S. dollars**)
2012	2013	2014	2015	2016	2016
745,781	759,911	810,678	813,550	837,765	7,480,051
567,314	582,223	605,763	597,757	632,723	5,649,317
178,466	177,688	204,915	215,793	205,042	1,830,734
21,992	33,136	39,316	45,006	44,709	399,195
26,368	19,582	27,978	30,644	40,978	365,884
31,160	32,029	35,023	35,949	34,910	311,703
31,771	26,916	29,041	27,650	27,149	242,409
31,054	30,849	33,615	29,723	29,445	262,910
55,342	53,651	51,459	48,450	58,185	519,511
(24,286)	(9,649)	(22,750)	(19,410)	9,748	87,045
31,055	44,002	28,708	29,040	67,934	606,555
(56,827)	(50,570)	(33,827)	(31,567)	(56,082)	(500,747)
765,563	810,774	904,522	845,378	886,663	7,916,638
215,672	251,225	319,636	260,980	323,863	2,891,636
194,572	227,181	290,339	230,399	291,216	2,600,141
187,029	166,092	159,330	153,905	109,330	976,162
226,717	199,504	191,225	184,744	151,216	1,350,150
2.9	4.4	4.8	5.5	5.3	—
14.7	9.3	10.8	11.8	15.7	—
3.4	2.5	3.3	3.5	4.7	—
25.4	28.0	32.1	27.3	32.8	—
1.0	0.7	0.5	0.7	0.4	—
1.2	0.9	0.7	0.8	0.5	—
36.90	27.41	39.16	42.90	57.36	0.512
272.29	317.96	406.39	322.52	407.68	3.640
5.00	7.00	9.00	10.00	11.00	0.098
24,956	25,524	25,740	26,508	26,503	—
18,271	18,022	17,814	17,635	17,716	—
6,685	7,502	7,926	8,873	8,787	—

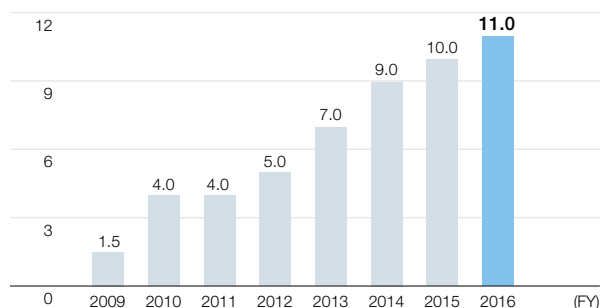
Dividend Policy

Fuji Electric's basic policy is to pay a stable, continuous dividend, while allocating profits earned from business activities to shareholders' equity to maintain and strengthen the management base, and maintaining sufficient internal reserves for research and development, capital investment, and human resource development from a medium-to-long-term perspective.

For fiscal 2016, we paid a full-year dividend of ¥11 per share, comprising an interim dividend of ¥5 and a year-end dividend of ¥6.

Cash Dividends per Share

(Yen)



We aim to achieve further growth centered on power electronics operations.

On behalf of Fuji Electric, I would like to express our sincere gratitude to our stakeholders for their continued support and commitment to the Company.

At Fuji Electric, our corporate philosophy represents our pledge as responsible corporate citizens in a global society to strengthen our trusting relationships with stakeholders and fulfill our mission with sincerity. Based on this philosophy, we pursue a management policy stating that, through our innovation in energy and environment technology, we are contributing to the creation of responsible and sustainable societies.

Today, energy and environmental issues have become pressing matters which need to be addressed on a global scale.

Recognizing this fact, we strive to achieve both economic growth and a reduced environmental footprint by utilizing the energy and environment technologies we have cultivated over the more than 90 years since our founding, and to contribute to society through our manufacturing capabilities that draw on these technologies. At the same time, the Company is managed with consideration of the effects of all of its business activities on society and the environment.

Review of Fiscal 2016

Moving Forward with Further Renovation of Fuji Electric

In April 2016, Fuji Electric unveiled its FY2018 Medium-Term Management Plan, Renovation 2018, which targets net sales of ¥900.0 billion and an operating margin of more than 6% in fiscal 2018. The previous medium-term management plan ended with some issues left unresolved, namely a failure to grow sales in line with targets and a need to boost the profitability of power electronics operations. The new plan thus positions its three years as a time for “renovation,” during which we will patch the holes in the “innovation” pursued under the previous plan. We have been moving forward with the further renovation of Fuji Electric, positioning efforts to advance growth strategies and bolster profitability as core measures.

Priority Measures of FY2018 Medium-Term Management Plan

Implement growth strategies

- Reform operating processes in social infrastructure, industrial infrastructure, and power electronics businesses
- Continue expansion of overseas operations through additional M&As
- Create high-value-added products that meet customer demand

Improve Profitability

- Boost profitability of power electronics operations
- Re-energize “Pro-7 Activities”

Breaking Records for Net Income Attributable to Owners of Parent

In fiscal 2016, the first year of the new plan, net sales rose ¥24.2 billion year on year, to ¥837.8 billion, but operating income decreased ¥0.3 billion, to ¥44.7 billion. Net income attributable to owners of parent, meanwhile, increased by ¥10.3 billion, breaking previous records at ¥41.0 billion as a result of the recording of gain on sales of investment securities. We also saw massive improvements in financial indicators with an equity ratio of 33% and return on equity of 16%.

(Billions of yen)	FY2015 Result	FY2016 Result
Net Sales	813.6	837.8
Operating Income	45.0	44.7
Operating Margin	5.5%	5.3%
Net Income Attributable to Owners of Parent	30.6	41.0
Net Debt-Equity Ratio		
Equity Ratio	27%	33%
ROE	12%	16%

In addition, Fuji Electric decided to sell a portion of its holding in FUJITSU LIMITED in order to further stabilize its financial position. The alliance formed through this cross holding has been important to ensuring consistently effective operation of the Company in the past. Today, however, both parties have come to focus on different business fields, leading us to reconsider the necessity of this tie-up from the perspectives of capital efficiency and shareholder value. It was deemed possible to alter this relationship based on the operating environments and market climates of both FUJITSU and Fuji Electric, and a portion of the holding was sold accordingly. The capital generated through this sale will be directed toward mergers and acquisitions and other measures for expanding overseas operations.

Establishing a Foundation for Growth through Steadfast Efforts

If Fuji Electric is to continue growing into the future, it will be crucial for us to expand overseas operations while also reinforcing operations in Japan. In deciding our approach to this undertaking, we first chose to analyze the Company's technological, manufacturing, and sales capabilities to determine what we were lacking and in what areas we needed improvement. A series of discussions was held among members selected from our employee base as well as among executive officers. Based on these discussions, we began preparations to renovate our operations

by consolidating and rearranging the organizations of our social engineering systems, industrial infrastructure, and power electronics businesses.

At the same time, we continued to capitalize on the benefits of mergers and acquisitions conducted to date. For example, the expertise of our thermal power generation plant after-sales companies is now being applied outside of North America. In addition, we have made progress in the localization of the engineering and manufacturing functions of the industrial infrastructure and power electronics businesses in Asia.

Also, we commenced operation of an inverter assembly factory in India while starting construction of our second factory in Dalian in order to double our vending machine production capacity in China. In this manner, we have been carrying out upfront investments for increasing local production and local consumption.

Steps were also taken to bolster profitability through means such as promoting in-house production, automation, and standardization at factories to reduce costs. In our power electronics operations specifically, we sought to boost profitability by reorganizing the Suzuka Factory and Kobe Factory, our global mother factories. At the Suzuka Factory, we pursued increased productivity in manufacturing mass-production models of components and other products. At the Kobe Factory, we installed a system allowing for all steps of manufacturing systems products to be conducted within the factory.

Four-Business Group Structure Launched in Fiscal 2017

Establishing the Power Electronics Systems Business Group

—Expanding Overseas Operations with Competitive Components and Systems

April 2017 saw the birth of the Power Electronics Systems Business Group. This new group accounts for roughly 60% of the Company's total net sales and thus embodies the comprehensive strength of Fuji Electric. Through this business group, we plan to reinforce our customer-oriented solutions business that combines components and systems. Looking ahead, we will provide a brand of solutions unique to Fuji Electric that combines our strengths to resolve the issues faced by customers. These strengths include power electronics equipment, measuring instruments, and control systems with power semiconductors at their core; engineering and after-sales services nurtured at customer facilities; and manufacturing and energy-saving expertise perfected at Fuji Electric's 38 factories in Japan and overseas. We will not just cater to customers in Japan; we will also seek to expand our systems operations in Asian and other overseas markets in which we can expect growth in industrial and social infrastructure demand.

Also new is the Power and New Energy Business Group. In this business group, sales organizations have been merged with operating organizations, as was done previously in the

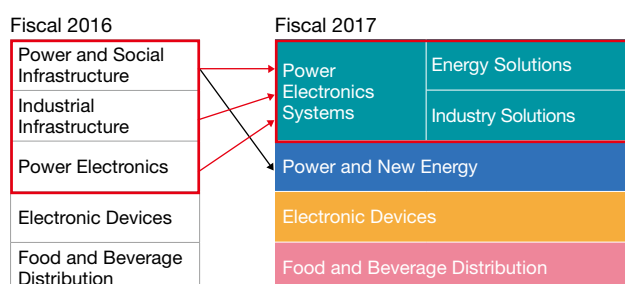
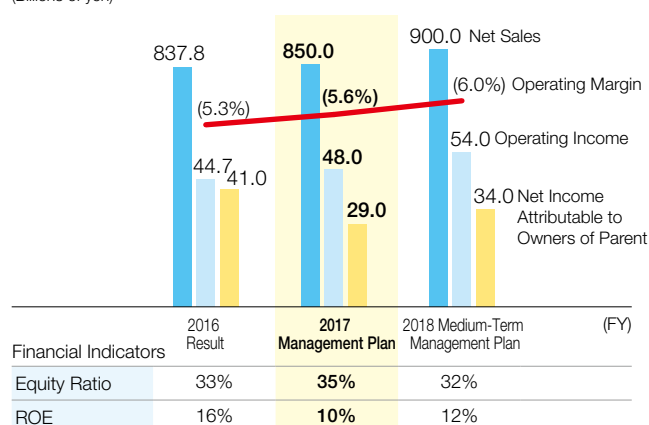
existing Electronic Devices Business Group and Food and Beverage Distribution Business Group.

Targeting Record Highs for Operating Income and Operating Margin

In fiscal 2017, the second year of the three-year FY2018 Medium-Term Management Plan, we will target net sales of ¥850.0 billion together with record highs for operating income and operating margin of ¥48.0 billion and 5.6%, respectively.

Fuji Electric is working to bolster profitability even as it increases shareholders' equity by targeting an equity ratio of 35% together with return on equity of 10%. The cash flows generated through our business will be used to conduct proactive growth investment for expanding operations from a medium-to-long-term perspective. In regard to shareholder returns, it is our policy to issue stable, continuous dividend payments in line with income growth. We plan to enhance returns in the near future by aiming for a dividend payout ratio of approximately 30%.

(Billions of yen)



Accelerating Creation of High-Value-Added Products and Augmenting Manufacturing Capabilities

Fuji Electric is shifting toward a development framework that entails technology marketing, advanced research, and basic research being conducted by the Corporate R&D Headquarters while the business groups are responsible for the development of products for their respective businesses. Within this new framework, our development ventures are focusing on starting up businesses utilizing the Internet of Things, or IoT, developing platforms, and realizing practical application of next-generation SiC power semiconductor modules. Simultaneously, we are enhancing our network of R&D bases to accelerate the creation of high-value-added products that win customer favor. In fiscal 2015, we built an R&D center in the Matsumoto Factory as well as a building at the Tokyo Factory for conducting corporate R&D and measurement and control equipment R&D activities. Furthermore, we completed the Power Electronics Technical Center at the Suzuka Factory in fiscal 2016 and then assembled a team of power electronics researchers and engineers at this center.

Meanwhile, we sought to augment our manufacturing capabilities. Adopting a local production and consumption perspective, we reinforced capabilities at our global mother factories in Japan while coordinating with overseas production sites, such as those in China and other parts of Asia, in our ongoing drive to improve value and productivity through in-house production and automation. Also, at our Mie Factory and Otawara Factory, we are developing new manufacturing technologies aimed at reducing the costs associated with IoT. Our efforts to utilize IoT to automate and protect facilities and realize autonomous production will be extended to other bases going forward. In addition, the second vending machine factory being constructed in Dalian, China, will be equipped with production technologies and state-of-the-art automation equipment from the Mie Factory. Combined with the existing first Dalian factory, this new factory will help double our production capacity in China, to 100,000 units per year, thereby contributing to the expansion of our operations in this country.

Re-energizing Pro-7 Activities

Fuji Electric's Pro-7 Activities entail all employees at the Group reviewing the way they work from the ground up in order to improve work quality and efficiency and thereby bolster profitability. These activities were kicked off in fiscal 2012 and have been ongoing for the past five years. As a result, the principles of the Pro-7 Activities have become entrenched within the Company, firmly rooting a new awareness of costs and work quality in the minds of all employees. In fiscal 2017, we will respond to the call for workstyle reforms by once again getting back to the basics of our work, reviewing how we work, prepare materials, and conduct meetings. I am confident that these efforts will be valuable to the Company and to all of its employees. We will also seek to re-invigorate the Pro-7 Activities by stepping up initiatives at overseas bases.



Addressing ESG Issues to Achieve Sustainable Growth

At the core of Fuji Electric's corporate philosophy is the importance of building trusting relationships with stakeholders and becoming a company that is sensitive toward both people and the environment as a responsible member of society. Exercising this philosophy is how Fuji Electric fulfills its corporate social responsibilities. Moreover, the Company participates in the United Nations Global Compact, and it has incorporated the Compact's Ten Principles, which pertain to the four areas of human rights, labor, environment, and anti-corruption, into its Code of Conduct to adhere to these principles. Through our involvement in the Global Compact, we will seek to fulfill our social responsibilities on a global scale. We are also endeavoring to contribute to the accomplishment of the 17 Sustainable Development Goals contained in *Transforming our world: the 2030 Agenda for Sustainable Development*, which was adopted at a United Nations summit held in September 2015. We are approaching this goal from the perspective of environmental, social, and governance, or ESG, issues.

Contributing to Environmental Preservation by Supplying Products and Technologies

Global warming and other environment issues are pressing matters that could materially impact the future of humanity. Based on this realization, we have formulated Environmental Vision 2020, which is centered on the three specified material issues of stopping global warming, creating a recycling-oriented society, and meeting our corporate social responsibilities. Guided by this vision, we will strive to contribute to environmental preservation by supplying products and technologies that utilize the energy and environment technologies in which Fuji Electric specializes while at the same time working to reduce the environmental footprint of our own production activities. These goals will be pursued through a concerted Group effort that includes overseas subsidiaries.

Cultivating Diverse Human Resources and Developing a Supportive Workplace Environment

If Fuji Electric is to continue growing on a global scale, it will be vital for the Company to be able to combine the capabilities of a diverse range of human resources in order to maximize its strengths as a team. We are thus systematically accelerating the development of future leaders and globally competent human resources with a view to 10 and 20 years down the line. We are also advancing a planned expansion of the number of female managers by redoubling career development support for female employees so that such employees can feel motivated and empowered in their work. These efforts have led to Fuji Electric's inclusion in the Nadeshiko Brand selection of companies that display excellence in empowering their female employees for two consecutive years. At the same time, effort is being devoted to developing a more accommodating workplace environment in order to support employees in achieving a good work-life balance. It can be anticipated that the number of employees needing to care for children or other family members will rise going forward. Fuji Electric is enhancing the support available for such employees by introducing Flexible Location working systems that enable employees to work in satellite or home offices.

Implementing Rigorous Groupwide Governance

Corporate governance is growing ever more important. Fuji Electric is strengthening its corporate governance by increasing management transparency and enhancing the oversight function at both the Company and its subsidiaries. Furthermore, the Company is appropriately addressing the requirements of Japan's Corporate Governance Code while practicing proactive engagement with shareholders and other investors.

Being "Enthusiastic, Ambitious, and Sensitive" to Realize Continuous, Global Growth

In fiscal 2023, Fuji Electric will celebrate its centennial anniversary. We aim to achieve net sales of ¥1 trillion and an operating margin of 7% leading up to this momentous occasion.

