

Securities code: 6504

**To Our Shareholders**  
**138th Term (Fiscal 2013) Annual Business Report**

(April 1, 2013–March 31, 2014)

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## Business Report (April 1, 2013–March 31, 2014)

### [Business Overview]

#### Overview

In the fiscal year ended March 31, 2014, Fuji Electric's operating environment saw a gradual recovery in the domestic market spurred on by the government's fiscal policies and the Bank of Japan's monetary policies. In particular, areas related to renewable energy and energy saving performed solidly. Overseas, overall activity was weak, but there was a recovery trend supported by the gradual recovery of major developed nations, such as the United States and those nations in Europe. In particular, conditions in the power electronics and semiconductors areas were strong.

In response to these conditions, Fuji Electric concentrated on advancing "Expand energy-related businesses" and "Globalize" as described in the Management Policies. At the same time, having positioned the current fiscal year as the first year for aggressive management, we established foundations for growth to facilitate future business expansion and promoted business management with a strong focus on earnings in order to further strengthen profitability.

(Note) As used in this Business Report, the expression "Fuji Electric" refers to the company group comprising the Company, its subsidiaries, and affiliates.

#### Fiscal 2013 (April 1, 2013 to March 31, 2014)

Classification	138th term Fiscal 2013	Increase/Decrease
Net sales	¥759.9 billion	Up ¥14.1 billion YoY
Operating income	¥33.1 billion	Up ¥11.1 billion YoY
Ordinary income	¥36.7 billion	Up ¥11.0 billion YoY
Net income	¥19.6 billion	Down ¥6.8 billion YoY
Net income per share	¥27.41	Down ¥9.49 YoY
Total assets	¥810.8 billion	Up ¥45.2 billion YoY

Consolidated business results for the fiscal year ended March 31, 2014, were as follows.

Net sales rose ¥14.1 billion year on year, to ¥759.9 billion. By business segment, Power Electronics, Electronic Devices, and Food and Beverage Distribution saw increased net sales, while Power and Social Infrastructure, Industrial Infrastructure, and Others saw net sales decline.

Operating income improved ¥11.1 billion year on year, to ¥33.1 billion. This reflected improved profitability stemming from the rigorous reduction of costs and expenses. Further, ordinary income increased ¥11.0 billion, to ¥36.7 billion. Net income, however, declined ¥6.8 billion as a result of the rebound from the recording of deferred tax assets in the previous fiscal year, and net income was ¥19.6 billion accordingly.

Free cash flows increased ¥12.9 billion year on year, to ¥44.0 billion.

## Business Segment Overview

(¥ billion)

Business segment	Classification	137th term Fiscal 2012	138th term Fiscal 2013	Change (%)
<b>Power and Social Infrastructure</b>	Net sales	156.9	153.7	98%
	Operating income	8.4	8.1	97%
<b>Industrial Infrastructure</b>	Net sales	198.7	188.6	95%
	Operating income	11.0	9.2	84%
<b>Power Electronics</b>	Net sales	148.4	165.5	112%
	Operating income	1.2	5.4	440%
<b>Electronic Devices</b>	Net sales	113.6	123.9	109%
	Operating income (loss)	(1.4)	6.3	—
<b>Food and Beverage Distribution</b>	Net sales	112.1	120.1	107%
	Operating income	6.4	8.0	125%
<b>Others</b>	Net sales	60.6	60.0	99%
	Operating income	1.6	1.9	118%
<b>Sub-total</b>	Net sales	790.2	811.7	103%
	Operating income	27.3	39.0	143%
<b>Eliminate/Corporate</b>	Net sales	(44.5)	(51.8)	—
	Operating income (loss)	(5.3)	(5.9)	—
<b>Total</b>	Net sales	745.8	759.9	102%
	Operating income	22.0	33.1	151%

(Note) The makeup of the businesses grouped in each business segment of “Power and Social Infrastructure,” “Industrial Infrastructure,” “Power Electronics” and “Others” changed during the current fiscal year with the change in the organization structure, and the figures for fiscal 2012 are stated after reclassifying them in accordance with the classification of business segments after such change.

## Results by Business Segment

### [ Power and Social Infrastructure ]

Net sales decreased 2% year on year, to ¥153.7 billion, and operating income worsened ¥0.3 billion year on year, to ¥8.1 billion.

In the power plant business, net sales were down year on year due to rebound from large-scale orders for thermal power generation facilities recorded in the previous fiscal year, which offset rises in orders for hydropower generation facilities and solar power generation systems. In the social engineering systems business, net sales were down due to lower demand for watt-hour meters in light of the ensuing switch to smart meters. In the social information business, net sales were up following a rise in large-scale orders and a demand rush in light of the upcoming end of support for Windows XP™. Overall, the segment saw a worsening in operating results because lower net sales counteracted cost reductions.

#### TOPICS

##### Brisk order growth for solar power generation systems

Boosted by the feed-in tariff scheme for renewable energy, demand for construction of mega solar facilities increased and orders for solar power generation systems expanded.

##### Reinforcement of production facilities for smart meters

Electric power companies in Japan are promoting plans to introduce smart meters, and GE Fuji Meter Co., Ltd., our subsidiary, was elected one of the companies that were awarded a contract for a project for Tokyo Electric Power Company, Incorporated. We also promoted investment to strengthen production facilities in preparation for orders and supplies in the future.

### [ Industrial Infrastructure ]

Net sales decreased 5% year on year, to ¥188.6 billion, while operating income worsened ¥1.8 billion year on year, to ¥9.2 billion.