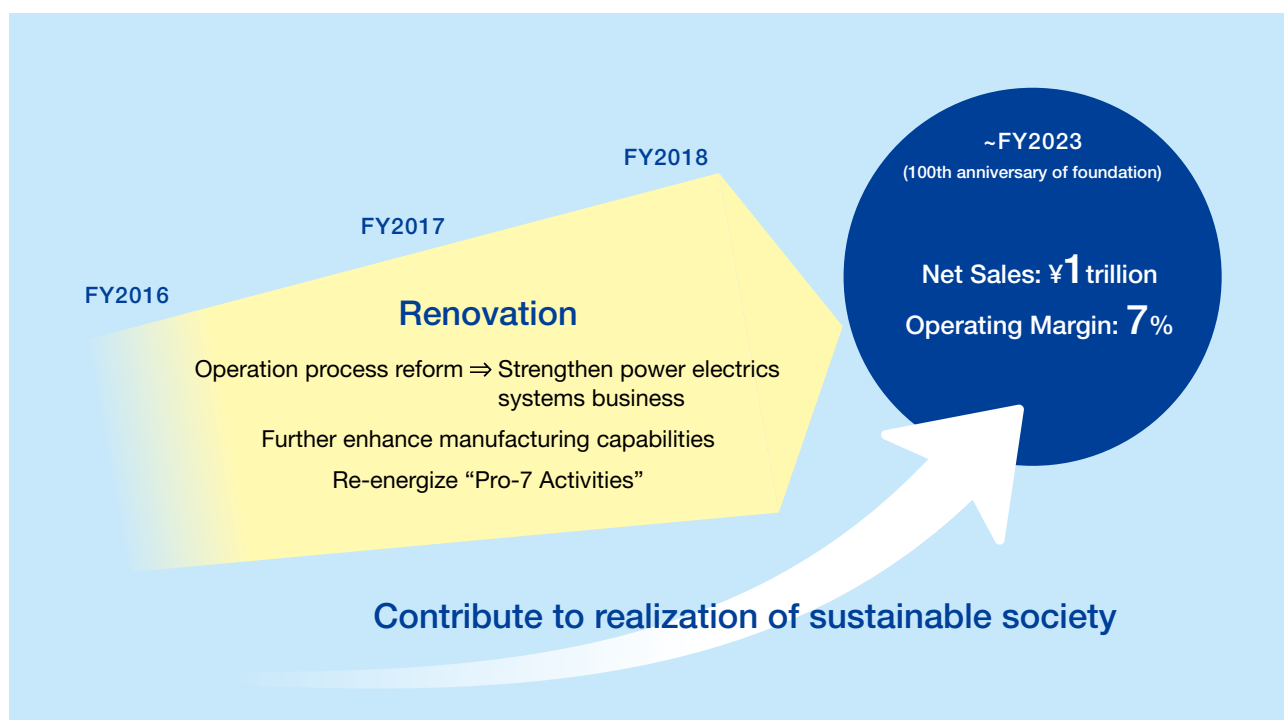
Fuji Electric's corporate philosophy contains the slogan of "enthusiastic, ambitious, and sensitive." I find myself discussing this slogan with employees on various occasions. In this slogan, "enthusiasm" means the desire to contribute to society by creating new technologies and products. "Ambition" means setting lofty goals and working to achieve them no matter what challenges may be faced. "Sensitive" means valuing customers, allies, and employees as well as the families that support each of these individuals. This slogan truly represents Fuji Electric's corporate DNA.

Our goal is to ensure our prosperity as a company, returns to our shareholders, and the happiness of our employees and their families, while contributing to the achievement of a sustainable society. In closing, we would like to ask for the continued support of all our stakeholders.

July 2017

Michihiro Kitazawa

President and Representative Director



Review of Operations in Fiscal 2016

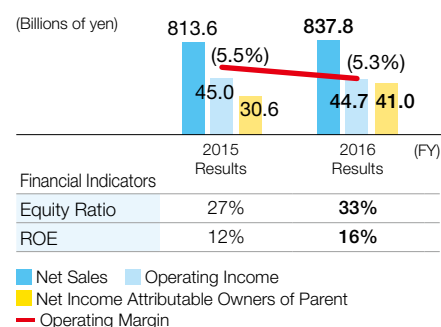
Consolidated Performance in Fiscal 2016

Net sales increased ¥24.2 billion year on year, to ¥837.8 billion. Unfavorable foreign exchange rates placed downward pressure on sales, but the benefits of higher demand in the Power and Social Infrastructure and Industrial Infrastructure segments were most significant.

Operating income decreased ¥0.3 billion year on year, to ¥44.7 billion, as the impacts of upfront investments in Power Electronics and foreign exchange rate fluctuations outweighed the benefits of cost reduction efforts.

Net income attributable to owners of parent climbed ¥10.3 billion, reaching a new record high of ¥41.0 billion due to the recording of gain on sales of a portion of the Company's holding in FUJITSU LIMITED.

Substantial year-on-year improvements were seen in financial indicators with an equity ratio of 33% and return on equity of 16%.

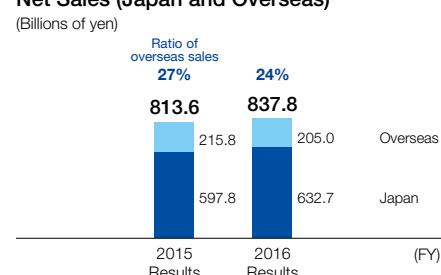


Domestic and Overseas Net Sales

Domestic net sales increased ¥35.0 billion year on year, to ¥632.7 billion. This increase was a result of a rise in plant sales and higher smart meter demand in the Power and Social Infrastructure segment and robust replacement demand in the Industrial Infrastructure segment.

Overseas net sales decreased ¥10.8 billion, to ¥205.0 billion. Major factors resulting in this decrease included declines in the earnings of overseas subsidiaries when translated to yen amounts and lower plant sales in the Power and Social Infrastructure segment.

Net Sales (Japan and Overseas)



Power and Social Infrastructure

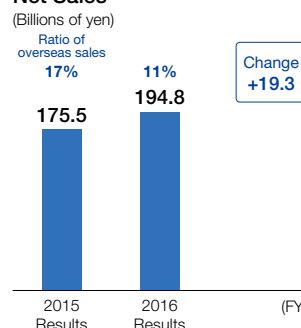
Business Areas

- Thermal, geothermal, and hydro power generation facilities; solar power generation systems; fuel cells; nuclear power-related equipment
- Energy management systems, smart meters
- Information systems

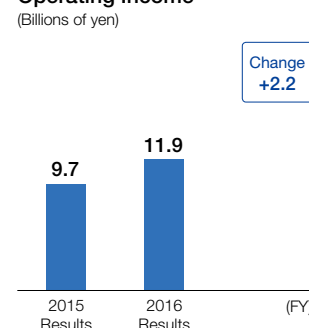
Net sales increased following higher demand for replacing aging hydro power generation facilities and increasing the output of other existing hydro power facilities as well as a rise in demand for smart meters, which was a result of power companies switching over to such meters in conjunction with the deregulation of the electricity retail market. As another factor, sales of information systems for the public sector and the academic sector were up.

Operating income rose together with sales volumes of hydro power generation facilities and smart meters.

Net Sales



Operating Income



Industrial Infrastructure

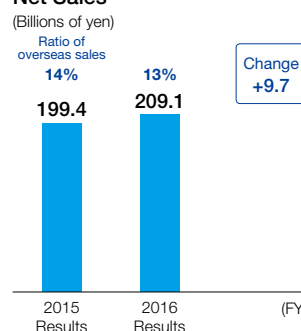
Business Areas

- Substation equipment, industrial power supply facilities
- Industrial drive systems, plant control systems, data centers, industrial energy management systems
- Measuring instruments and sensors, radiation monitoring systems, electrical and air-conditioning equipment construction

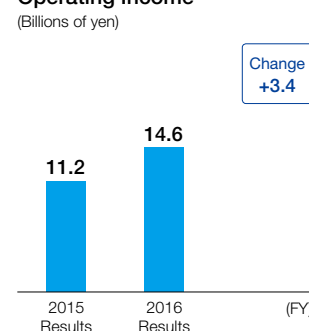
Net sales increased due in part to higher demand for substation equipment and industrial power supply facilities in Japan. Other contributors included strong energy saving and replacement demand among steel and chemical plants and other customers in the materials industry as well as increased sales in new solutions businesses targeting data centers.

Operating income rose due to the benefits of higher demand for substation equipment, industrial power supply facilities, and products for data centers as well as cost reductions.

Net Sales



Operating Income



Capital Expenditure

Investments were conducted in boosting production capacities based on the policy of local design, local production, and local consumption; commencing mass-production of next-generation power semiconductors in the Electronic Devices segment; and enhancing facilities at the global mother factory for the Power Electronics segment in Japan with a view to sales growth. In addition, we started construction of a new factory to expand vending machine production capacity in China.

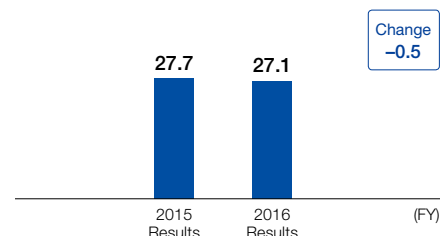
R&D Expenditure

Fuji Electric advanced development of competitive components and solutions that create value for customers. We also developed equipment and platform technologies that utilize the Internet of Things (IoT).^{*1} In the Power Electronics segment, development ventures targeted the creation of new products for expanding plant systems operations. Meanwhile, the development of next-generation power semiconductors that contribute to the realization of more energy-efficient and compact equipment was pursued in the Electronic Devices segment.

^{*1} Internet of Things: Framework for fundamentally revolutionizing business and our daily lives by connecting various objects through networks and enabling them to achieve optimal, autonomous control of one another

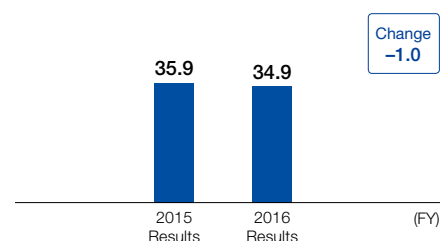
Capital Expenditure

(Billions of yen)



R&D Expenditure^{*2}

(Billions of yen)



Capital Investment

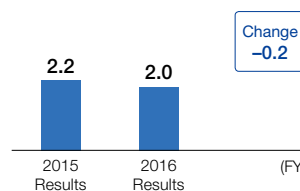
- Equipment for increasing production of smart meters
- Portable machining equipment for providing on-site repair services at thermal power plants

Research and Development

- Improvement of efficiency and compatibility with high temperatures for thermal and geothermal power turbines, etc.

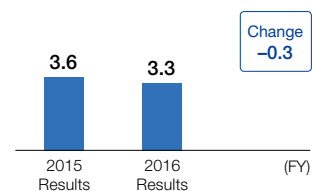
Capital Expenditure

(Billions of yen)



R&D Expenditure^{*2}

(Billions of yen)



TOPICS

Supplied Binary Geothermal Power Generation System among Largest Generation Capacity in Japan

Aiming to contribute to the supply of electricity generated from renewable sources, Fuji Electric took part in a project for building a binary geothermal power generation system that uses lower-temperature hot water. The Company was contacted to perform engineering, procurement, manufacturing, and construction for this project. The system that was delivered boasts a generation capacity of 5,050 kW, among the largest in Japan.



Takigami Binary Geothermal Power Plant of Idemitsu Oita Geothermal Co., Ltd. (left) and turbine (right)

Capital Investment

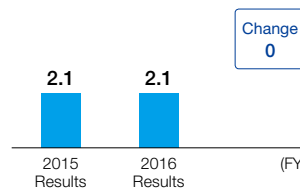
- Production equipment for substation equipment and measuring instruments

Research and Development

- Gas-insulated switchgears for power plants and substations in Asia and the Near and Middle East
- Ultrahigh efficiency indirect external air conditioning equipment that contributes to data center energy savings
56 kW F-COOL NEO (40% higher cooling capacity than previous offerings)

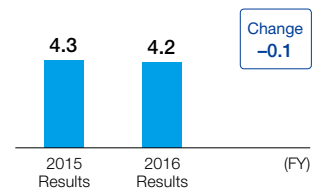
Capital Expenditure

(Billions of yen)



R&D Expenditure^{*2}

(Billions of yen)



TOPICS

Delivered Large-Scale Data Center Project

Demand for data centers is rising rapidly amid the spread of cloud systems. Fuji Electric received an order for a large-scale data center project that entailed an EPC (Engineering, Procurement and Construction) base contract and delivered it.



Shirakawa Data Center of Yahoo Japan Corporation and IDC Frontier Inc.

^{*2} Figures for R&D expenditure above have been divided by segment based on theme and may therefore differ from the figures contained in the consolidated financial report for the fiscal year ended March 31, 2017.

Review of Operations in Fiscal 2016 (By Segment)

Power Electronics

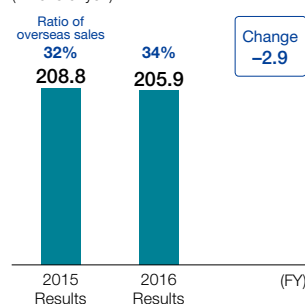
Business Areas • Inverters, servos, motors, railcar systems
• Uninterruptible power systems, power conditioning systems, switchboards
• Power distribution and control equipment

Although sales of servos and other products rose on the back of robust automation demand in China, overall net sales were down. Factors behind this decrease included a decline in large-scale overseas orders for electrical equipment for railcars, lower demand for power conditioning systems for megasolar power generation systems in Japan, and the impacts of unfavorable foreign exchange rates.

Operating income decreased due to lower sales, upfront investments in overseas production bases, and the aforementioned unfavorable foreign exchange rates.

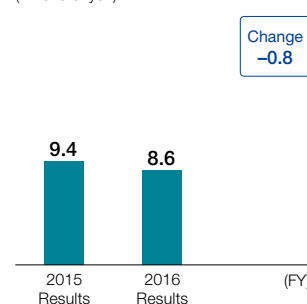
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)



Electronic Devices

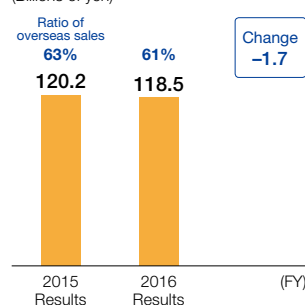
Business Areas • Power semiconductors, photoconductors
• Magnetic disks

Net sales were down, despite higher demand for power semiconductors in the industrial, automotive, and consumer fields, as a result of reduced demand for magnetic disks stemming from the deterioration of market conditions as well as unfavorable foreign exchange rates.

The lower magnetic disk sales and adverse foreign exchange rates also caused operating income to decline.

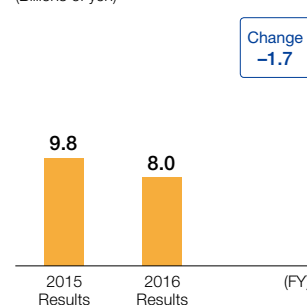
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)



Food and Beverage Distribution

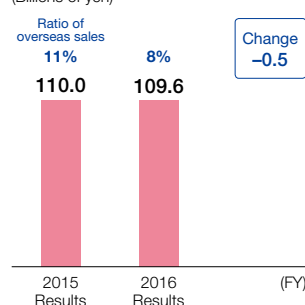
Business Areas • Vending machines for beverage and food / goods
• Store equipment, currency handling equipment

There was a rise in demand for store equipment for convenience stores, but net sales decreased as a result of lower vending machine shipment volumes stemming from reduced demand in Japan and the revision of market development plans in China.

Lower sales of vending machines in Japan and China coupled with a less favorable sales mix for store equipment led to a decline in operating income.

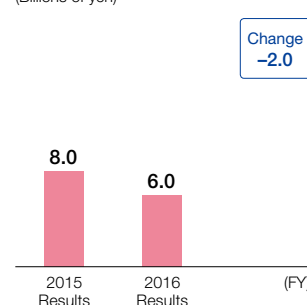
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)



Capital Investment

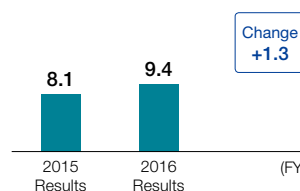
- Reorganization of products manufactured and rationalization of the in-house production systems at global mother factories in Japan (Suzuka Factory and Kobe Factory) to increase product competitiveness
- Construction of Power Electronics Technical Center (Suzuka Factory) that consolidates development and design functions

Research and Development

- New ALPHA7 series servo systems for industrial machinery that contribute to control with industry-leading levels of speed and precision

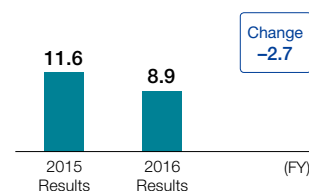
Capital Expenditure

(Billions of yen)



R&D Expenditure**1

(Billions of yen)



TOPICS

Launched New Product into Overseas Market

We introduced a new uninterruptible power system (UPS) for the North American data center market, where demand is anticipated to grow. This product is equipped with Fuji Electric's silicon carbide (SiC) power semiconductors, enabling it to realize power conversion efficiency at industry-leading levels.



UPS for the North American market

Capital Investment

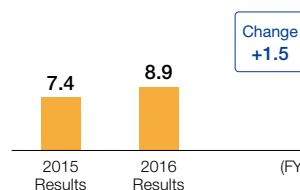
- Equipment for mass-production of 7th-generation IGBT chips at the Yamanashi Factory
- Equipment for increasing production at back-end process bases in Japan and overseas

Research and Development

- Direct liquid-cooling power modules for electric and hybrid electric vehicles (50% more compact and 60% lighter than previous offerings)

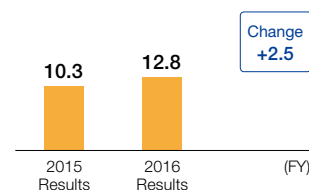
Capital Expenditure

(Billions of yen)



R&D Expenditure**1

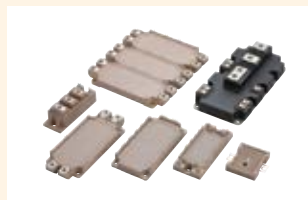
(Billions of yen)



TOPICS

Expansion of Power Semiconductor Series for Industrial and New Energy Fields

Fuji Electric expanded its series of 7th-generation IGBT module power semiconductors, which deliver increased energy savings and contribute to more compact equipment and subsequent space savings. Applications for these products include numerical control machinery and other production equipment as well as power converters for wind and solar power generation systems in the new energy field.



7th-generation IGBT module

Capital Investment

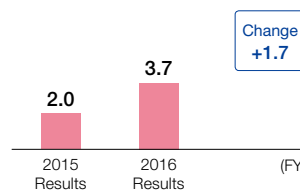
- Construction of second Dalian factory to expand vending machine business in China

Research and Development

- Freezer showcases for stores (30% less electricity consumption than previous offerings), other showcases

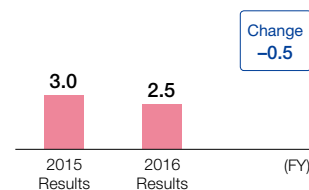
Capital Expenditure

(Billions of yen)



R&D Expenditure**1

(Billions of yen)



TOPICS

Contributions to Labor Savings at Stores

Labor shortfalls are stimulating increases in demand for labor savings and automation at convenience and other stores. Fuji Electric catered to this demand by expanding its lineup of vending machines that can sell goods 24 hours a day and by delivering automatic change dispensers for self-checkout registers.