In the transmission and distribution business, net sales were down year on year, reflecting the absence of the previous fiscal year's large overseas orders. In the machinery and electronics systems business, net sales increased due to a rise in orders for energy-saving equipment from Japanese manufacturers. In the instrumentation and control systems business, net sales were down as a result of lower demand for radiation measurement equipment. In the equipment construction business, net sales were relatively unchanged from the previous fiscal year.

In the business segment overall, operating results worsened year on year because lower net sales counteracted cost reductions.

## TOPICS

### Establishment of Fuji Tusco Co., Ltd. in Thailand

We made capital investments in Tusco Trafo Co., Ltd., which has a good track record in supplying transformers to many governmental electric power distribution companies and private companies in Thailand, and established Fuji Tusco Co., Ltd. With Fuji Tusco Co., Ltd. at the core, we are making efforts to expand business in Asia.

### Participation in smart community demonstration project in Indonesia

We participated in smart community demonstration project implemented by NEDO\* in Indonesia and will contribute to increasing the efficiency of energy usage with the introduction of energy management systems in an industrial park there.

\* New Energy and Industrial Technology Development Organization

## [ Power Electronics ]

Net sales rose 12% year on year, to ¥165.5 billion, and operating income improved ¥4.2 billion year on year, to ¥5.4 billion.

In the drive business, net sales improved year on year thanks to higher demand for inverters and servos in Japan and overseas and the sales contributions from large overseas orders for electric equipment for railcars. Likewise, operating results also showed a year-on-year improvement due to the higher sales and the benefits of the business restructuring conducted in the previous fiscal year. As for the power supply business, net sales and operating results improved year on year as a result of increased demand for power conditioners for mega solar facilities and power supply equipment for data centers and other products. In the ED&C components business, net sales and operating results improved year on year due to increased demand in the renewable energy field and recovery in domestic demand in the machine tool and semiconductor fields.

## TOPICS

### Establishment of joint ventures in China

We established joint ventures with Shanghai Electric Group Co., Ltd. in order to carry out sales and production of high-voltage inverters in China.

### Launch of operations at a new factory in Thailand

The construction of a new factory in Thailand, positioned as a core production base for products for the Asian and Western markets, was completed and production of inverters and uninterruptible power supply systems, etc. started.

### [ **Electronic Devices** ]

Net sales rose 9% year on year, to ¥123.9 billion, while operating loss improved ¥7.7 billion year on year, and operating income of ¥6.3 billion was recorded accordingly.

In the semiconductors business, net sales were up year on year due to the strong demand in the automotive electronics business, a trend that continued from the previous fiscal year, as well as a recovery trend in demand for inverters, servos, and other industrial machinery in the industrial business. As a result of higher earnings and the benefits of the business restructuring conducted in relation to power semiconductors in the previous fiscal year, the business was able to realize substantially improved operating results. As for the magnetic disks business, net sales declined and operating results deteriorated due to lower demand from customers.

### TOPICS

#### Start of production of SiC power semiconductors

We newly installed production lines at the Matsumoto Factory and started producing power semiconductors using silicon carbide (SiC) device. With these SiC power semiconductors, we will achieve significant miniaturization and improved efficiency of power electronics products.

#### Enhancement of production capacity in Shenzhen, China

We constructed a new building in Shenzhen, China in order to strengthen production capacity of power semiconductor products for the Chinese market. With this, we will intensify initiatives for local production and local consumption.

### [ **Food and Beverage Distribution** ]

Net sales rose 7% year on year, to ¥120.1 billion, and operating income improved ¥1.6 billion year on year, to ¥8.0 billion.

In the vending machines business, net sales were up year on year as a result of steady replacement demand for energy-saving, environment-friendly vending machines coupled with solid demand for coffee machines for convenience stores. Operating results improved following higher revenues and lower costs. The store distribution business recorded a year-on-year increase in net sales due to higher orders for construction and renovation of convenience stores and other stores, but operating results deteriorated as a result of the impacts of higher upfront investments for the expansion of new businesses.

## TOPICS

### Growth in demand for coffee machines for convenience stores

Supported by a high evaluation from customers, demand for coffee machines for convenience stores increased. Extracting coffee, one cup at a time, by a paper-filter drip method utilizing cup vending machine technologies makes it possible to serve high-quality, aromatic coffee.

### Great growth in sales of eco-friendly vending machines

In the context of greater awareness of the need to save energy, we saw increased sales of eco-friendly vending machines which can realize energy savings, including hybrid heat pump vending machines.

### [ Others ]

Net sales declined 1% year on year, to ¥60.0 billion, and operating income improved ¥0.3 billion year on year, to ¥1.9 billion.

## Research and Development Activities

In fiscal 2013, our efforts were focused on research and development to create product lineups, which are expected to lead to a responsible and sustainable society, by pursuing cutting-edge energy technologies.

The following provides an overview of these activities.

In the Power and Social Infrastructure business, we developed DC1,000V/660 kW indoor power conditioners that are resistant to salt damage so that mega solar facilities can be installed in coastal areas. With the development of 30A and 60A smart meters, we had a bid for a project accepted by Tokyo Electric Power Company, Incorporated. We are continuously enhancing our product lineups.

In the Industrial Infrastructure business, we developed an energy-saving air conditioner “F-COOLNEO” using indirect outdoor air cooling system and heat pumps for data centers and facilities for electronic precision products and the food and drug business which require clean air and cooling air conditioners. With the leading runner approach, we also developed a molded electric transformer “Top-Runner MOLTRA 2014” which satisfies the energy saving standards. Our developed products include “MICREX-View XX,” a highly reliable small and medium-sized monitoring control system, which offers the latest in monitoring and usability features and engineering performance while maintaining compatibility with existing systems.

In the Power Electronics business, we developed a 3-phase, 4-wire-type large-capacity uninterruptible power system (UPS) series “7000HX-T4” for overseas markets. This series makes it possible to construct highly reliable redundant systems and achieve a high conversion efficiency (96.5%) and the footprint has been reduced by 30% from our conventional products. We developed a 690V electric supply for stack-type inverters, the “FRENIC-VG series,” for vessel machines, mining machines, steel facilities and water treatment equipment and added them to our product lineups. We also developed the “F-MPC PV series” of string monitoring units for solar power generation systems which make it possible to measure the amount of power generated by each string consisting of 10 to 20 solar panels (string, maximum voltage of 1,000V). With this development, the ability to detect failures on a string basis has been achieved for the first time.

In the Electronic Devices business, we developed a “2nd Generation Current Resonant IC” equipped with a reinforced protection function by promoting lower standby electricity when controlling a switching power supply. We established a 6-inch SiC mass production line ahead of other companies in the industry and started mass production of SiC-SBD.



In the Food and Beverage Distribution business, we developed a portable cold storage container “D-BOX” with the function of keeping fresh products at a certain temperature for a maximum of five hours without a power supply and with a traceability function. With this, it has become possible to deliver fresh products from a processing plant to the sales floor while keeping them cold.

In the area of new technologies and core technologies, working jointly with the Research Center for Advanced Science and Technology of The University of Tokyo and the Japan Agency for Marine-Earth Science and Technology, we developed aerosol multi-analysis technology capable of source identification of fine particles of 2.5 micrometers or less (PM2.5) and succeeded in conducting quantitative analysis of multiple aerosol components at the same time in real time, which was very difficult before.

## Capital Investment

In fiscal 2013, we made total investments of ¥26.9 billion, including those for leasing. We bolstered investment in the Power Electronics and Industrial Infrastructure businesses, where we expect future sales growth.

Key investments were as follows.

In the Power Electronics business, we constructed a new factory in Thailand for expanding global sales mainly in Asia and invested in production facilities for the local production of inverters, uninterruptible power supply systems, and other equipment. In the ED&C components business segment, we invested in production facilities for new products to be sold in China and other Asian markets.

In the Industrial Infrastructure business, we invested in the replacement of production facilities for switchgears in the transmission and distribution business segment. In the instrumentation and control systems business segment, we invested in areas mainly for streamlining high-density assembling lines.

In the Power and Social Infrastructure business, we invested in the construction of new assembly lines and test lines for mass production of smart meters. In the power generation business segment, we invested in the replacement of machine work facilities.

In the Electronic Devices business, we invested in the production facilities for 6-inch SiC mass production lines. In the former power semiconductor business, we invested in the construction of a building and production facilities for expanding production of semiconductors in Shenzhen, China in addition to investment for increasing production for in-vehicle IGBT.

In the Food and Beverage Distribution business, we invested in development of new models of vending machines and streamlining of the existing vending machines. In Dalian, China, we invested in strengthening production capabilities in response to market expansion.

## Financing

In fiscal 2013, we redeemed 23rd unsecured bonds worth ¥10.0 billion in April 2013, while we issued 27th unsecured bonds worth ¥20.0 billion in June 2013.

Meanwhile, we repaid loans payable and redeemed commercial papers based on free cash flows for fiscal 2013.

As a result, our consolidated financial obligations as of the end of March 2014 decreased by ¥27.2 billion year on year to ¥199.5 billion, leaving net financial obligations, calculated by deducting cash and cash equivalents from financial obligations, of ¥166.1 billion (a drop of ¥20.9 billion year on year).

## TOPICS

### CSR Activities

- Environmental Protection

Under our Basic Policies on Environmental Protection, we have formulated Environmental Vision 2020 which focuses on three activities: Stop Global Warming, Create a Recycling-Oriented Society, and Meet our Corporate Social Responsibilities, and we are working on these activities for environmental protection.

In fiscal 2013, we promoted smart factory initiative, aiming to optimize energy use by coordinating electric and thermal energy technologies with production planning and completed system construction at four pilot factories.

We will verify the effect of smart factory initiative and actively develop such efficiency improvements horizontally in other domestic plants. The achievements will be provided for society as a new business model.

- Diversity

We are working on activities for diversity under the management policy of “Maximize our strengths as a team, respecting employees’ diverse ambition.”

Regarding “enabling women to play active roles” in particular, we newly promoted the holding of role model (model of woman employee) seminars so as to develop the career awareness of younger employees in addition to management ability improvement training for fostering managers and pair-work training between an employee who took childcare leave and returned to work and her supervisor. To expand the employment of disabled persons, we are continuously promoting the expansion of job categories.

In fiscal 2014, by improving the leave system to encourage male employees to participate in child care, we will intensify our efforts for creating work environments that are easy to work in and a good work-life balance.

- Social Contributions

Under the focus themes of “protecting the natural environment” and “promoting youth development,” we continuously work on field restoration activities and the holding of Environmental School, holding a science class for elementary school students to share the magnificence of science, and providing training for practical science skills for elementary school and junior high school teachers.

Regarding aid for activities to reconstruct areas affected by the Great East Japan Earthquake, we continue to provide financial assistance to the “IPPO IPPO NIPPON Project” of the Japan Association of Corporate Executives. This project aims to foster human resources and activate industries in the three disaster-affected prefectures. In addition, as assistance to Fukushima which is suffering from harmful rumors, we use agricultural produce and products grown in Fukushima at the dining rooms of our business places and were involved in selling them to local people and our employees.

We provided donations, lamps and tents to people in the Philippines who were affected by the typhoon in November 2013.