Vending machine for foods and other goods (left) and automatic change dispensers (right)

*1 Figures for R&D expenditure above have been divided by segment based on theme and may therefore differ from the figures contained in the consolidated financial report for the fiscal year ended March 31, 2017.

Management Plan for Fiscal 2017

Issues to be Addressed in Fiscal 2017

For fiscal 2017, Fuji Electric has set forth a policy of working to construct growth foundations through business model renovation, and we plan to advance initiatives to strengthen the power electronics systems business, further enhance manufacturing capabilities, and re-energize Pro-7 Activities.

Strengthen the Power Electronics Systems Business

Fuji Electric aims to expand its overseas systems operations by creating competitive components. We are implementing the following initiatives through a cross-business structure encompassing development, engineering, production, and after-sales services to ensure that this policy can be implemented effectively. As part of our efforts on this front, we will create differentiated products through marketing practices based on actual market needs and move ahead with the standardization of systems and the development of systems packages for specific target industries. Fuji Electric will also optimize its global supply chain by stepping up coordination among production bases in Japan and overseas. In addition, we will consolidate after-sales service divisions and provide one-stop service based on the customer's perspective to improve customer satisfaction.

New Business Segments

Effective April 1, 2017, the Company underwent a reorganization resulting in the current structure of four business groups comprising five segments.

As part of this move, the power electronics systems business was created through the reorganization of the prior Power and Social Infrastructure segment's social engineering systems business as well as the industrial infrastructure business and the power electronics business. In this new business, we provide two types of solutions. Energy solutions contribute to the consistent supply,

Issues to be Addressed in Fiscal 2017

Construct growth foundations through business model renovation

Implement growth strategies Improve profitability

- Strengthen the power electronics systems business
- Further enhance manufacturing capabilities
- Re-energize Pro-7 Activities

Further Enhance Manufacturing Capabilities

Based on its policies of promoting local production and consumption, Fuji Electric plans to enhance its global mother factories in Japan and pursue coordination with overseas production bases to reinforce its systems for responding to diverse market needs in Japan and overseas.

Furthermore, we will expand in-house production to improve value and productivity while utilizing IoT to reduce costs.

Re-energize Pro-7 Activities

Fuji Electric's Pro-7 Activities is a program that entails a ground-up review of all costs associated with business activities as well as efforts to radically improve operational quality in order to prevent waste and losses. In fiscal 2017, these activities will be re-energized through accelerated implementation at overseas bases by which we aim to enhance earnings systems.

optimization, and stabilization of energy for customers. Industry solutions contribute to improved productivity and energy savings with factory automation and monitoring. In this area, we seek to combine components and systems so that the resulting systems can be utilized to expand overseas operations.

In addition, the newly established Power and New Energy segment will be responsible for the supply of clean and eco-friendly power.

Previous Segments
(~March 31, 2017)

New Business Segments
(April 1, 2017~)

Business Segments	Business Segments	Subsegments	Value Provided
Power and Social Infrastructure	Power Electronics Systems	Energy Solutions	Consistent supply, optimization, and stabilization of energy
Industrial Infrastructure		Industry Solutions	Automation, productivity improvement, and energy savings
Power Electronics	Power and New Energy		Clean and eco-friendly power
Electronic Devices	Electronic Devices		Efficiency improvement and energy savings
Food and Beverage Distribution	Food and Beverage Distribution	<ul style="list-style-type: none"> • Vending machines • Store distribution 	Food safety and security, labor savings

Fiscal 2017 Targets

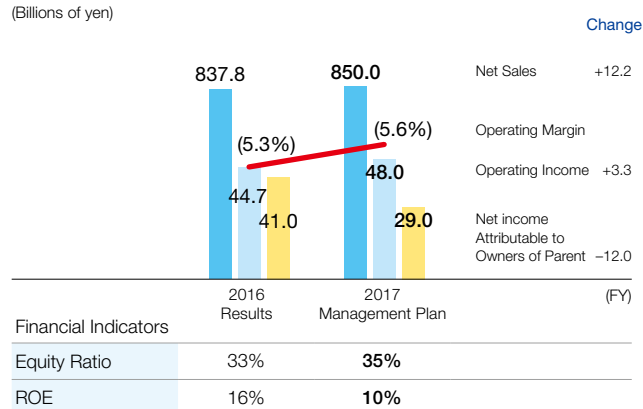
Net sales are projected to increase ¥12.2 billion year on year, to ¥850.0 billion, as the benefits of progress in growth strategies and higher domestic and overseas demand will outweigh the negative impacts of foreign exchange influences.

In addition, we will target a record high for operating income of ¥48.0 billion, an increase of ¥3.3 billion year on year. This accomplishment is to be achieved through higher sales as well as through cost reductions stemming from enhancements to manufacturing capabilities.

Net income attributable to owners of parent is forecast to decline ¥12.0 billion year on year due to the absence of the gain on sales of investment securities recorded in fiscal 2016.

Meanwhile, we are anticipating an equity ratio of 35% and return on equity of 10%.

(Billions of yen)



Projected Foreign Exchange Rates in Fiscal 2017
 US\$1 = ¥105, €1 = ¥115, RMB 1 = ¥15.7

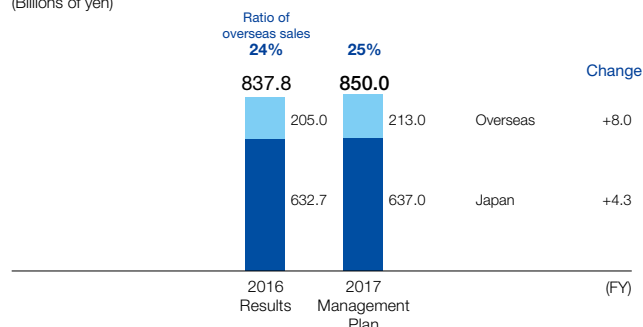
Domestic and Overseas Net Sales

Domestic net sales of ¥637.0 billion, an increase of ¥4.3 billion year on year, are projected to be achieved through higher sales from plant projects in the Industry Solutions and Power and New Energy segments.

Although foreign exchange rates will place downward pressure on earnings of overseas subsidiaries when translated to yen, overseas net sales are forecast to increase ¥8.0 billion, to ¥213.0 billion. This increase will be a product of a rise in sales of sub-station systems in the Energy Solutions segment and of vending machines in the Food and Beverage Distribution segment.

Net Sales (Japan and Overseas)

(Billions of yen)



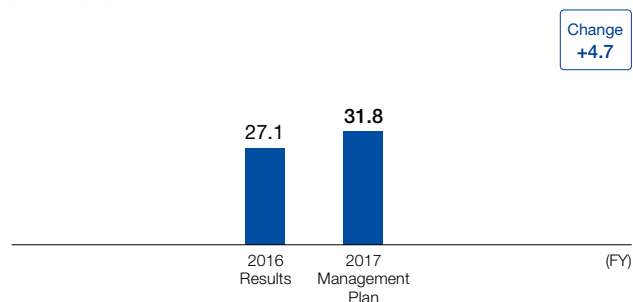
Capital Expenditures

The policy of local design, local production, and local consumption pursued in fiscal 2016 will be maintained in fiscal 2017. Investment targets will include production equipment compatible with SiC power semiconductors and other new product developments in the Electronic Devices segment and production equipment for boosting vending machine production capacity in China in the Food and Beverage Distribution segment.

Furthermore, investments will be conducted to facilitate Companywide efforts to utilize IoT for automating production equipment and tracking production data in order to improve product competitiveness.

Capital Expenditures

(Billions of yen)



R&D Expenditures

R&D ventures for creating competitive, value-added products will be accelerated.

Specifically, we will focus on the development of differentiated equipment and platform technologies to give rise to solutions that create value for customers by utilizing new power electronics systems products and IoT.

In the Electronic Devices segment, which accounts for approximately 40% of R&D expenditures, our focus will be the power semiconductors that are the source of Fuji Electric's competitive edge.

R&D Expenditures

(Billions of yen)



Management Plan for Fiscal 2017 (By Segment)

Power Electronics Systems—Energy Solutions and Industry Solutions

Fuji Electric provides energy solutions, which contribute to the consistent supply, optimization, and stabilization of energy, as well as industry solutions, which contribute to improved productivity and energy savings via factory automation and monitoring.

Business Areas

Energy Solutions

- **Energy management**
Factory energy management systems, power distribution, smart meters
- **Transmission and distribution**
Substation equipment, industrial power supply facilities
- **Power supplies**
Datacenters, uninterruptible power systems, power conditioning systems, switchboards
- **ED&C components**
Power distribution and control equipment



Substation equipment



Data center

Industry Solutions

- **Factory automation**
Inverters, motors, factory automation components and systems
- **Process automation**
Drive control systems, measurement and control systems
- **Environmental and social systems**
Distribution systems, plant factories, measuring instruments and sensors, radiation monitoring systems, transportation systems
- **Equipment construction**
Electrical and air-conditioning equipment installation
- **IT solutions**
Information systems



Servo system



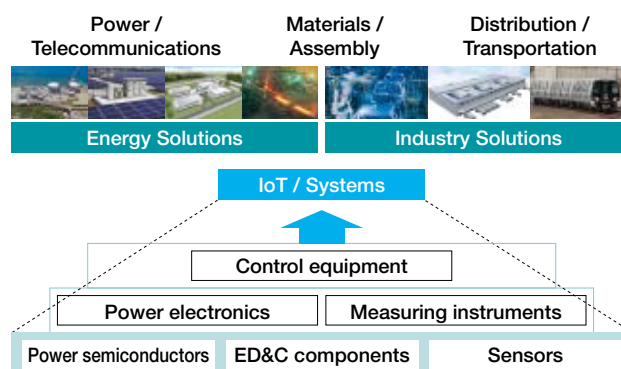
Plant monitoring and control system

Power Electronics Systems Business Policies

- **Create competitive components**
- **Enhance systems using competitive components**
- **Expand overseas businesses by leveraging systems**

With a focus on power semiconductors and sensors, Fuji Electric will create competitive components, including power electronics, measuring instruments, and control equipment. These components will be utilized to form high-value-added systems, which we will bundle with engineering and after-sales services and provide to customers to resolve the issues they face.

In addition, we will reinforce our engineering systems centered on overseas subsidiaries acquired through M&A activities to expand systems operations in Asia, North America, and other regions.



Business Linked Through Cross-Business Structure

We are implementing business policies through a new cross-business structure for development, engineering, production, and after-sales services.

Development

Fuji Electric will create differentiated products through marketing practices based on actual market needs. To this end, development will be accelerated for power electronics equipped with SiC power semiconductors as well as for systems that combine sensors, control equipment, and IoT technologies. We will also standardize designs and expand use of shared parts to shorten development lead times and reduce costs.

Production

Fuji Electric will optimize its global supply chain by stepping up coordination between global mother factories in Japan and overseas production bases. In addition, productivity improvements and cost reductions will be pursued through business-wide system quality management, expanded in-house production and standardization, and automation.

Engineering

Fuji Electric will provide visualization of plant system costs. At the same time, we will bolster system proposal capabilities through reductions in costs and lead times achieved by standardizing systems and developing systems packages for specific target industries with a focus on differentiated products.

After-Sales Services

Fuji Electric will seek to increase customer satisfaction by consolidating after-sales service divisions to provide one-stop service based on the customer's perspective. We will also enhance facility maintenance proposals in Japan and reinforce overseas after-sales business foundations as we strive to grow our service sales on a global basis.

Energy Solutions

Priority Measures for Fiscal 2017

Strengthen the Transmission and Distribution Business

Fuji Electric will devote efforts to incorporating domestic replacement demand for substation equipment while enhancing manufacturing and engineering capabilities in Asia.

Reinforce the Data Center Business

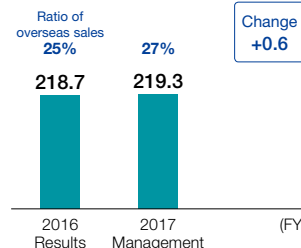
Fuji Electric aims to reinforce its data center business, which is expected to see demand growth in Asia and North America. To support this business, we will develop system packages bundling uninterruptible power systems (UPSs) with indirect external air-conditioning and other equipment. We will also promote sales of UPSs equipped with SiC power semiconductors as differentiated products in the domestic and overseas markets.

Capture Domestic Construction Demand in ED&C Components Business

Out of consideration for the strong domestic construction demand, Fuji Electric will seek to increase sales of ED&C components by redoubling efforts to take advantage of demand from distribution panel manufacturers as well as from machine tool and other machinery manufacturers.

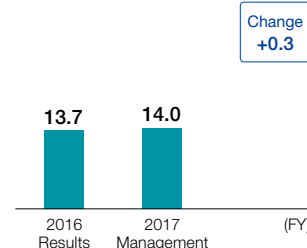
Net Sales

(Billions of yen)



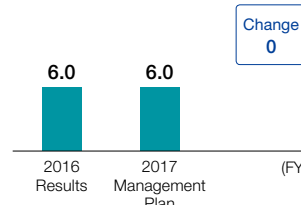
Operating Income

(Billions of yen)



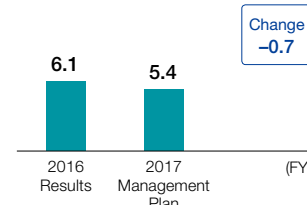
Capital Expenditures

(Billions of yen)



R&D Expenditures*

(Billions of yen)



Capital Investment

- Production facilities for smart meters and ED&C components, etc.

Research and Development

- Development of low-cost smart meters and electricity storage systems, expansion of series of SiC-equipped UPSs, etc.

Industry Solutions

Priority Measures for Fiscal 2017

Expand the Factory Automation Systems Business

Looking to capture factory automation demand centered on assembly processing plants in China and Japan, Fuji Electric will expand its factory automation systems business through combinations of servo systems, programmable logic controllers, and other equipment.

Strengthen the Process Automation Business

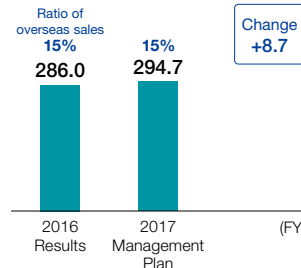
Our process automation business targets steel and chemical plants as well as other customers in the materials industry. In this business, Fuji Electric will boost productivity in domestic manufacturing industries and take advantage of replacement demand for energy-saving equipment, among others. At the same time, the Company will strengthen its overseas operations by leveraging engineering companies in Vietnam and India.

Increase Distribution Field Sales

Fuji Electric will seek to expand sales in the distribution field, which is growing in Japan, by deploying systems solutions that incorporate IT facility monitoring and other functions into distribution control and cold chain systems.

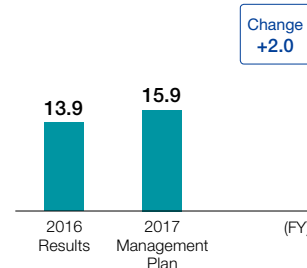
Net Sales

(Billions of yen)



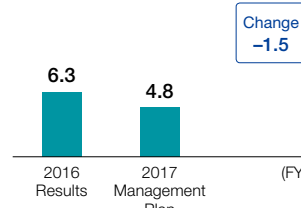
Operating Income

(Billions of yen)



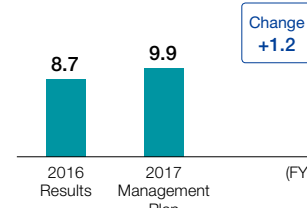
Capital Expenditures

(Billions of yen)



R&D Expenditures*

(Billions of yen)



Capital Investment

- Rationalization of facilities at power electronics systems factories and introduction of production equipment for new products, etc.

Research and Development

- SiC applied power electronics equipment, factory automation systems, motion and servo equipment, field equipment and systems compatible with IoT, etc.

* Figures for R&D expenditures above have been divided by segment based on theme and may therefore differ from the figures contained in the consolidated financial report for the fiscal year ended March 31, 2017.

Management Plan for Fiscal 2017 (By Segment)

Power and New Energy

Fuji Electric's sophisticated plant engineering capabilities meet the growing demand for electricity by providing high-efficiency thermal power generation plants as well as eco-friendly geothermal, hydro, solar, and wind power generation equipment and fuel cells.

Business Areas

Thermal Power



Renewable and New Energy



Geothermal power generation plants



Hydro power generation facilities



Solar power generation systems



Wind power generation systems



Fuel cells

Nuclear Power-Related Equipment

(Fuel handling equipment and waste treatment equipment)



Priority Measures for Fiscal 2017

Fuji Electric will target consistent, ongoing business growth by catering to rising demand for renewable energy and other forms of power and by expanding after-sales businesses.

Expand Orders for Thermal Power Generation Plants

In the midst of the progressive deregulation of the electricity retail market in Japan, Fuji Electric will work to continue receiving thermal power-related orders from power producers while approaching new customers. At the same time, we will expand orders in Asia and the Near and Middle East.

Thorough management of project progress will also be practiced while reducing costs.

Grow Renewable Energy Orders

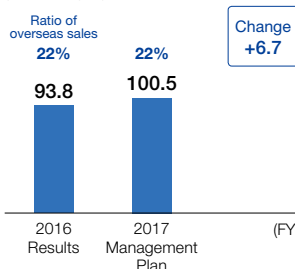
The Company will strive to continue receiving geothermal power-related orders in Asia while growing orders in the African and Central and South American markets. In Japan, sales promotions for binary geothermal power generation systems will be advanced while leveraging our past delivery track record.