## Challenges to be addressed

In July 2013, we established the “FY2015 Medium-Term Management Plan” starting from FY2013 and under the basic policies of “Strengthen Profitability” and “Establish Growth Foundation,” we are promoting “Expand energy-related businesses” and “Globalize” as described in the Management Policies.

- Strengthen Profitability

We continue to advance the “Pro-7 Activity” as a company-wide campaign in which improvement in business quality is thoroughly worked on in order to prevent wasteful costs and loss cost, etc. from occurring while conducting a zero-based review of all costs from business activities.

- Establish Growth Foundation

In the business environment surrounding the Company, needs for investment in energy (renewable energy and high efficiency thermal power), replacement of aging facilities and energy saving are expected to increase in Japan. In global markets, needs for investment in infrastructure, electric power with an increase in energy demand and facilities with the acceleration of Japanese companies’ advance into global markets are expected to expand.

Under these business environments in Japan and other Asian countries including China, we will strive to expand business. In terms of business segments, we will continue to work on expanding the Industrial Infrastructure business, Power Electronics business and Power Semiconductor business with products and systems for which demand is expected to grow.

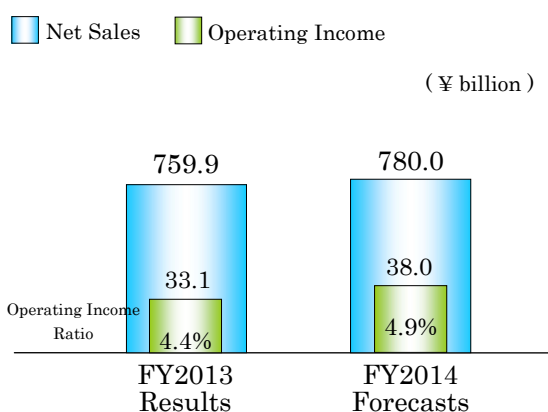
## ■ Issues for fiscal 2014

Moving on to the next step from fiscal 2013's "First Year for Aggressive Management," the Company has positioned fiscal 2014 as a year for "Aggressive Management Expansion." This year, while continuing to promote earnings-focused management strategies and strengthen profitability centered on Industrial Infrastructure and Power Electronics, the Company will carry out initiatives focused on strengthening overseas operation, aiming to link these efforts with future business expansion.

## ■ Consolidated business results forecasts and priority measures by business segment

The consolidated business results forecasts for fiscal 2014 and priority measures by business segment are as follows.

### Consolidated business results forecasts



Net sales are expected to be ¥780.0 billion for fiscal 2014, up 3% year on year. Operating income is projected to be ¥38.0 billion, up ¥4.9 billion.

**Priority measures by business segments**

- Power and Social Infrastructure

The Power and Social Infrastructure business segment will work to increase orders for high-efficiency thermal power generation facilities and geothermal power generation facilities. It will also endeavor to expand operations in the new energy field with a particular focus on solar power generation systems, which are expected to continue seeing demand growth into the future. At the same time, we will strengthen manufacturing systems for smart meters and accelerate our expansion of smart community operations.

- Industrial Infrastructure

In the Industrial Infrastructure business segment, the focus of domestic operations will be steadily capturing demand for energy-saving equipment as well as replacement demand in fields where investment is expected to be brisk. Overseas, production systems will be expanded at Fuji Tusco Co., Ltd., and the new Thai Factory, and local engineering systems will be strengthened in Asia to boost competitiveness and advance operations in Asia.

- Power Electronics

The Power Electronics business segment will develop products for the global market in major product lines, including inverters, uninterruptible power supply systems, and power conditioners, so that these products may be introduced into the market. At the same time, enhanced competitiveness will be pursued by expanding production at the new Thai Factory. In this manner, the segment will work to grow businesses overseas, particularly in Asia. Further, Chinese operations will be developed through the joint-venture companies created between Shanghai Electric Group Co., Ltd., and the Company.

- Electronic Devices

The Electronic Devices business segment will pursue higher sales in the semiconductor field by accelerating product development ventures and then launching these new products. In addition, cost reductions will be promoted by increasingly shifting production of certain models overseas. The segment will also accelerate the development of next-generation power semiconductors for future business expansion.

- Food and Beverage Distribution

The Food and Beverage Distribution business segment will expand its vending machine business in China and other Asian markets. Increased orders for equipment for convenience stores and other stores will also be targeted. In the store distribution field, we will grow new businesses that fuse heating and cooling technologies with solutions.

## [Dividends of Surplus]

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

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

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

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

Moreover, in accordance with the capital strategy prescribed by Article 459, Paragraph 1 of the Companies Act, this action shall be conducted with a view to strengthening consolidated shareholders' equity.

Also in accordance with Article 459, Paragraph 1 of the Companies Act, this will be decided by resolution of the Board of Directors, or the Ordinary General Meeting of Shareholders.

### Year-End Dividend for Fiscal Year Ended March 31, 2014

Based on the Policies relating to decisions on the dividend of surplus, etc. described in the above, the Company resolved to pay a year-end dividend of ¥4 per share at the meeting of the Board of Directors held on May 27, 2014, with due consideration given to the consolidated operating results for the current and next period, financial conditions, and other factors.

The annual dividend for the fiscal year 2013 amounted to ¥7 per share including the amount of interim dividend.