In the solar power field, we will target an ongoing flow of orders for large-scale engineering, procurement, and construction projects in Japan while simultaneously entering into the Asian market.

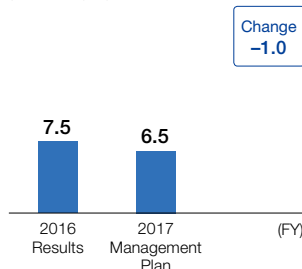
Secure Stable Earnings by Expanding After-Sales Businesses

Fuji Electric will establish new bases in the Middle East and develop a global network linking Japan, Taiwan, the Americas, and Indonesia with the aim of expanding its thermal and geothermal power after-sales businesses. At the same time, increased sales will be targeted at RTS Holdings, Inc., a U.S. company that was acquired and subsequently converted into a subsidiary in fiscal 2015, while also deploying this company's expertise at other overseas after-sales service bases. We thereby aim to increase the service provision capabilities of these bases.

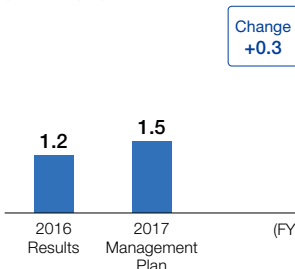
Net Sales (Billions of yen)



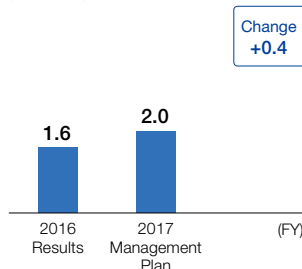
Operating Income (Billions of yen)



Capital Expenditures (Billions of yen)



R&D Expenditures* (Billions of yen)



* Figures for R&D expenditures above have been divided by segment based on theme and may therefore differ from the figures contained in the consolidated financial report for the fiscal year ended March 31, 2017.

Capital Investment

- Rationalization of production facilities at the Kawasaki Factory, enhancement of equipment at RTS, etc.

Research and Development

- Improvement of thermal power turbine efficiency, development of new power conditioning sub-system models for solar power generation systems, development of next-generation fuel cells, etc.

Electronic Devices

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

Business Areas

	Industrial Field	Automotive Field	Consumer Field and Others
Application	 Inverters Numerical control machinery Power conditioning sub-systems	 Automobiles	 Servers Flat-screen TVs
Products	 IGBT modules SiC modules	 Automotive IGBTs Pressure sensors	 Power control ICs Power MOSFETs

Priority Measures for Fiscal 2017

In its power semiconductor business, Fuji Electric will accelerate the development of high-value-added products in the industrial and automotive fields to create a highly profitable operating structure and grow sales. We will also seek increased productivity by investing in equipment for manufacturing new products and bolstering 8-inch wafer production capacity.

Our focus in the magnetic disk business will be to secure stable sales volumes and maintain profitability.

Increase Sales of Power Semiconductors for the Industrial Field

A major focus will be promoting sales of 7th-generation IGBT modules that realize greater energy savings while enabling equipment to be made more compact and light requirements. Specific applications targeted with these modules will be numerical control machinery and robots, which are performing well amid the trend toward factory automation and adoption of IoT technologies, and air-conditioning equipment, which is witnessing growing demand centered on China.

Step Up Power Semiconductor Product Development

Currently, there is demand for the components used in electric vehicles to be made lighter and more compact in order to increase driving performance and reduce environmental impacts. Fuji Electric will respond to this trend by utilizing its cutting-edge chip, package, and cooling technologies to develop IGBT modules boasting the industry's top levels of output electric power density. Through these efforts, we aim to realize future sales growth.

Furthermore, we will expand our series of SiC products, which contribute to higher levels of power conversion efficiency and more compact equipment, for a wide range of fields, including the industrial equipment, railway, and automotive fields. Development ventures for enhancing performance will also be accelerated.

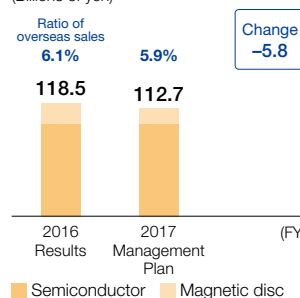
Bolster 8-Inch Power Semiconductor Wafer Production Capacity

We will bolster the 8-inch wafer production capacities of the Matsumoto Factory and the Yamanashi Factory while shifting

toward large-diameter wafer fabrication in front-end processes to increase productivity.

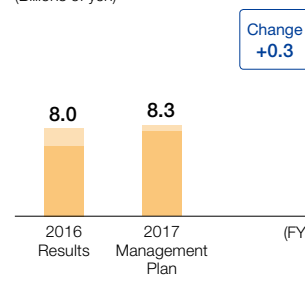
Net Sales

(Billions of yen)



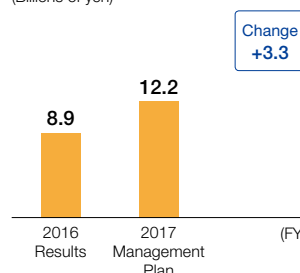
Operating Income

(Billions of yen)



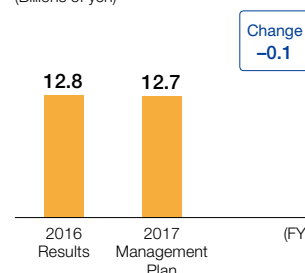
Capital Expenditures

(Billions of yen)



R&D Expenditures*

(Billions of yen)



* Figures for R&D expenditures above have been divided by segment based on theme and may therefore differ from the figures contained in the consolidated financial report for the fiscal year ended March 31, 2017.

Capital Investment

- Production equipment for 7th-generation IGBT modules and SiC products, 8-inch wafer production capacity increases, expansion of automotive module production equipment, doubling of air conditioner intelligent power module production capacity, etc.

Research and Development

- SiC devices and modules, 7th-generation IGBT module product development, automotive devices and modules, etc.

Management Plan for Fiscal 2017 (By Segment)

Food and Beverage Distribution

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

Business Areas

Vending Machines



Can and PET bottle vending machines



Vending machines for food and other goods (models for China and other Asian markets)

Store Distribution



Showcases



Automatic change dispensers



Eco-friendly stores

Priority Measures for Fiscal 2017

In the vending machine business, we will maintain our leading share in the domestic market while expanding operations in the growing Chinese and Southeast Asian markets.

Meanwhile, we will step up the development and proposal of new products that provide energy-saving and laborsaving benefits to convenience stores and that address operating environment changes in the store distribution business.

Maintain Top Share of Domestic Vending Machine Market

We aim to maintain the current level of domestic sales in the vending machine business, despite the contraction of the Japanese market. To accomplish this goal, we will respond to customer needs by developing new vending machine models that can be operated with increased efficiency. These vending machines will, for example, use IoT technologies to realize labor savings, formulate sales projections, or offer remote malfunction monitoring functions.

We will seek to maintain consistent levels of production to increase productivity as we also reduce costs and regionalize operating structures.

Enhance Vending Machine Business Structures in China and Southeast Asia

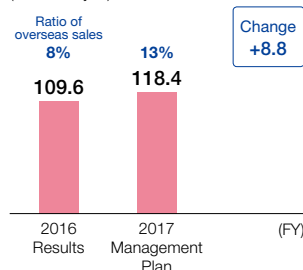
Vending machine demand in China and Southeast Asia is expected to grow together with automation and cashless payment needs. We are thus working to enhance our business structures in these areas. For example, the completion of the second vending machine factory in Dalian, China will enable us to produce 100,000 units a year in this country. Development, sales, and after-sales services systems in China will also be strengthened. In Southeast Asia, we are making efforts to meet the needs for replacing second-hand vending machines with brand new ones mainly in Thailand and to expand our lineup of models. In addition, we are actively managing operator companies, which use vending machines as a venue to sell the items contained therein. The Company is thereby working to create new markets.

Contribute to Development of Appealing Stores

Fuji Electric is bolstering its efforts to develop and propose new vending machine models that address the laborsaving needs of the domestic convenience store market as well as the changing customer demographics and tastes seen therein.

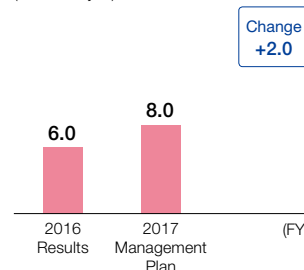
Net Sales

(Billions of yen)



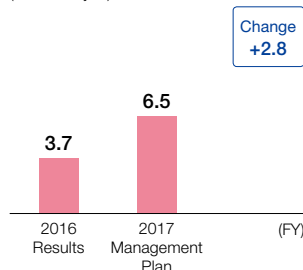
Operating Income

(Billions of yen)



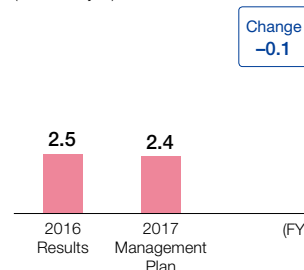
Capital Expenditures

(Billions of yen)



R&D Expenditures*

(Billions of yen)



* Figures for R&D expenditures above have been divided by segment based on theme and may therefore differ from the figures contained in the consolidated financial report for the fiscal year ended March 31, 2017.

Capital Investments

- Construction of second Dalian factory, expansion of in-house store equipment production, etc.

Research and Development

- Development of fundamental technologies that contribute to labor savings and new models of vending machines for the Chinese and Asian markets, etc.

Management Plan for Fiscal 2017 (Overseas Operations)

Overseas Operations

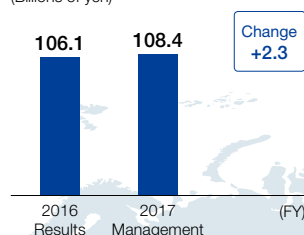
Fuji Electric is applying its policy of local design, local production, and local consumption to building overseas operation foundations. As part of this undertaking, we are developing sales, engineering, and production bases in China, other parts of Asia, the Americas, and Europe. As of March 31, 2017, we had 51 overseas sales and engineering bases and 19 overseas production bases located around the world. We are also focused on acquiring human resources and sales channels overseas. The Company conducted eight M&A transactions over the period from April 1, 2013, to March 31, 2016, and Fuji Electric currently has 45 consolidated subsidiaries outside of Japan.

Going forward, we will continue to enhance our manufacturing and engineering systems in growing markets, such as India and other parts of Asia.

Asia

- Strengthen and expand systems businesses that target factories and plants and utilize acquired bases in Vietnam and India (Energy Solutions, Industry Solutions)
- Grow market by expanding lineup of new vending machine products and managing operator companies in Thailand (Food and Beverage Distribution)

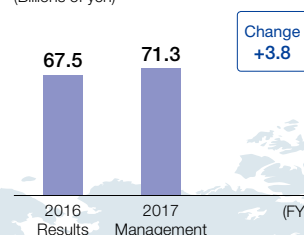
Net Sales in Asia (Excluding China)
(Billions of yen)



China

- Expand operations targeting data centers (Energy Solutions)
- Strengthen factory automation systems business in conjunction with growing factory automation investment (Industry Solutions)
- Increase vending machine production capacity and enhance sales and after-sales service bases (Food and Beverage Distribution)

Net Sales in China
(Billions of yen)



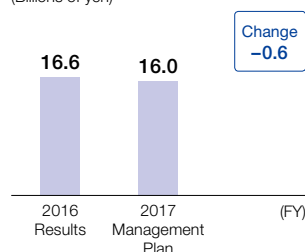
Expansion of Overseas Network (March 31, 2013 → March 31, 2017)

- Consolidated subsidiaries: 22 → 45
- Sales and engineering bases: 47 → 51
- Production bases: 14 → 19

Europe

- Bolster sales through promoting coordinated inverters and servos operations (Industry Solutions)
- Promote fuel cells sales through collaboration with German fire prevention equipment manufacturers (Power and New Energy)

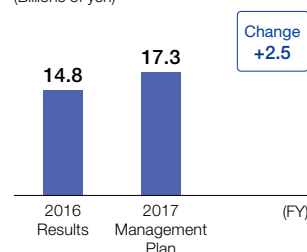
Net Sales in Europe
(Billions of yen)



Americas

- Expand thermal and geothermal power after-sales businesses (Power and New Energy)
- Promote sales of UPSs for data centers (Energy Solutions)
- Grow railcar business (Industry Solutions)

Net Sales in the Americas
(Billions of yen)



Research and Development / Intellectual Property

Research and Development

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

The Company has designed its R&D system to accelerate R&D activities by delegating product development functions to the respective business groups while the corporate R&D group handles technology marketing, advanced research, and basic research.

R&D Policies

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

Initiatives in Fiscal 2016



Creation of Competitive Components and Systems

■ Motion Control System

Fuji Electric has succeeded in developing a new motion controller and servo system that enables faster and more accurate positioning of precision processing and other equipment. The motion control system comprised of these two new products realizes fast and precise device control and features safety functions for guaranteeing safer operation.



New motion controller, SPH3000D



New servo system, ALPHA7

■ Trench Gate SiC-MOSFET

Fuji Electric was involved in the development of a trench gate SiC-MOSFET.*¹ This device boasts a resistance level that is among the lowest in the world (1200 V, 3.5 mΩ cm²), meaning that it can contribute to loss reductions of more than 70% in comparison to Fuji Electric's Si devices when incorporated into an inverter. We intend to utilize this device in all SiC modules going forward.

*¹ Created through joint research with Tsukuba Power-Electronics Constellations, which was established by the National Institute of Advanced Industrial Science and Technology



Trench gate SiC-MOSFET

Development of Product Technologies Utilizing Technology Marketing

■ Diagnosis Functions for Steel Rolling Facilities

Customers can incur losses if the operation of facilities is halted. Fuji Electric is currently developing abnormality diagnosis functions for steel rolling facilities with the aim of helping minimize these losses. Installing these diagnosis functions into facilities' drive control equipment will allow for facility data to be collected and diagnosed so that facility abnormalities can be predicted before they occur. In the future, we will look to install such diagnosis functions into cloud-based systems*² in order to deliver this service to as many customers as possible.

*² Server systems that collect data via networks and analyze this data



Steel rolling facilities
Note: The facilities in the photograph above are not equipped with Fuji Electric's diagnosis functions.

■ Digital Signage Vending Machines

Together with JR East Water Business Co., Ltd., Fuji Electric developed a digital signage vending machine to provide new and valuable experiences through vending machines. Equipped with the Company's payment interface,*³ this vending machine makes purchasing drinks more convenient by making pre-payment or regular purchases possible via a smartphone application.

*³ Program that links digital signage applications to vending machine software



New digital signage vending machine

Realization of New Innovation

Fuji Electric is advancing joint research with Japanese universities and research institutions based on comprehensive partnership agreements. In addition, we have endowed laboratories at the

University of Tsukuba and the University of Yamanashi and are advancing efforts in research and the development of human resources in the fields of power devices and power electronics.

Future Initiatives

Foci of Fuji Electric's R&D activities going forward will include SiC power semiconductors, automotive power semiconductors, SiC-equipped power electronics products, and other components with unrivaled levels of competitiveness. We also develop factory automation and process automation systems and IoT solutions that are synergetic with these components while fostering human resources through the process of tackling new challenges.

Intellectual Property

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

IP Policies

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

Initiatives in Fiscal 2016

IP Activities in the Initial Stages of Business

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

Main Fields for Patent Applications

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

Global IP Activities

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

In fiscal 2016, our local IP division in China led efforts to enhance patent survey and application functions and to implement countermeasures against counterfeit products. In addition, more stringent measures were implemented for reducing IP risks in conjunction with the growth of the vending machine business.

As part of its contributions to international standardization movements, with the aim of ramping up acquisition of certification under the standards of the International Electrotechnical Commission (IEC), Fuji Electric registered the Fukiage Factory as a factory certified by the IEC System of Conformity Assessment Schemes for Electrotechnical Equipment and Components (IECEE). As a result, it is now possible to conduct certification tests at this factory.



IP risk seminar in China

Manufacturing

Based on its policies of promoting local design, local production, and local consumption, Fuji Electric employs a framework in which production bases in Japan act as mother factories for global manufacturing operations and coordinate with overseas bases in China and other Asian countries. We also strive to transmit the manufacturing DNA that we have continued to pass down since Fuji Electric's inception while tackling new manufacturing challenges utilizing IoT, improving productivity, and seeking to provide products and services of the highest caliber.

Manufacturing Policies

- Innovate production with IoT and M2M*
- Promotion of global supply chain reform
- Enhance on-site production capabilities, production technology capabilities, and human resource development

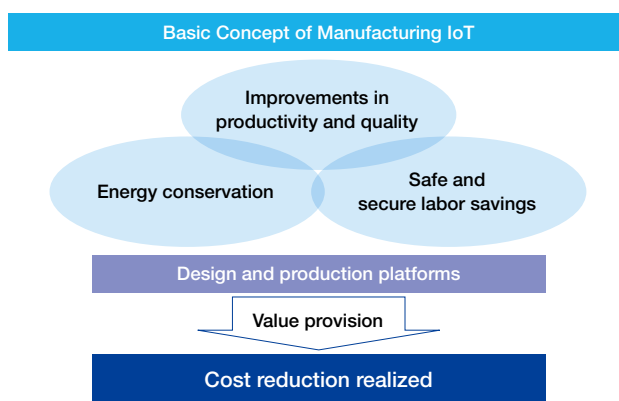
* Machine to Machine: System for realizing automated and optimal control by having machines exchange information without human involvement



Initiatives in Fiscal 2016

Cost Reductions through Manufacturing IoT

The basic concept of manufacturing IoT has been realized as cost reductions. Based on this concept, we identified model factories at which we worked toward improvements in productivity and quality, safe and secure labor savings, and energy conservation. In addition, we promoted use of Fuji Electric's IoT products while seeking to develop new products. Going forward, these activities will be extended to other factories and proposed to customers to contribute to their businesses.