## [Consolidated Financial Results and Trends in Assets]

Classification	135th term Fiscal 2010	136th term Fiscal 2011	137th term Fiscal 2012	138th term Fiscal 2013
Net sales (¥ billion)	689.1	703.5	745.8	759.9
Operating income (¥ billion)	11.9	19.3	22.0	33.1
Ordinary income (¥ billion)	7.2	18.6	25.7	36.7
Net income (¥ billion)	15.1	11.8	26.4	19.6
Net income per share (¥)	21.14	16.52	36.90	27.41
Total assets (¥ billion)	805.8	792.8	765.6	810.8
Annual dividend per share (¥)	4.0	4.0	5.0	7.0

## [Remuneration for Directors and Auditors]

### Policy on the Determination of Remuneration

The Company set the policy on determination of remuneration for the Company's Directors and Auditors as described below.

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

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

#### 1. Standing Directors (Note)

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

##### (i) Base remuneration

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

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

##### (ii) Performance-related remuneration

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

#### 2. Outside Directors and Auditors

Remuneration for Outside Directors and Auditors shall be paid as base remuneration as a monthly financial sum determined in advance, applicable to their senior management rank, since Outside Directors and Auditors are charged with the duty of supervising or auditing the execution of duties across the entire 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 for Fiscal 2013

	Payees (persons)	Payment (¥ million)
Directors	11	318
(Outside)	(4)	(22)
Auditors	6	80
(Outside)	(3)	(22)

(Notes) 1. The above payees include one Director (an Outside Director) and one Auditor who retired at the conclusion of the 137th Ordinary General Meeting of Shareholders held on June 25, 2013.

- The amounts of remuneration for Directors shown above do not include performance-related remuneration for fiscal 2013 because the payment amounts of said remuneration are not clear at the time of the preparation of this Business Report.
- In addition to the above payment, the Company paid ¥60 million in performance-related remuneration to Standing Directors (six Directors) for fiscal 2012.
- In addition to the above payment, the Company paid ¥10 million to an employee who concurrently assumed the office of Director (one employee) as salary for an employee.
- As described earlier in "Policy on the determination of remuneration," a portion of the base remuneration of Standing Directors shall be contributed to the Director Shareholding Association with the obligation to acquire stock of the Company. The following table shows the amount contributed to the Director Shareholding Association, including voluntary contributions, together with the amount of stock of the Company acquired.

	Contribution to Director Shareholding Association (¥ million)	Stock of the Company acquired (thousands of shares)
Directors	22	53
Auditors	2	5

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

## [Corporate Overview]

### Stock Information (as of March 31, 2014)

1. Authorized shares: 1,600,000,000
2. Issued and outstanding shares: 746,484,957
3. Number of shareholders: 45,980  
(a decrease of 12,008 from the end of the previous term)

#### 4. Shareholdings by type of shareholder

Classification	Number of shareholders (persons)	Number of shares (shares)	Ratio of shareholding (%)
Financial institutions/Securities firms	125	265,474,827	35.56
Other domestic corporations	537	129,318,788	17.32
Foreigners	421	197,264,070	26.43
Individuals and others	44,897	154,427,272	20.69
<b>Total</b>	<b>45,980</b>	<b>746,484,957</b>	<b>100.00</b>

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

#### 5. Top ten shareholders

Name	Capital contribution to the Company	
	Number of shares (thousands of shares)	Ratio of shareholding (%)
FUJITSU LIMITED	74,333	10.40
Japan Trustee Services Bank, Ltd. (Trust Account)	65,994	9.24
The Master Trust Bank of Japan, Ltd. (Trust Account)	38,672	5.41
Mizuho Bank, Ltd.	22,254	3.11
Asahi Mutual Life Insurance Company	19,776	2.77
FANUC CORPORATION	13,421	1.88
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	12,611	1.77
FURUKAWA CO., LTD.	11,025	1.54
Furukawa Electric Co., Ltd.	10,820	1.51
Fuji Electric Employee Shareholding Association	8,639	1.21

(Notes) 1. Treasury stock of 31,985,886 shares is excluded from the above list of top 10 shareholders.

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

### Type of Bonds with Stock Acquisition Rights (as of March 31, 2014)

#### FUJI ELECTRIC CO., LTD. Euro yen convertible bonds maturing 2016 with stock acquisition rights

Issued date	Total amount of issued price	Total amount of remaining price	Conversion price
June 1, 2006	¥30.0 billion	¥0.5 billion	¥968

## Status of Directors and Auditors

### 1. Directors and Auditors

Name	Positions and direct duties in the Company	
Michihiro Kitazawa	Representative Director President and Director	President General Management
Yoshio Okuno	Representative Director	Executive Vice President Assistant to President In charge of business strategy Sales and Marketing Management
Hisao Shigekane	Representative Director	Executive Vice President Assistant to President Corporate General Manager, Corporate Management Planning Headquarters General Manager, Export Administration Office In charge of compliance management and crisis management
Hiroaki Kurokawa	Outside Director	
Motoyuki Suzuki	Outside Director	
Mareto Sako	Outside Director	
Michio Abe	Director	Senior Managing Executive Officer Corporate General Manager, Production and Procurement Group
Takamichi Hamada	Director	Senior Managing Executive Officer In charge of external affairs
Naoto Yoneyama	Director	Managing Executive Officer Corporate General Manager, Power and Social Infrastructure Business Group In charge of the Construction Business Act
Junichi Matsumoto	Director	Executive Officer General Manager, Corporate Finance Office, Corporate Management Planning Headquarters
Toshio Shinozaki	Standing Auditor	
Toshihiko Ishihara	Standing Auditor	
Takahiko Ito	Outside Auditor	
Yoshiki Sato	Outside Auditor	
Akiko Kimura	Outside Auditor	

(Notes) 1. We expect Outside Directors to play roles in strengthening the management supervisory function and ensuring adequacy and appropriateness of decision-making related to the execution of business. To this end, Mr. Hiroaki Kurokawa, who has experience as a manager in the manufacturing industry, Mr. Motoyuki Suzuki, who is an expert of environmental engineering, which is closely related to Fuji Electric's business activities, and Mr. Mareto Sako, who has experience as a manager in financial institutions, were selected as Outside Directors at the General Meeting of Shareholders as persons who have an understanding of the Fuji Electric's management, as well as insights and experience necessary for making multifaceted management decisions.