Strengthening of Production Technology Capabilities

In fiscal 2016, we undertook a reorganization of the models manufactured at the Suzuka Factory and the Kobe Factory, which are both mother factories for global manufacturing activities in the power electronics systems business. This move was designed to promote in-house production and automation. Production of components was consolidated into the Suzuka Factory to facilitate efficient manufacturing and the creation of competitive components. Meanwhile, the manufacturing of system products was delegated to the Kobe Factory,

establishing a system in which all processes, from sheet metal processing to shipment, are handled within the factory. As a result, we are now poised to provide more flexible responses to customer needs.



Kobe Factory at which all processes from sheet metal processing to shipment are handled

TOPICS

The Otawara Factory, which mainly produces molded-case circuit breakers, and the Mie Factory, which produces vending machines and freezers and refrigerated showcases, have been designated as model factories at which we will advance manufacturing IoT initiatives. At these factories, we are tracking production, facility operation status, and energy usage metrics in real-time and promoting cost reduction by identifying and analyzing bottleneck processes and automating the creation of processed data.



Monitor tracking metrics

Real-time monitoring of production information



Enhancement of Human Resource Development

Global mother factories in Japan are working to accumulate technologies and expertise. Moreover, by encouraging our employees to participate in the National Skills Competition and the Skill Grand Prix,* we are eager to nurture ambitious employees with superior abilities in production engineering and technology that can take on high-level challenges. At the same time, we are actively transmitting the manufacturing DNA cultivated in Japan to overseas operating bases in order to ensure that we can provide the same levels of quality and service anywhere in the world.

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



Transfer of skills in Suzuka factory

Future Initiatives

In the future, Fuji Electric will pursue production innovations based on the concept of completely localized production along with cost reduction utilizing IoT in order to boost product competitiveness. In fiscal 2017, production activities will commence at the second vending machine factory in Dalian, China. Also, measures for automating testing and inspection processes, utilizing AI for autonomous production, and reducing cost with IoT will be implemented under the guidance of global mother factories in Japan.

Procurement

To increase profitability and reduce risks, Fuji Electric has built a global-scale procurement system and is promoting CSR-oriented procurement activities as it strives to keep down all costs of materials used in products as well as indirect materials.

Procurement Policies

- Promote Strategic Procurement in coordination with Design and development departments
- Heighten indirect material cost reductions and achieve reductions on a global scale
- Enhance global procurement capabilities and cultivate purchasing personnel
- Promote CSR in Procurement

Initiatives in Fiscal 2016



Procurement training at a production base in China

Strengthening of Cost Reduction Measures for Direct and Indirect Materials

In fiscal 2016, the scope of Strategic Procurement (Early Procurement Involvement) activities, which procurement department become involved from the early stages of R&D to reduce costs, was expanded to include suppliers. This move

enabled us to realize cost reductions through improved productivity and other means by promoting coordination between procurement departments, design departments, and suppliers.

Enhancement of Global Procurement Capabilities

In order to enhance global procurement capabilities, we made an effort to educate purchasing personnel working at production bases located in China and the ASEAN region regarding compliance, procurement risks, and negotiation techniques. In addition,

we stepped up coordination with global mother factories in Japan and sharing of supplier and parts information on a Company-wide basis while approaching new local suppliers, successfully furthering growth through these efforts.

Future Initiatives

Moving forward, we will continue to enhance global procurement capabilities while developing procurement information databases that can be accessed from any base around the world in order to facilitate business growth.

CSR Activities

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

We hope that through our promotion of CSR practices, we can continue to build strong relationships of trust with all of our stakeholders.

CSR Policies

To promote CSR on a global basis, we have also established and are implementing the Fuji Electric Code of Conduct, a guideline for all employees that encourages them to share the principles of the corporate philosophy and management policies and act accordingly.

Fuji Electric Code of Conduct

Fuji Electric and its employees, from a global perspective always strives to meet our corporate mission of "We, Fuji Electric, pledge as responsible corporate citizens in a global society to strengthen our trust with communities, customers and partners."

1 Respect and value our customers	2 Respect and value all people	3 Respect and value the global environment
4 Respect and value our shareholders and investors	5 Respect and value interaction with society	6 Respect, value and conform with all applicable laws and regulations

Sustainability Initiatives

Fuji Electric has declared its support for the United Nations Global Compact.

Through its business, Fuji Electric endeavors to contribute to the achievement of the Sustainable Development Goals, which consist of 17 goals and 169 targets that were adopted by the UN General Assembly in September 2015, and is thereby striving to help realize a sustainable society.

SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



More detailed information on Fuji Electric's various CSR activities can be found on the Company's corporate website.
<http://www.fujielectric.com/company/csr/>

ESG Initiatives

Fuji Electric acts from a perspective focusing on environmental, social, and governance (ESG) issues with the aim of realizing ongoing improvements in corporate value. Accordingly, the Company has defined key ESG issues, which it is actively working to address.

Key ESG Issues

ESG Areas		Key Issues	Priority Measures	Associated Pages
Environment		Prevention of global warming	<ul style="list-style-type: none"> Reduce society's CO₂ emissions through provision of energy-saving products Reduce CO₂ emissions during production 	P29–P34
		Creation of a recycling-oriented society	<ul style="list-style-type: none"> Promote 3Rs in relation to products and production activities 	
Social	Human resources	Human rights	<ul style="list-style-type: none"> Entrench awareness of Policy for Human Rights of the Employees among all employees Conduct ongoing human rights training 	P35
		Safe and healthy workplaces	<ul style="list-style-type: none"> Conduct ongoing occupational health and safety training to prevent occupational accidents Carry out safety patrols to prevent serious accidents and frequently occurring accidents 	
		Diversity	<ul style="list-style-type: none"> Employ a diverse range of human resources Reform awareness of management and female employees 	P36–P37
		Work-life balance	<ul style="list-style-type: none"> Develop comfortable workplace environments 	
		Human resources development	<ul style="list-style-type: none"> Cultivate globally competent employees regardless of work locations and nationalities 	
	Contributions to communities	Community outreach	<ul style="list-style-type: none"> Contribute to communities through activities for protecting the natural environment and promoting youth development 	P38
Governance		Compliance	<ul style="list-style-type: none"> Establish compliance promotion systems and effectively implement the Fuji Electric Compliance Program Cultivate mind-set of strict compliance among employees 	P41
		Risk management	<ul style="list-style-type: none"> Identify projected risks, set priorities, and formulate countermeasures for high-priority risks Establish and continually improve BCPs for head office and production bases 	P42–P43

External Recognition

Domestic and overseas socially responsible investment (SRI) rating institutions have selected Fuji Electric as a component of the following SRI indexes out of recognition of its being a company with outstanding CSR performance.

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

Dow Jones Sustainability Indices



FTSE4Good Index Series



Ethibel Sustainability Index (ESI)



Morningstar Socially Responsible Investment Index

Environment

Efforts to protect the global environment are a key management issue for Fuji Electric, and, following the establishment of our Basic Environmental Protection Policy, we continue to promote environmental management with the goal of contributing to global environmental protection through our business activities.

In fiscal 2016, the Energy Conservation Center, Japan awarded Fuji Electric with the highest honor of its FY2016 Energy Conservation Grand Prize: the Grand Prize of Minister of Economy, Trade and Industry. This award was received out of recognition of the energy conservation and risk management measures implemented by using a factory energy management system at the Yamanashi Factory, measures that were part of our Companywide Smart Factory Initiative. The technologies used at this factory will be deployed both inside and outside of the Company going forward.



Yamanashi Factory at which Smart Factory Initiative is being advanced

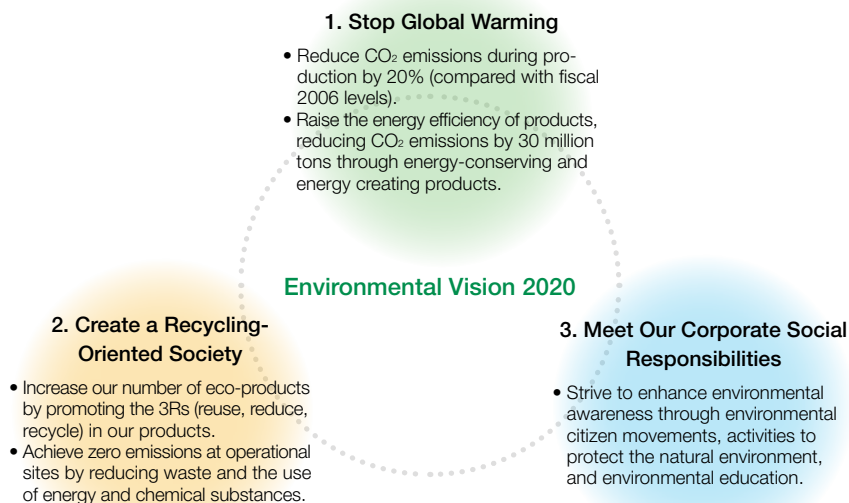
Basic Environmental Protection Policy

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

Environmental Vision 2020

In 2009, Fuji Electric formulated Environmental Vision 2020 to guide its medium-to-long-term environmental activities.

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



Rolling Updates to Environmental Targets

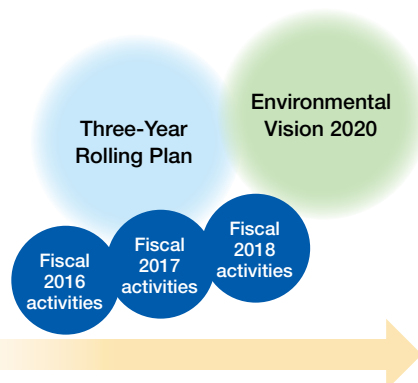
To achieve the goals of Environmental Vision 2020, Fuji Electric has formulated an Environmental Management Three-Year Rolling Plan, designed to promote ongoing efforts.

In this initiative, we verify each year that the environmental management strategy is addressing societal changes and establish detailed targets in various areas, such as the enhancement of environmental management governance, measures to prevent global warming, and measures to address the use of chemical substances.

At the same time, we monitor progress toward targets and circumstances regarding additional items in order to adjust targets and action plans to ensure we have set the right course for the next three years.

In fiscal 2016, the target of reducing society's CO₂ emissions by expanding sales of energy-saving and energy-creating products,

a key indicator for stopping global warming, was raised from the previous 17 million tons to 30 million tons.



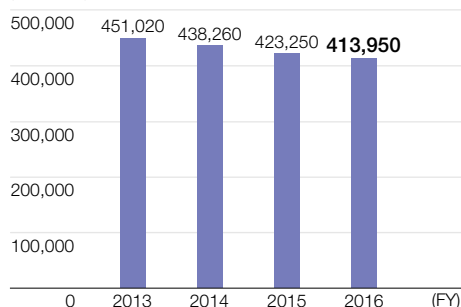
Mapping of the Interplay between Business Activities and Environmental Impact

Fuji Electric is constantly working toward more efficient use of resources and energy and the reduction of waste throughout all of its business activities, particularly those related to design, manufacturing, and disposal. We are also proactive in our efforts to be more environmentally conscious across the entire product and service life cycle.

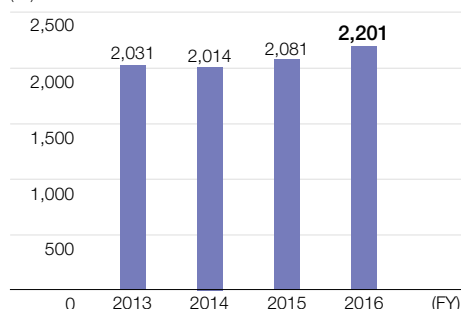
Scope of data collection: Bases worldwide

INPUT

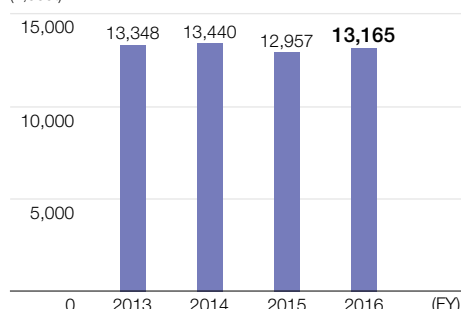
Energy Consumption (Electricity) (1,000kWh)



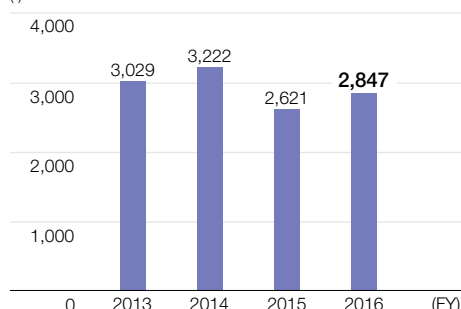
Energy Consumption (Fuel) (TJ)



Water Consumption (1,000t)



PRTR*1-Designated Substances Handled (t)



Fuel usage and emissions volumes increased due to higher production volumes at factories and the move toward in-house production. However, we were able to decrease electricity purchase volumes through energy conservation measures.

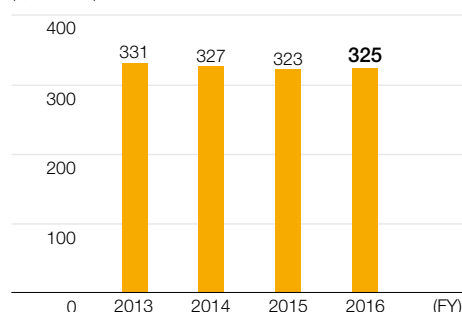


We have sustained a long-term reduction trend in water usage volumes as a result of water recycling initiatives.

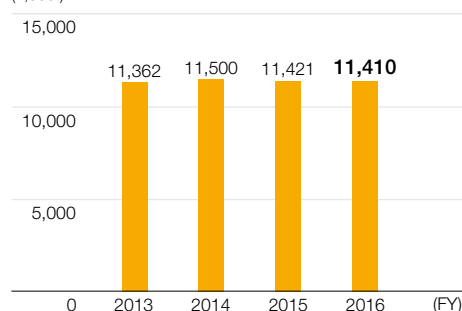
Increased production volumes led to higher usage of PRTR-designated substances, but we prevented emissions of these substances from rising through elimination and treatment.

OUTPUT

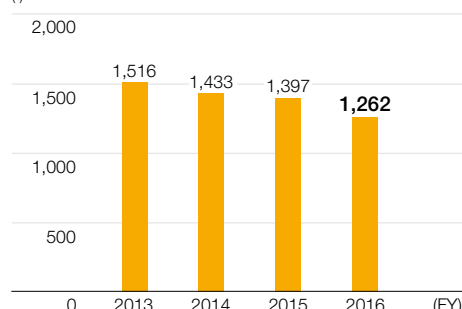
CO₂ Emissions (1,000t-CO₂)



Wastewater Emissions** (1,000t)



Emissions of PRTR-Designated Substances (t)



*1 Pollutant Release and Transfer Register Law

*2 Wastewater emissions refer to volume of water discharged into rivers and other natural environments.

Environment

Efforts to Stop Global Warming

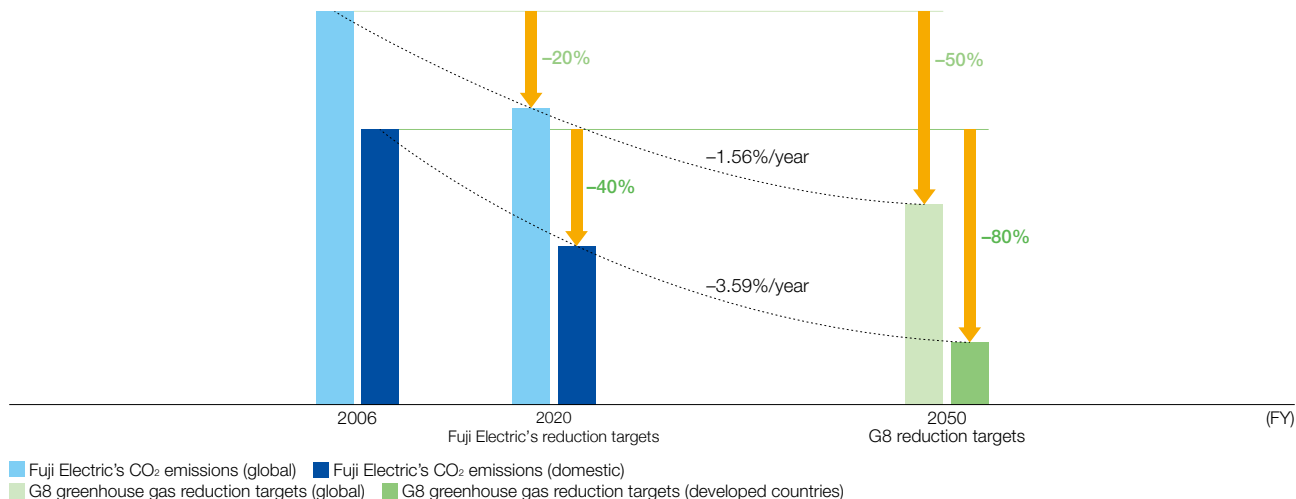
Fuji Electric endeavors to help stop global warming by reducing CO₂ emissions around the world through the supply of energy-saving and energy-creating products and services and through energy conservation activities at factories and offices.