Mr. Hiroaki Kurokawa, Mr. Motoyuki Suzuki and Mr. Mareto Sako are reported as Independent Officers as stipulated by the Securities Listing Regulations of the Financial Instruments and Securities Exchange.

2. We expect Outside Auditors, along with Outside Directors, to be conducive to ensuring the adequacy and legality of decision-making related to the execution of business, as well as to play roles in strengthening the management audit function, by giving advice and making suggestions about the entire spectrum of

management activities at meetings of the Board of Directors and on other occasions. To this end, Mr. Takahiko Ito, who concurrently serves as Standing Auditor of a listed company, Mr. Yoshiki Sato, who is a manager in a financial institution, and Ms. Akiko Kimura, who is an attorney, were selected as Outside Auditors at the General Meeting of Shareholders upon obtaining approval at a meeting of the Board of Auditors as persons who have expertise and experience necessary for performing audits.

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

3. The financial, accounting and other expertise possessed by each Auditor is as follows:
- Standing Auditor Toshio Shinozaki is highly knowledgeable about finance, accounting and overall management operations, which he has gained from his longstanding career in Fuji Electric in many areas of risk and business management, including manager of a listed affiliate, finance and specified agents.
  - Standing Auditor Toshihiko Ishihara is highly knowledgeable about human resources, labor and overall management operations, which he has gained from his longstanding career in Fuji Electric as person in charge of human resources and general affairs.
  - Outside Auditor Takahiko Ito is highly knowledgeable of financial and accounting matters and overall corporate management, which he has gained from his career as Standing Auditor at a listed company, and as person in charge of human resources, general affairs and procurement operations in a manufacturing company.
  - Outside Auditor Yoshiki Sato is highly knowledgeable of financial and accounting matters and overall corporate management, which he has gained from his career in a financial institution, where he serves as a representative director.
  - Outside Auditor Akiko Kimura is highly knowledgeable about legal, financial and accounting matters thanks to her involvement as a lawyer in many corporate legal matters, securities transactions and financial and legal affairs.
4. Standing Auditor Mr. Keiichi Hirata resigned his post as Standing Auditor at the close of the 137th Ordinary General Meeting of Shareholders held on June 25, 2013.
5. Positions and direct duties of Directors in the Company were changed as follows on April 1, 2014.
- |                  |                         |  |
|------------------|-------------------------|--|
| Yoshio Okuno     | Representative Director | Executive Vice President<br>Assistant to President<br>Corporate General Manager, Corporate Management Planning Headquarters<br>General Manager, Export Administration Office<br>In charge of compliance management and crisis management |
| Hisao Shigekane  | Representative Director |  |
| Takamichi Hamada | Director                |  |
| Naoto Yoneyama   | Director                | In charge of the Construction Business Act   |

## 2. Significant Concurrent Positions of Directors and Auditors

### (1) Directors

Name	Significant concurrent positions
Hiroaki Kurokawa	Senior Executive Advisor, FUJITSU LIMITED (assumed on July 1, 2013) Senior Advisor, FUJITSU LIMITED (retired on June 30, 2013)
Motoyuki Suzuki	Visiting Professor, the Open University of Japan Auditor (Non-standing), Tokyo Institute of Technology (retired on March 31, 2014)
Mareto Sako	Advisor, Nippon Tochi-Tatemono Co., Ltd. (assumed on July 1, 2013) Advisor, Mizuho Private Wealth Management Co., Ltd. (retired on June 30, 2013)

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

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

**(2) Auditors**

Name	Significant concurrent positions
Toshio Shinozaki	Outside Auditor, FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO., LTD.
Takahiko Ito	Standing Auditor, Furukawa Electric Co., Ltd. Outside Auditor, FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO., LTD.
Yoshiki Sato	President and Representative Director, Asahi Mutual Life Insurance Company Outside Corporate Auditor, The Yokohama Rubber Company, Limited Outside Auditor, ADEKA CORPORATION
Akiko Kimura	Attorney, Advisor of Anderson Mori & Tomotsune

- (Notes) 1. FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO., LTD., where Mr. Takahiko Ito serves a concurrent position, is a subsidiary of the Company and has business transactions including orders for engineering work with the Company.
2. The Company has a business relationship that includes borrowing funds with Asahi Mutual Life Insurance Company, where Mr. Yoshiki Sato serves a concurrent position. Asahi Mutual Life Insurance Company holds a 2.65 percent interest in the total shares outstanding of the Company. Meanwhile, the Company has made a contribution equivalent to 0.60 percent to the total foundation funds of Asahi Mutual Life Insurance.
3. Besides the above, there is no noteworthy relationship based on Article 124 of the Ordinance for Enforcement of the Companies Act between the Company and the other companies where Outside Auditors serve concurrent positions.