Priority Area	2020 Target	Reasoning Behind Target
Reduction of society's CO ₂ emissions through products	Reduce society's CO ₂ emissions by 30 million tons* ³ through the expansion of sales of energy-saving and energy-creating products	In light of the increase in the number of energy-saving and energy-creating products as well as the new inclusion of biomass, inverter, and other products in the scope of calculation for this goal, the Company's reduction target for 2020 was raised from 17 million tons to 30 million tons. This new reduction target is 100 times greater than the 2020 emissions reduction target of 300,000 tons for Kanagawa Prefecture, which ranked 9th in total emissions from specified business operators under the Act on Promotion of Global Warming Countermeasures* ⁴ by prefecture in 2013, with total applicable emissions of 29.5 million tons.
Reduction of CO ₂ emission during production	Reduce global CO ₂ emissions by 20% and domestic CO ₂ emissions by 40% in comparison to fiscal 2006 levels	At the 2009 G8 Summit in L'Aquila, Italy, an official declaration was made in support of the goals of realizing a 50% reduction in greenhouse gas emissions on a global basis by 2050 and an 80% reduction in developed countries by 2050. Achieving these targets will require annual reductions of 1.56% (for the global target) and 3.59% (for the target for developed countries). The 2020 targets set in the Environmental Vision 2020 in fiscal 2016 call for reductions that are in line with those required by the G8 long-term target for global emissions reductions as shown in the graph below.

*³ Calculated by converting, into CO₂ emission volumes, the energy-creating and energy-saving benefits that would be realized by products sold after fiscal 2009 (that have not reached the end of their usable life) if they have been operational for one year

*⁴ Law Concerning the Promotion of the Measures to Cope with Global Warming

Relationship between G8 Greenhouse Gases Emission Reduction Targets and Fuji Electric's CO₂ Emission Reduction Targets



Reduction of Society's CO₂ Emissions through Products

Target

18,780,000 t-CO₂

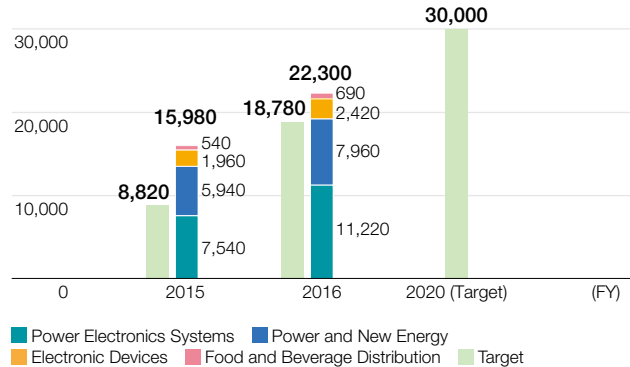
Achievement

○ 22,300,000 t-CO₂

Fuji Electric aims to contribute to reductions in CO₂ emissions across society through increased supply of renewable energy generation equipment as well as through innovations in electrical and thermal energy technologies.

In fiscal 2016, the contribution to CO₂ emission reductions from products was 22,300,000 t-CO₂, up 6,320,000 t-CO₂ year on year and higher than the target of 18,780,000 t-CO₂. This accomplishment was a result of increased sales of inverters and power conditioning systems (PCSs) for stabilizing electricity supplies from wind power systems as well as increased shipments of geothermal and hydro power and other renewable energy generation equipment. This amount of 22,300,000 t-CO₂ is equivalent to 68.6 times the Company's total CO₂ emissions of 325,000 t-CO₂.

Reduced CO₂ Emissions through Products*⁵ (1,000t-CO₂)



*⁵ Amount of CO₂ reduction based on one year of operation of products shipped for each fiscal year after fiscal 2009.
Calculated making reference to the quantification method of GHG emission reductions stipulated in the Electrical and Electronics industries' "Action Plan for Commitment to a Low-Carbon Society."

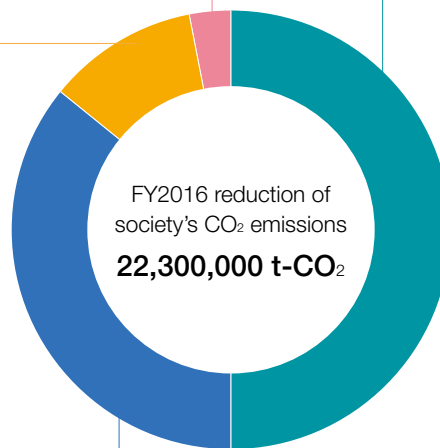
CO₂ Emissions Reduction Contributions by Business and Major Contributing Products

Food and Beverage Distribution 3%

Energy-saving products in this business include vending machines, showcases, and currency handling equipment. Although the contributions to CO₂ emissions reductions are small on the Group scale, our cutting-edge vending machines use 73% less electricity than models from 2006.

Electronic Devices 11%

In this business, contributions to CO₂ emissions reductions are made by supplying low-loss components, such as IGBT modules, intelligent power modules, SiC diodes, and switching integrated circuits and elements. Among these, switching integrated circuits helps reduce idle electricity consumption by electric appliances.



FY2016 reduction of society's CO₂ emissions
22,300,000 t-CO₂

Power Electronics Systems 50%

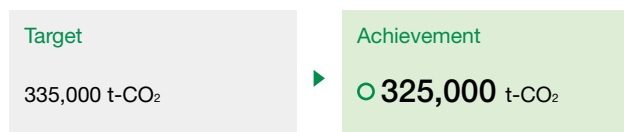
This business contributes to reductions in CO₂ emissions with energy-saving products including inverters, servo systems, uninterruptible power systems (UPSs), PCSs, compact power supplies, ED&C components, high-efficiency motors and transformers, and measurement instruments.

Power and New Energy 36%

Contributions to reducing CO₂ emissions in this business are made through renewable energy generation equipment (geothermal, hydro, photovoltaic, wind, biomass) as well as through high-efficiency thermal power generation systems and fuel cells. In fiscal 2016, there was a particularly large increase in shipments of geothermal and hydro power renewable energy generation equipment.

Environment

Reduction of CO₂ Emissions during Production



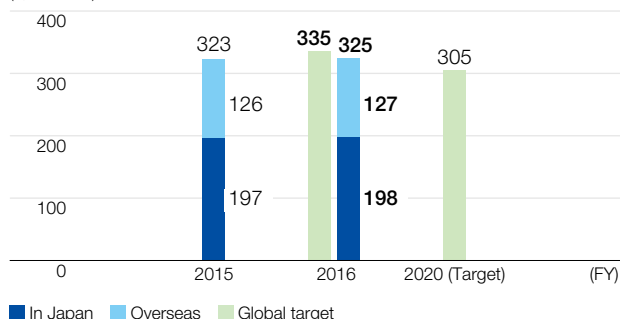
Fuji Electric strives to limit energy costs and reduce CO₂ emissions through energy conservation activities.

CO₂ emissions from production activities in fiscal 2016 increased above the level of 323,000 t-CO₂ from fiscal 2015. This increase was a result of the rise in production at Company factories that stemmed from efforts to bring manufacturing operations back to Japan and promote in-house production. However, at 325,000 t-CO₂, total emissions in fiscal 2016 were still lower than the target of 335,000 t-CO₂, an accomplishment owed to initiatives including implementing top level energy-saving building management practices, upgrading air-conditioning equipment and LED lighting, and consolidating clean rooms. Looking ahead, Fuji Electric will advance further energy conservation activities to move toward the achievement of its 2020 targets.

Furthermore, third-party verification was received for CO₂ emissions data from six major factories in Japan and overseas with the aim of increasing the reliability of this data. Adding to the two domestic factories (Tokyo and Fukiage) already requiring third-party verification under emissions trading systems, we now receive verification for 75% of the Company's total CO₂ emissions (based on fiscal 2015 figures).

Global CO₂ Emissions

(1,000t-CO₂)



Case Example: Energy Savings through the Smart Factory Initiative

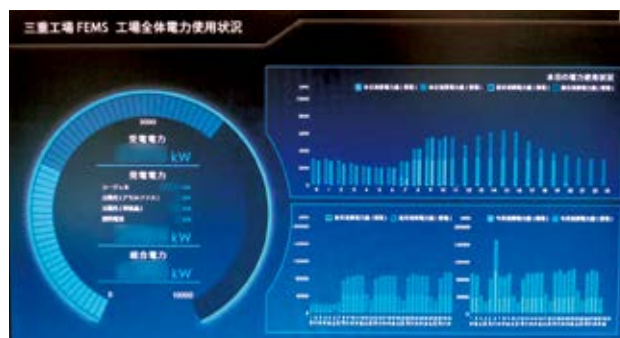
(Mie Factory)

Fuji Electric is advancing the Smart Factory Initiative at the Mie Factory, a principal factory in the Food and Beverage Distribution segment.

This initiative involves pursuing “smarter” operation through the improvement of efficiency of inverter-equipped production and drive facilities, the supply of clean energy via solar power generation and fuel cell systems, and the utilization of a factory energy management system that ensures optimal energy usage throughout the entire factory. In fiscal 2016, these efforts contributed to a 28% reduction in energy consumption from fiscal 2010 levels.

In addition, given the recent increase in energy used in lighting and air-conditioning equipment, we have installed a system for collecting data via internal LAN networks through points established to measure factory lighting and temperature. Utilizing this system, we are monitoring the environment within factory buildings while controlling energy. The collected data is made available for viewing by employees on a specialized website to facilitate educational activities.

In the future, recorded data will be used to realize automated control in order to create systems that improve workplace environments while conserving energy.



Energy data tracking monitor (energy consumption by area)



Energy data tracking monitor (total electricity consumption)

Initiatives to Create a Recycling-Oriented Society

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

Priority Area	2020 Target	Reasoning Behind Target
Efficient use of water resources	Reduce water usage by 20% in Japan	The domestic water usage reduction target for fiscal 2020 has been increased to 20% from the prior target of 10% in comparison to the fiscal 2010 level. As for overseas water usage, previously the only target was reducing water consumption per unit of production by 25% from fiscal 2011 in fiscal 2020. However, as these yen-basis production volumes can vary greatly due to foreign exchange rate movements, we established the new target of achieving a 25% reduction in water usage volume from fiscal 2011 in fiscal 2020.
	Reduce water usage by 25% overseas	
Waste reduction	Achieve zero waste emissions	The Company will strive to achieve zero waste emissions by recycling industrial waste from production processes and reducing the amount of waste sent to landfills.

Efficient Use of Water Resources

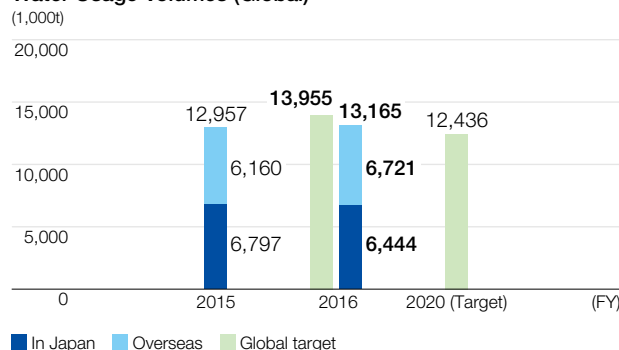
Water Usage Volumes

Target		Achievement	
In Japan	7,645,000 tons	○ In Japan	6,721,000 tons
Overseas	6,309,000 tons	✕ Overseas	6,444,000 tons

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

In fiscal 2016, domestic and overseas water recycling initiatives led to a reduction of 1,117,000 tons in water usage. Total water usage was 13,165,000 tons, even less than the target of 13,955,000 tons.

Water Usage Volumes (Global)



Waste Reduction

Ratio of Waste Sent to Landfills

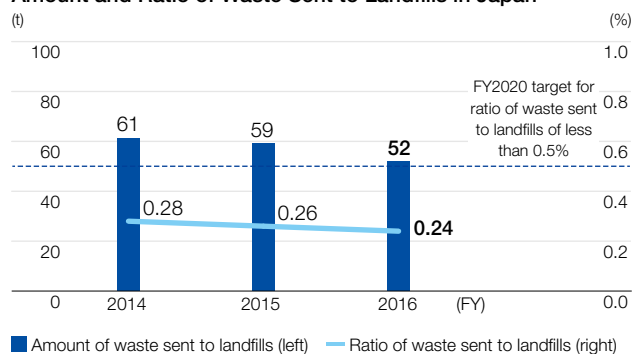
Target		Achievement	
In Japan : Less than 0.5%		○ In Japan	0.24 %
Overseas: Less than 15%		✕ Overseas	14.3 %

In an effort to curb waste and promote resource recycling, Fuji Electric has established a goal of zero waste emissions—a ratio of waste sent to landfills to total waste of no more than 1%. This goal is being pursued by making products more compact and lighter weight, employing designs that do not use regulated substances, and implementing quality control measures at the manufacturing stage to lower the number of defective products created.

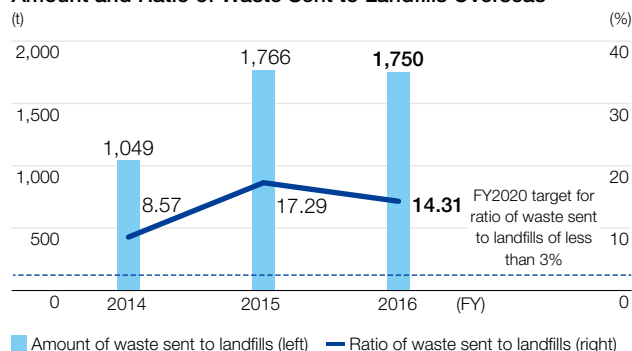
In Japan, Fuji Electric has achieved its goal of zero waste emissions every year since fiscal 2004. In fiscal 2016, we once again achieved our target of reducing the ratio of waste sent to landfills to below 0.5% with a ratio of 0.24%.

Overseas, a change to production processes implemented in fiscal 2015 resulted in us no longer being able to recycle certain sludge, and the ratio of waste sent to landfills consequently increased to 17.29% in this year. Through internal efforts, we were able to reduce this ratio to 14.31% in fiscal 2016. We plan to begin recycling sludge in cement in fiscal 2018.

Amount and Ratio of Waste Sent to Landfills in Japan



Amount and Ratio of Waste Sent to Landfills Overseas



Social (Human Resources)

Fuji Electric focuses on creating workplace environments in which human rights are respected and occupational health and safety are assured. In addition, we acknowledge that diversity is important to the Company's global growth. We therefore aim to incorporate an array of values and perspectives so we can strengthen our competitiveness. Furthermore, recognizing that human resources are the prime driver of our competitive edge and placing diversity as a top priority in our personnel strategy, we will actively cultivate each of our people to fully harness their potential.



Safety patrol

Respect for Human Rights

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

Training and Education

Recognizing workplaces that respect human rights and are free of discrimination and harassment as the basis for all business activities, we continued to implement e-learning programs on harassment for all domestic employees that have not yet undergone this training.

In training for management-level employees, we held group discussions that used case studies to promote understanding with regard to human rights risks from the perspective of human rights needing to be considered during the course of business activities.

Numbers of Employees Undergoing Human Rights Training (FY2016)

Level-specific training (new employees, supervisors, managers)	574
Harassment training (e-learning)	3,639
Training held by human rights organizations and municipal government agencies	43

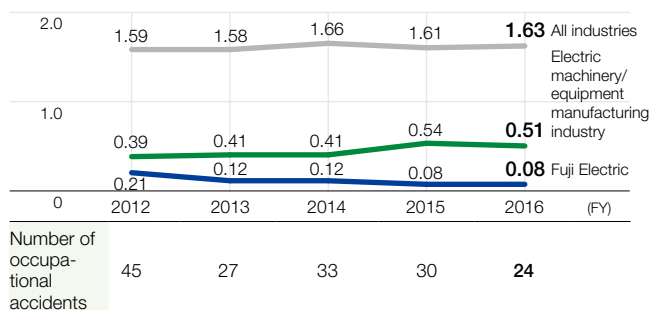
Occupational Health and Safety

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

Ongoing Health and Safety Education and Workplace Safety Patrols

The Company plans and implements occupational health and safety education programs that utilize a practical curriculum throughout each fiscal year. In fiscal 2016, in addition to the regular occupational health and safety education program, a seminar on transportation-related issues was held for managers and drivers, and an aggregate total of 2,956 individuals participated in this seminar. Furthermore, we provided opportunities for occupational health and safety representatives from different fields to inspect each other's factories while also actively conducting safety patrols at domestic and overseas construction sites as well as at overseas bases in China, Southeast Asia, and other areas. As a result, the number of occupational accidents decreased for the second consecutive year.

Frequency Ratio of Occupational Accidents (in Japan)



Health Management and Mental Healthcare

At Fuji Electric, 100% of employees undergo legally mandated regular health examinations. In addition, we provide examinations using state-of-the-art tests and procedures and offer

health guidance to those employees for which health concerns have been pointed out. In this manner, the Company seeks to help employees prevent lifestyle diseases.

Promotion of Diversity

Expanding our business on a global scale will require that we bolster our competitiveness by building a team that is diverse not only in terms of nationalities and genders but also in terms of sensibilities by incorporating individuals with differing beliefs and manners of thinking. For this reason, promoting diversity has been made a top priority in our personnel strategy.

Hiring of Local Employees Overseas

As the Company globalizes its operations to grow and expand its business, Fuji Electric is cultivating locally hired employees and promoting them to management positions so that they can support operations at overseas bases. Local hires fill top management positions at Fuji Electric Corp. of America and Fuji Electric India Private Ltd., and we are currently increasing the number of local hires in management positions in China and

other parts of Asia. These practices help us develop businesses that are closely tailored to the countries and regions in which we operate.



Locally hired staff at Fuji Electric India Private Ltd.