**3. Status of Outside Directors and Outside Auditors****(1) Major activities****(i) Outside Directors**

Name	Number of Board of Directors meetings attended and held	Opinions offered
Hiroaki Kurokawa	13 of the 13 meetings	Offered necessary opinions concerning business management of Fuji Electric including the following items at the Board of Directors meetings as appropriate, based on his extensive experience and considerable insight as an experienced manager in the manufacturing sector for electronics and telecommunication equipment <ul style="list-style-type: none"> <li>- Best practice for securing orders for sales expansion</li> <li>- Necessity of stepping up efforts to improve the management base</li> </ul>
Motoyuki Suzuki	13 of the 13 meetings	Offered necessary opinions concerning business management of Fuji Electric including the following items at the Board of Directors meetings as appropriate, based on his professional standpoint and considerable insight in the environmental engineering. <ul style="list-style-type: none"> <li>- Necessity of a business strategy that takes economic policies into consideration</li> <li>- Appropriate way to expand overseas business</li> </ul>
Mareto Sako	10 of the 10 meetings	Offered necessary opinions concerning business management of Fuji Electric including the following items at the Board of Directors meetings as appropriate, based on his extensive experience and considerable insight as a manager in financial institutions. <ul style="list-style-type: none"> <li>- Appropriate way to carry out IR activities</li> <li>- Status of revision of corporate pension scheme</li> </ul>

- (Note) Mr. Mareto Sako assumed his position as a Director at the conclusion of the 137th Ordinary General Meeting of Shareholders held on June 25, 2013, so the number of Board of Directors meetings attended and held are counted after his assumption.

**(ii) Outside Auditors**

Name	Number of Board of Directors meetings attended and held Number of Board of Auditors meetings attended and held	Opinions offered
Takahiko Ito	8 of the 13 meetings 8 of the 11 meetings	Offered necessary opinions at meetings of the Board of Directors as appropriate, concerning the contents of meeting items and the Fuji Electric's business activities, based on his professional experience as Standing Auditor of a listed company, and extensive experience and insight as officer and highly ranked management members in the manufacturing industry. Also, at the Board of Auditors, confirmed the legality of business activities overall from the viewpoint of ensuring legal compliance, and offered appropriate opinions.
Yoshiki Sato	12 of the 13 meetings 9 of the 11 meetings	Offered necessary opinions at meetings of the Board of Directors as appropriate, concerning the contents of meeting items and the Fuji Electric's business activities, based on his extensive experience and considerable insight as a manager in financial institutions. Also, at the Board of Auditors, confirmed the legality of business activities overall from the viewpoint of ensuring legal compliance, and offered appropriate opinions.
Akiko Kimura	12 of the 13 meetings 11 of the 11 meetings	Offered necessary opinions at meetings of the Board of Directors as appropriate, concerning the contents of meeting items and the Fuji Electric's business activities, based on her professional experience as an attorney. Also, at the Board of Auditors, confirmed the legality of business activities overall from the viewpoint of ensuring legal compliance, and offered appropriate opinions.

**(2) Outline of Limited Liability Agreement with Outside Directors and Outside Auditors**

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

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

## Matters related to Accounting Auditor

### 1. Designation of accounting auditor ERNST & YOUNG SHINNIHON LLC

### 2. Accounting auditor remuneration for the period

Category	Payment amounts (¥ million)
(i) Remuneration and other amounts payable by the Company for the period	165
(ii) Total profit on cash and other financial assets payable by the Company and its subsidiaries	318

(Notes) 1. In the audit contract between the Company and the accounting auditor, no distinction is made in the amounts of auditing fees under the Companies Act and audit fees under the Financial Instruments and Exchange Act. For this reason, no distinction can be made and the sum of these two is entered in the total amount under (i) above.

2. The Company does not entrust any services to the accounting auditor as services (non-audit services) other than those stipulated in Article 2, Paragraph 1, of the Certified Public Accountants Act.

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

If any matters or circumstances surrounding the accounting auditor apply to any of the items under Article 340, Paragraph 1 of the Companies Act, and no improvement is expected, the accounting auditor will be dismissed with the consent of all of the Auditors.

In addition, if it is deemed impossible for the accounting auditor to perform his/her duties properly, the Company shall submit a proposal concerning dismissal or non-reappointment of the relevant accounting auditor to the general shareholders meeting, with the consent of the Board of Auditors.

# [The Fuji Electric Group]

## Group companies

(as of March 31, 2014)

Fuji Electric	<b>Power and Social Infrastructure</b>		
	Fuji Electric IT Solutions Co., Ltd.	Fuji IT Co., Ltd.	GE Fuji Meter Co., Ltd.
	<b>Industrial Infrastructure</b>		
	Tottori Electric Co., Ltd.	Shanghai Fuji Electric Transformer Co., Ltd.	
	Ibarakifuji Co., Ltd.	Shanghai Fuji Electric Switchgear Co., Ltd.	
	Hakko Electronics Co., Ltd.	Fuji Electric (Zhuhai) Co., Ltd.	
	Fuji Electric Chiba Tech. Co., Ltd.	FUJI FURMANITE CO., LTD.*	
FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO., LTD.			
FUJI ELECTRIC FRANCE S.A.	FUJI FURUKAWA E&C (THAILAND) CO., LTD.*		
<b>Power Electronics</b>			
Fuji Electric FA Service Co., Ltd.		WUXI FUJI ELECTRIC FA CO., LTD.	
Fuji Electric FA Components & Systems Co., Ltd.		Fuji Electric Manufacturing (Thailand) Co., Ltd.	
CHICHIBU FUJI CO., LTD.		Fuji Electric Dalian Co., Ltd.	
Fuji Electric Technica Co., Ltd.		Fuji Electric (Changshu) Co., Ltd.	
Fuji Electric Motor (Dalian) Co., Ltd.		Fuji Electric FA (Asia) Co., Ltd.	
<b>Electronic Devices</b>			
Fuji Electric Power Semiconductor Co., Ltd.		FUJI ELECTRIC PHILIPPINES, INC.	
Fuji Electric Tsugaru Semiconductor Co., Ltd.		FUJI ELECTRIC SEMICONDUCTOR (MALAYSIA) SDN. BHD.	
FUJI ELECTRIC (SHENZHEN) CO., LTD.		FUJI ELECTRIC (MALAYSIA) SDN. BHD.	
<b>Food and Beverage Distribution</b>			
Shinshu Fuji Electric Co., Ltd.	MIE FUJI CO., LTD.	Fuji Electric (Hangzhou) Software Co., Ltd.	
HOEI PLASTICS CO., LTD.	Dalian Fuji Bingshan Vending Machine Co., Ltd.		
<b>Others</b>			
Fuji Electric Finance and Accounting Support Co., Ltd.		Japan AE Power Systems Corporation*	
FESTEC Co., Ltd.		METAWATER Co., Ltd.*	
Fuji Office & Life Service Co., Ltd.		METAWATER SERVICE Co., Ltd.*	
Fuji Electric Information Technology Center Co., Ltd.			