Employment of People with Disabilities

The Company encourages lifetime employment for people with disabilities. We therefore promote hiring and ongoing employment of people with disabilities. In fiscal 2016, we commenced hiring of people with disabilities at the Yamanashi Factory and otherwise continued to expand the scope of duties that can be performed by such individuals in manufacturing, back-office, and other divisions of operating sites across Japan. As a result, 11 people with disabilities were hired (eight new graduates, three mid-career hires).

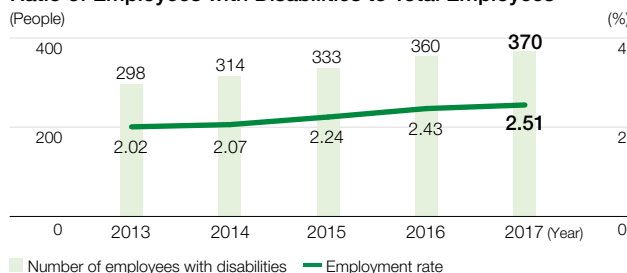


Forklift operation

Major Initiatives

- Ongoing expansion of the scope of duties that can be performed by people with disabilities
- Training for supporting independence

Ratio of Employees with Disabilities to Total Employees



Empowerment of Female Employees

The Company deployed a project for promoting hiring of women with educational backgrounds in science and engineering and also offered internships to help it secure such employees.

In addition, we supported the career development of female employees by holding meetings with new and mid-level female employees that were potential management candidates and determining who among these would be applicable for additional career development support.

Going forward, we will formulate career development plans for all applicable individuals to help them move ahead in their careers.



Meeting held as part of the mentor system for women employees

Major Initiatives

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

Female Employees and Managers

	FY2015	FY2016	FY2017	FY2020 Target
Number of full-time employees	14,260	14,057	13,907	—
Number of female employees	1,764	1,737	1,725	—
Ratio of female employees	12.4%	12.4%	12.4%	—
Number of newly hired female employees*	36	31	31	—
Ratio of female employees among newly hired employees	23.4%	16.9%	14.2%	20%
Number of female employees in management positions*	46	48	48	—
Ratio of female employees in management positions	1.7%	1.9%	1.9%	3.0%
Number of female employees in supervisory positions*	172	192	215	300

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

* Companies hiring new female employees: Fuji Electric and Fuji Electric FA Components & Systems

Inclusion in the Nadeshiko Brand for Two Consecutive Years

In 2017, Fuji Electric was selected for inclusion in the Nadeshiko Brand for the second consecutive year.

Conducted jointly by METI and the Tokyo Stock Exchange, this program recognizes companies that exhibit excellence in empowering female employees and that are pursuing medium-to-long-term improvements in corporate value.



Socail (Human Resources)

Promotion of Work-Life Balance

We are strengthening initiatives to help employees achieve work-life balance by creating workplace environments that are more conducive to the efforts of diverse employees and that enable people to fulfill their potential. We encourage a workstyle of focusing on one's job while at work and resting properly outside of work. Accordingly, we have defined workstyle reforms and support for work-life balance as priority issues, and we are seeking to address these issues by improving upon systems and the corporate culture while promoting collaboration between labor and management.

Workstyle Reforms and Work-Life Balance Support

In fiscal 2016, the Company analyzed workstyles on the workplace and individual levels with the aim of addressing the issue of excessive work hours. Follow-up activities were conducted on a monthly basis after analyzing issues to ensure overtime work was handled appropriately. We have also introduced the following new systems for enabling employees to exercise flexibility in their work hours and location.

- Location Flexible working systems (enable work in satellite or home offices)
- Rehiring request registration system

■ Platinum “Kurumin” Certification

Fuji Electric has acquired Platinum “Kurumin” certification from the Ministry of Health, Labour and Welfare. This certification is bestowed upon companies that already possess standard “Kurumin” certification, have since made progress in introducing and promoting use of work-life balance systems, and are implementing superior initiatives.



Major Initiatives

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

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

	FY2014	FY2015	FY2016
Paid vacation days acquired annually	13.9	13.8	14.3
Average overtime work hours	23.08	23.11	22.07

Numbers of Employees Using Childcare and Long-Term Care Support Systems in Japan

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2020 (Target)
Childcare leave (of which, male)	111 (1)	123 (3)	105 (3)	105 (2)	117 (9)	–
Shortened hours for childcare (of which, male)	173 (0)	183 (1)	189 (2)	211 (1)	219 (1)	–
Long-term care leave (of which, male)	2 (1)	3 (2)	4 (2)	3 (1)	7 (3)	–
Leave for childbirth by spouse (% of total applicable employees)	–	141 (54.0%)	173 (57.9%)	168 (59.8%)	189 (66.1%)	– (90.0%)

Data collected from: Fuji Electric, Fuji Electric FA Components & Systems, Fuji Office & Life Service, Fuji Electric IT Center, Fuji Electric Finance and Accounting Support, Fuji Architect and Engineering, Fuji Electric Frontier

Human Resource Development

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

Training and Education Systems

A wide range of education and training opportunities are provided to employees. In addition to on-the-job training at workplaces and the unique education programs of specific business divisions and bases, we also offer level-based programs on a cross-Company basis and for specialized fields. In fiscal 2016, we took steps to cultivate globally competent employees in order to further the growth of overseas operations. Promising young employees working in the fields of engineering, sales, and production with the potential to become central figures in the future were selected from among the domestic employee base. These individuals were dispatched to bases in Europe, the United States, or Asia for one-year stays during which they acquired overseas operating skills. Furthermore, those employees to be sent overseas from Japan for the first time were given preparatory training. This training focused on the importance of appreciating and cooperating with others regardless of cultural differences as well as on compliance issues.

Major Initiatives

- Level-specific training (when receiving promotions or joining the Company, during 3rd year, etc.)
- Selective training (future management candidates)
- Specialized field training (engineering, business skills, etc.)
- Preparatory training for overseas dispatch

Numbers of Employees Undergoing Training (Fiscal 2016)

Level-specific training	929
Selective training	27
Specialized field training	3,482
Preparatory training for overseas dispatch	73

Social (Contributions to Communities)

Striving to further strengthen its bonds of trust with society, Fuji Electric uses the human resources and technologies nurtured through the Company's business activities to contribute to the resolution of social issues faced around the world. We are advancing various activities in accordance with this basic stance.



Picture books donated through Christmas project for supporting children in regions impacted by the Great East Japan Earthquake (a total of 430 books were donated)

Basic Policy Concerning Local Community Contribution Activities

- 1 Meet the expectations of each era and region using the human resources and technologies nurtured through the Company's business activities
- 2 As a basic principle, engage in activities in areas where the Company maintains business operations
- 3 Coordinate efforts on a global scale to ensure the largest possible number of employees participate in the Company's local community contribution activities

Local Community Contribution Activity Priority Fields

- 1 Protecting the natural environment
- 2 Promoting youth development
- 3 Communicating with local communities
- 4 Supporting Disaster Recovery and Reconstruction Efforts

Case Example: Protecting the Natural Environment —Community Outreach through Dam Building

(Fuji Electric Manufacturing (Thailand) Co., Ltd.)

Protecting Aquatic Organisms by Slowing River Flow

Roughly 100 employees joined members of the local community in building dams in the Nakhon Nayok province of Thailand. The dams built will slow the flow of rivers when water levels rise during the rainy season while maintaining consistent water levels and enabling accumulated water to flow smoothly downstream. As such, the dams will help protect the habitats of the aquatic organisms living in the rivers.



Employees helping build dams



Dam building project

Case Example: Promoting Youth Development —Science Classes

(Otagawa Factory)

Promoting Skillful Use of Energy

Sciences classes were held on the theme of energy and the environment for around 70 sixth graders at elementary schools in Otagawa City, Tochigi Prefecture. Using water to represent energy and waterwheels to represent motors, students learned the importance of designing products with high levels of performance and of proper product usage. This lesson thus taught students that energy savings can be realized by skillfully using high-performance products.



Experiment in which students tried to spin waterwheels with as little water as possible



Water model experiment kit

Case Example: Communicating with Local Communities —Visit to Special Needs Childcare Centers

(Fuji SMBE Pte. Ltd.)

Sharing a Joyous Time with Children with Disabilities

As one facet of our community outreach activities, a total of 25 volunteers, consisting of employees and their families, visited a facility for children with physical and mental disabilities in Johor State, Malaysia. These employees came bearing donations of rice, cooking oil, detergent, toilet paper, and other daily necessities as well as presents that they had prepared personally. These gifts were handed directly to the children. A joyous time was had by all during a performance in which employees sang and danced together with the children.



Donated items



Song being performed with children

Corporate Governance

Fuji Electric is reinforcing its corporate governance toward the betterment of the management transparency and the oversight function. Furthermore, the Company has prepared its response measures to Japan's Corporate Governance Code, which was instituted by the Tokyo Stock Exchange in June 2015. These measures have been compiled into the Company's *Corporate Governance Report*.

Corporate Governance Framework

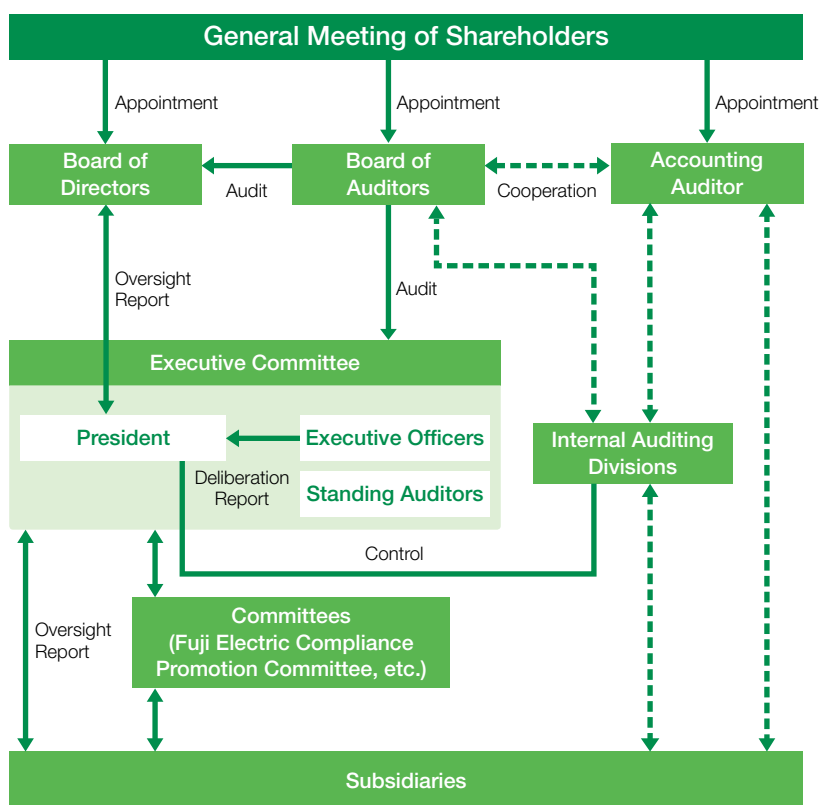
Fuji Electric's corporate governance framework consists of a Board of Directors, which performs the functions of management supervision and making important decisions, and Auditors and the Board of Auditors, which are in charge of the management audit function.

Comprising eight Directors (including three Outside Directors)

and five Auditors (including three Outside Auditors), the governance framework is designed to reinforce the Company's management supervision and audit functions. To this end, the system actively calls on Outside Officers.

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

Corporate Governance Framework



Directors and Board of Directors

The Board of Directors conducts decision making and oversight of the management of Fuji Electric and the execution of its important business. Fuji Electric proactively appoints Outside Directors with a view to strengthening the management supervisory function from an objective perspective and maintaining the validity and propriety of business decisions.

Auditors and Board of Auditors

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

President, Executive Officers, and Executive Committee

The president has ultimate responsibility for execution of business and makes decisions on matters of business execution other than those decided upon by the Board of Directors. The Executive Committee is composed of Executive Officers and Standing Auditors and functions as a consulting system for the president. It fulfills such functions as deliberation of important matters and makes reports to enable monitoring of the status of management. Executive Officers control the execution of the business of which they are in charge.

Outside Officers

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

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

In fiscal 2016, business site inspections took place at three locations: the Suzuka Factory, Kawasaki Factory, and Mie Factory. During these inspections, Outside Officers were given explanations

of the factories after which they toured the actual production floors and engaged in discussions with factory managers.

In fiscal 2016, the rates of attendance of Outside Officers at meetings of the Board of Directors (which were held 13 times) and meetings of the Board of Auditors (which were held 10 times) were 98% and 95%, respectively.



Inspection taking place at the Suzuka Factory

Outside Directors (Attendance at Board of Directors)*1

Toshihito Tamba (10/10)	Mr. Tamba offers useful advice and opinions on all areas of Fuji Electric's management based on his professional standpoint and considerable insight as a manager of listed companies.
Naoomi Tachikawa (10/10)	Mr. Tachikawa offers useful advice and opinions on all areas of Fuji Electric's management based on his professional standpoint and considerable insight as a manager of listed companies.
Yoshitsugu Hayashi (Appointed in June 2017)	Mr. Hayashi is expected to offer useful advice and opinions on all areas of Fuji Electric's management based on his professional standpoint and considerable insight as an environmental engineer.

Outside Auditors

(Attendance at Board of Directors / Board of Auditors)*1

Yoshiki Sato (10/13 / 8/10)	Mr. Sato offers useful advice and opinions concerning the business management of Fuji Electric in general, based on his extensive experience and considerable insight as a manager at financial institutions.
Akiko Kimura (13/13 / 10/10)	Ms. Kimura offers useful advice and opinions concerning the business management of Fuji Electric in general, based on her expert knowledge as an attorney.
Tetsuo Hiramatsu (10/10 / 7/7)	Mr. Hiramatsu offers useful advice and opinions on all areas of Fuji Electric's management based on his professional standpoint and considerable insight as an individual with experience managing financial institutions.

*1 Ratios below the names represent the number of meetings of the Board of Directors and the Board of Auditors over the period from April 1, 2016, to March 31, 2017, attended by that officer.
Notification has been submitted that these Outside Officers are Independent Directors / Auditors as required by financial instruments exchanges.

Executive Remuneration

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

■ Standing Directors

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

Base Remuneration

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

Performance-Linked Remuneration

Performance-linked remuneration is paid only in instances in which dividends are paid to all shareholders from retained earnings. The total amount of executive performance remuneration

shall be within 1.0% of consolidated net income for the fiscal year prior to the date of payment in order to make the link with consolidated results for each fiscal year more transparent.

■ Outside Directors and Auditors

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

Total Amount of Remuneration Paid to Directors and Auditors (Fiscal 2016)

	Number of Recipients	Amount of Payment (Millions of yen)
Directors [of which, Outside Directors]	13 [5]	269 [22]
Auditors [of which, Outside Auditors]	7 [4]	80 [22]

Notes: 1. The amount paid to Directors does not include performance-linked remuneration for fiscal 2016
2. In addition to the above, ¥86 million was paid as performance-linked remuneration for fiscal 2015 to Standing Directors (six recipients).
3. In addition to the above payment, the Company paid ¥17 million to employees who concurrently assumed the office of Director (2 employees) as salary for employees.

Internal Control System

The Fuji Electric Board of Directors determines basic policies concerning the establishment of an internal control system as stipulated in the Companies Act of Japan, and the Company discloses those policies. In conjunction with the revision to the Companies Act, in fiscal 2016, Fuji Electric began disclosing information on the implementation of its internal control system, thereby taking steps to respond promptly and accurately to the demands placed upon the Company by society. Such information included descriptions of provisions for ensuring that Directors and employees perform their duties in a matter that is compliant with laws and the articles of incorporation.

Interactions with Investors

The Company takes proactive steps to interact with shareholders and other investors. The feedback gained through these interactions is relayed to the Board of Directors, Executive Officers, and relevant divisions so that this information may be shared and reflected in corporate activities as necessary.

Activities for Interacting with Investors (Fiscal 2016)

Private shareholders and investors	<ul style="list-style-type: none"> Factory tours for shareholders: 4 (participants: 365) Company briefings for private shareholders: 7 (participants: 237)
Analysts and institutional investors	<ul style="list-style-type: none"> Financial results briefings: 4 Management plan briefing: 1 Business strategy briefing: 1 (Total participants in 6 briefings: 467) Small meetings*: 2 (participants: 12) Factory tour: 1 (participants: 17)

*2 Meetings held with a small number of analysts and other

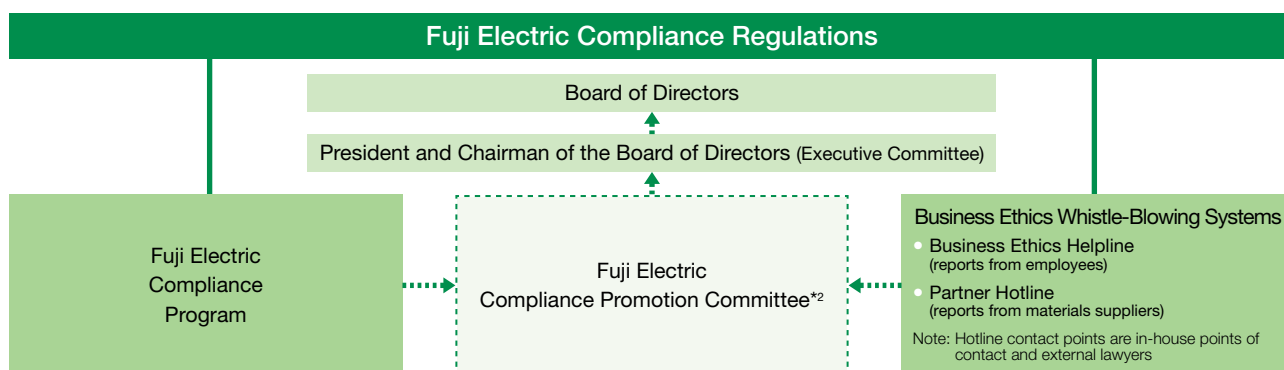
Compliance

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

Basic Compliance Policy

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

*1 (1) Establishment, revision, abolition and dissemination of internal rules; (2) Constant monitoring of status of compliance with laws and internal rules; (3) Auditing of status of compliance with laws and internal rules; and (4) Compliance education regarding laws and internal rules



*2 Meets twice each fiscal year to deliberate on compliance execution and planning with the goal of achieving full compliance with laws and social norms globally

Compliance Promotion Structure

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

Global Promotion of the Fuji Electric Compliance Program

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

Operation of Whistle-Blowing Systems in Japan and Overseas

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

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

Conducting Compliance Training

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

Level-Specific Training

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

Level-Specific Training Attended (Fiscal 2016)

Newly appointed executives	22
Newly appointed managers	153
New employees	186

Job-Specific Training

Divisions responsible for legal affairs conduct job-specific training that features items for consideration in practical business situations. In fiscal 2016, classroom-based training was conducted mainly for the sales and administrative unit personnel (2,372 in total) of domestic and overseas companies covering a variety of themes, including antimonopoly laws. Furthermore, we conducted e-learning programs for employees at all bases, including those overseas.



Sales unit training

Risk Management

Fuji Electric is strengthening its risk management to maximize corporate value and minimize the potential losses that could result from various risks.

Basic Policy on Risk Management

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

We will appropriately manage to counteract all risks that could affect the Company's management, while working to prevent risks from materializing (crisis situations) and reduce losses. In doing so, we will maximize Fuji Electric's corporate value and minimize the impact on management in the event that risks materialize.

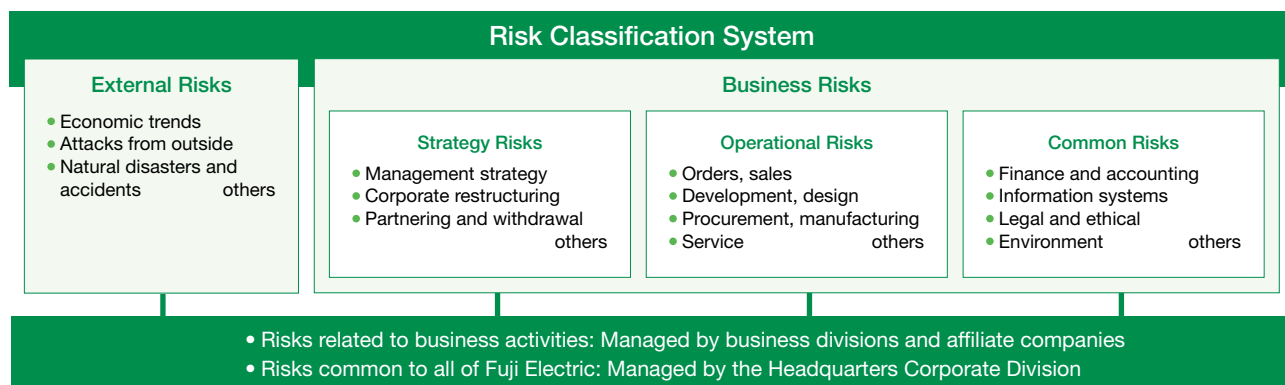
Note: For details about risk, please refer to the Company's *Annual Business Report* under Business Risks

Types of Risk and Risk Management System

To strengthen risk management, Fuji Electric revised the types of risks it manages and its risk management system in fiscal 2015. The Company now focuses on the two risk categories of external risks and business risks, with business risks divided into the subcategories of strategic risks, operational risks, and shared risks, and conducts risk management optimized for each category.

For risks that are common to the whole of Fuji Electric, such as external risks and shared risks, the Headquarters Corporate Division determines the policies for countermeasures, prepares

appropriate manuals, disseminates the necessary information to manage the risks, conducts education, and takes other measures. Business divisions and affiliate companies develop risk management systems as part of their business responsibilities, through which they implement risk countermeasures for strategic risks, operational risks, and other risks that cover the entirety of their business activities. When business plans are formulated for each fiscal year, business risks are analyzed and factored in to the plans.



Information Security Measures

■ Development of Security Policy and Regulations

To protect personal and confidential information properly, Fuji Electric has formulated and implemented a policy and regulations on information security, and institutes training programs for employees each year, and other measures to strengthen information security and prevent information leaks.

For overseas bases, each affiliate company has also drafted security regulations, based on our information security policy and regulations, and taking into account individual countries' laws and regulations. We stepped up our initiatives to educate employees about information security, distributing an information security handbook to employees at subsidiaries and ensuring that all employees are aware of the issues. We conducted overseas information security audits at 17 companies in fiscal 2016. Going forward, we will make ongoing improvements throughout Fuji Electric, including overseas bases.

■ Third-Party Certification Related to Information Security

Companies that handle customers' confidential and personal information, and who require a high level of information security management, acquire outside certification. As of April 1, 2017, five of our operations (at three companies) have acquired ISMS certification. Also, three companies—Fuji Electric Co., Ltd., Fuji Electric Information Technology Center Co., Ltd., and Fuji Electric IT Solutions Co., Ltd.—have acquired Privacy Mark certification.



Privacy Mark (JIPDEC)

Risk Management

Measures to Prevent Infringement of Intellectual Property Rights

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

To prevent infringement, we also conduct compliance program training.

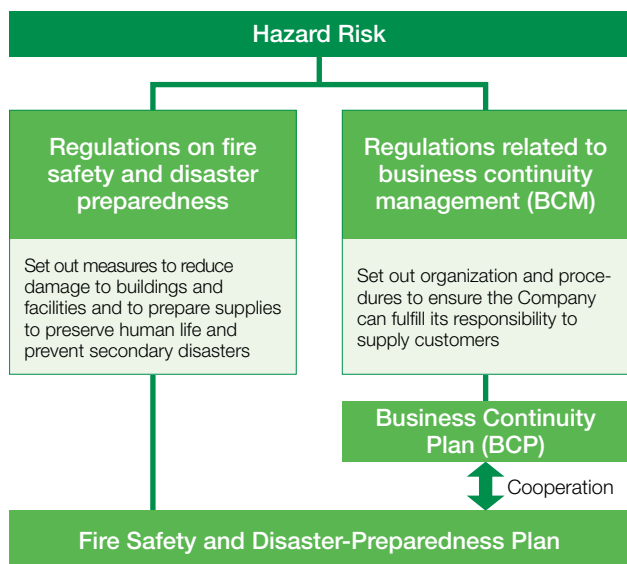
With respect to our own patents, we actively acquire patent

rights to protect our business. We also take measures against counterfeit products and take other steps to reduce risks related to intellectual property.

Note: Please see page 24 for further information about Fuji Electric's activities in intellectual property.

Measure to Strengthen Business Continuity Capabilities

Fuji Electric aims to ensure that it can continue its core operations even if an unexpected event such as a natural disaster or accident occurs, continuing to uphold its social responsibilities as a company and providing a stable supply of high performance, high-quality products and services required by our customers. To this end, we are promoting the following initiatives.



■ Fire Safety and Disaster-Preparedness Initiatives

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

■ Business Continuity Initiatives

In addition to disaster-preparedness initiatives, Fuji Electric has formulated a business continuity plan (BCP) covering the head office, which acts as a command center during disasters, and its factories, which have a large number of key management resources that are required for supplying products, such as production facilities.

In fiscal 2016, we once again expanded the range of products covered under the BCP. In addition, we conducted major disaster simulation drills based on earthquake scenarios targeting business division managers and other business supervisors as well as base managers. In addition, domestic factory managers underwent public relations drills while all employees took part in safety confirmation drills. Through these efforts, we sought to improve our ability to respond to natural disasters.

In addition, the Company has acquired resilience certification under the program established by the Cabinet Secretariat's National Resilience Promotion Office in 2016 to certify companies and organizations that actively seek to ensure business continuity.

We will continue to promote wider awareness of the BCP at domestic and overseas subsidiaries while making ongoing improvements to enhance our ability to ensure business continuity.



Major disaster simulation drill participated in by business supervisors



Resilience Certification Mark

Procurement Risk Reduction

To reduce procurement risks, we have established a procurement BCP based on the following measures:

- 1) building a supplier damage information collection system;
- 2) securing multiple suppliers for key components;
- 3) establishing alternate sites to carry out procurement operations.

In fiscal 2016, we continued working to secure multiple suppliers for key components while taking steps to reinforce our supplier damage information collection system, which extends to overseas bases.

Looking ahead, we will expand the scope of the procurement BCP to the procurement divisions of subsidiaries in and outside of Japan and strengthen the plan to effectively reduce procurement risks globally.

IT Risk Reduction

We have formulated an IT-BCP comprising initiatives for restarting and recovering the IT systems we need to continue operations and administration in case of disaster, accident and so on, within the required time.

In fiscal 2016, Fuji Electric and its domestic affiliates implemented simulation drills for bolstering their ability to restore IT systems should their operation be halted due to some disaster. The outcomes of these drills were utilized to improve and ramp up system preservation measures.

In the future, we will extend these measures to overseas subsidiaries.

List of Officers (As of July 1, 2017)

Directors



Michihiro Kitazawa
President and Chairman of the Board of Directors



Kenzo Sugai
Representative Director



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



Naoomi Tachikawa
Outside Director
Senior Adviser, TOTOKU ELECTRIC CO., LTD.



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



Michio Abe
Director



Junichi Arai
Director



Masatsugu Tomotaka
Director

Auditors



Yoshio Okuno
Standing Auditor



Junichi Matsumoto
Standing Auditor



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



Akiko Kimura
Outside Auditor
Of Counsel, Anderson Mori & Tomotsune



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

Executive Officers

(As of July 1, 2017)

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

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

Corporate Data

Company Information

(As of March 31, 2017)

Company Name	FUJI ELECTRIC CO., LTD.
Established	August 29, 1923
Head Office	1-1, Tanabeshinden, Kawasaki-ku, Kawasaki-shi 210-9530, Japan
Head Office Business Address	Gate City Ohsaki, East Tower, 11-2, Osaki 1-chome, Shinagawa-ku, Tokyo 141-0032, Japan
Capital Stock	¥47.6 billion
Employees (Consolidated)	26,503 (Domestic 17,716, Overseas 8,787)
Net Sales (Consolidated)	¥837.8 billion (Year ended March 31, 2017)
Stock Code	6504

Stock Information

(As of March 31, 2017)

Issued and Outstanding Shares 746,484,957

Number of Shareholders 36,913

Major Shareholders

Shareholders' names	Number of shares (1,000s)	Voting rights (%)
FUJITSU LIMITED	74,333	10.41
The Master Trust Bank of Japan, Ltd. (Trust Account)	47,456	6.64
Japan Trustee Services Bank, Ltd. (Trust Account)	46,726	6.54
Mizuho Bank, Ltd.	22,254	3.12
Asahi Mutual Life Insurance Company	19,775	2.77
FANUC CORPORATION	13,421	1.88
Japan Trustee Services Bank, Ltd. (Trust Account 5)	11,070	1.55
FURUKAWA CO., LTD.	11,025	1.54
Furukawa Electric Co., Ltd.	8,738	1.22
JP MORGAN CHASE BANK 380634	8,571	1.20

Notes: 1. Treasury stock of 32,158,991 shares is excluded from the above list of top 10 shareholders.

2. The ratio of shareholding is calculated by deducting the number of treasury stock from the total number of shares outstanding based on the provisions of the Ordinance for Enforcement of the Companies Act.

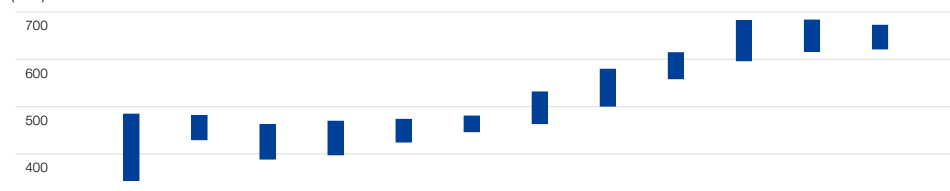
Share Distribution by Shareholder Type

Type	Number of shareholders	Number of shares	Holding (%)
Financial institutions / securities firms	117	275,152,680	36.86
Other domestic corporations	457	125,810,276	16.85
Foreign corporations	535	224,226,344	30.04
Individuals and others	35,804	121,295,657	16.25
Total	36,913	746,484,957	100.00

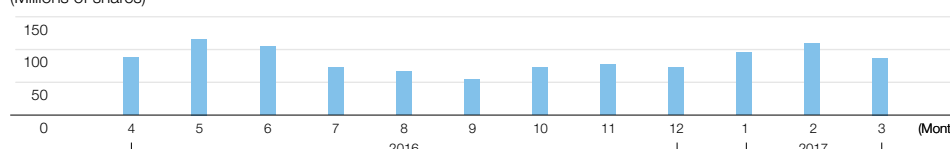
Note: "Individuals and others" includes treasury stock.

Share Price and Trading Volume Fluctuations (Tokyo Stock Exchange)

(Yen)



(Millions of shares)



■ Share Price ■ Trading Volume

Consolidated Subsidiaries and Equity-Method Affiliates (As of July 1, 2017)

Consolidated Subsidiaries (Domestic): 23

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

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

Equity-Method Affiliates (Domestic): 3

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

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

Consolidated Subsidiaries (Overseas): 47

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

Including the 30 above-listed companies, 47 companies.

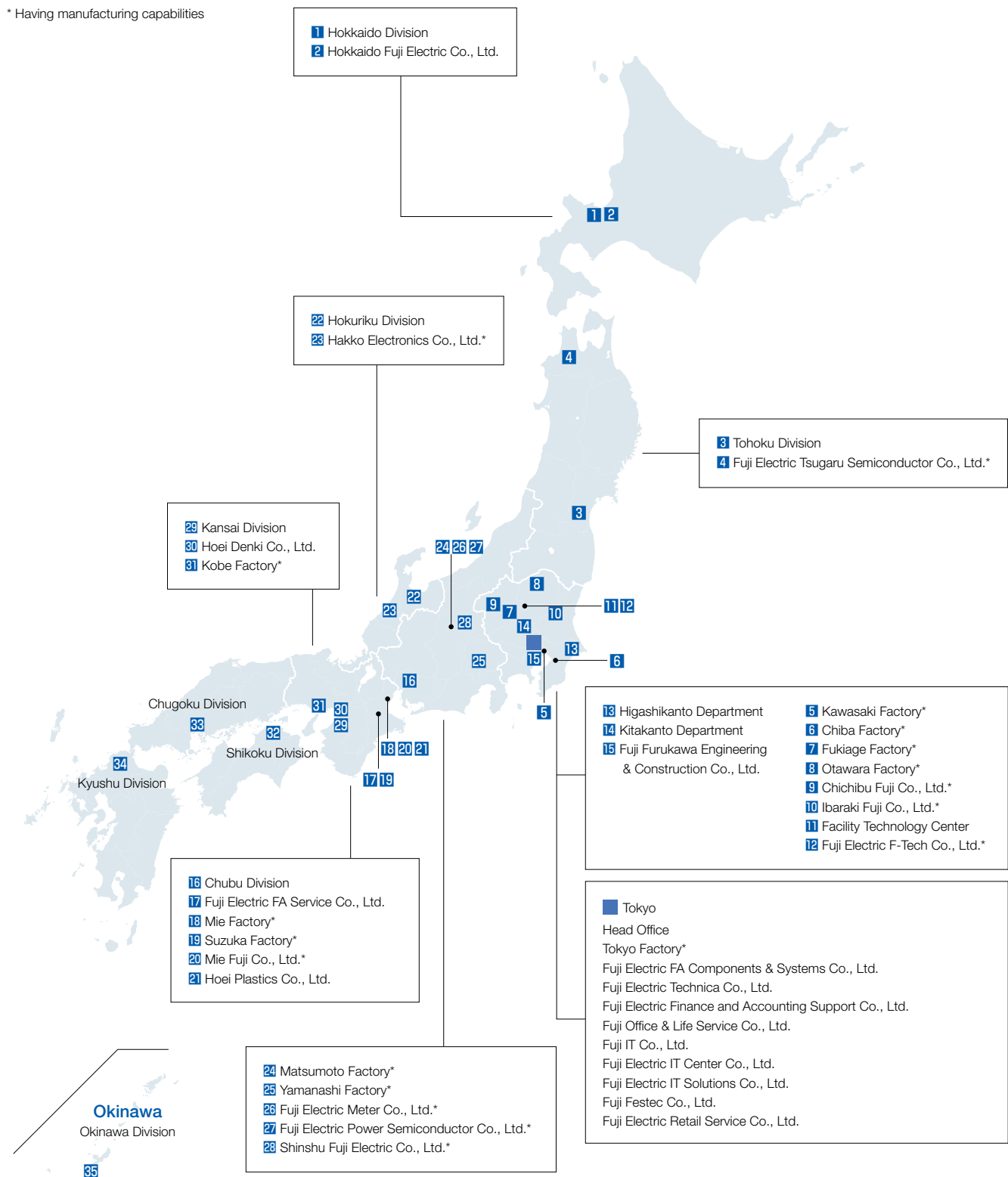
Equity-Method Affiliate (Overseas): 1

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

(As of July 2017)

* Having manufacturing capabilities



Europe

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

Americas

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

South Asia / Middle East

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

Southeast Asia

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

China / East Asia

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



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

External Evaluation

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

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM



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



Care for the Environment



FE Fuji Electric Co., Ltd.

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