**Shared sales companies**  
 HOEI DENKI CO., LTD.  
 HOKKAIDO FUJI ELECTRIC CO., LTD.  
 Fuji Electric Taiwan Co., Ltd.  
 Fuji Electric Hong Kong Co., Ltd.  
 FUJI ELECTRIC CORP. OF AMERICA  
 Fuji Electric Europe GmbH  
 Fuji Electric Asia Pacific Pte. Ltd.  
 Fuji Electric (China) Co., Ltd.  
 Fuji Electric Korea Co., Ltd.  
 HOEI HONG KONG CO., LTD.

**Production facilities company**  
 Fuji Electric F-Tech Co., Ltd.

- (Notes) 1. Companies marked with an asterisk (\*) are accounted for as equity method affiliates.
2. The following changes occurred among consolidated subsidiaries during the fiscal year under review.  
 New consolidated subsidiaries: Fuji Electric (Zhuhai) Co., Ltd., Dalian Fuji Bingshan Vending Machine Co., Ltd., Fuji Electric (Hangzhou) Software Co., Ltd.  
 Excluded from consolidation: Fuji Electric Thermo Systems Co., Ltd., Fuji Electric FA Singapore Private Ltd.



## Important subsidiaries of the corporate group

Company name	Fuji Electric FA Components & Systems Co., Ltd.		
The Company's capital contribution	63.2%		
Major business	Development, manufacturing and sales of control and power receiving and distribution equipment.		
Net sales (¥ billion)	44.6	Net assets (¥ billion)	27.9
Operating income (loss)(¥ billion)	1.8	Capital (¥ billion)	7.6
Net income (loss)(¥ billion)	2.2	Number of employees	897

## Important Corporate Realignments

- On April 1, 2013, the Company absorbed Fuji Electric Thermo Systems Co., Ltd., a wholly-owned subsidiary engaged in the development, design, manufacture and after-sale service of melting furnaces, industrial heating systems, and environmental application products.

## Main Facilities of the Group (as of March 31, 2014)

### 1. Power and Social Infrastructure

Domestic facilities

Production facilities	Kawasaki
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### 2. Industrial Infrastructure

Domestic facilities

Production facilities	Hino, Ichihara
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Overseas facilities

FUJI ELECTRIC FRANCE S.A., Shanghai Fuji Electric Transformer Co., Ltd. (China), Shanghai Fuji Electric Switchgear Co., Ltd. (China), Fuji Electric (Zhuhai) Co., Ltd. (China), FUJI FURUKAWA E&C (THAILAND) CO., LTD.
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### 3. Power Electronics

Domestic facilities

Production facilities	Suzuka, Kobe, Ami machi (Ibaraki), Konosu, Otawara
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Overseas facilities

Fuji Electric Motor (Dalian) Co., Ltd. (China), WUXI FUJI ELECTRIC FA CO., LTD. (China), Fuji Electric Manufacturing (Thailand) Co., Ltd., Fuji Electric Dalian Co., Ltd. (China), Fuji Electric (Changshu) Co., Ltd. (China), Fuji Electric FA (Asia) Co., Ltd. (China)
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### 4. Electronic Devices

Domestic facilities

Production facilities	Matsumoto, Minami Alps
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Overseas facilities

FUJI ELECTRIC (SHENZHEN) CO., LTD. (China), FUJI ELECTRIC PHILIPPINES, INC., FUJI ELECTRIC SEMICONDUCTOR (MALAYSIA) SDN. BHD., FUJI ELECTRIC (MALAYSIA) SDN. BHD.
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## 5. Food and Beverage Distribution

### Domestic facilities

Production facilities	Yokkaichi, Ueda
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### Overseas facilities

Dalian Fuji Bingshan Vending Machine Co., Ltd. (China), Fuji Electric (Hangzhou) Software Co., Ltd. (China)
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## 6. Others, Common

### Domestic facilities

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

Fuji Electric Taiwan Co., Ltd., Fuji Electric Hong Kong Co., Ltd. (China), FUJI ELECTRIC CORP. OF AMERICA, Fuji Electric Europe GmbH (Germany), Fuji Electric Asia Pacific Pte. Ltd. (Singapore), Fuji Electric (China) Co., Ltd., Fuji Electric Korea Co., Ltd., HOEI HONG KONG CO., LTD. (China)
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## Employees of Fuji Electric (as of March 31, 2014)

Business segment	Number of employees (persons)	Year-on-year change (persons)
Power and Social Infrastructure	2,507	(261)
Industrial Infrastructure	5,261	157
Power Electronics	6,365	424
Electronic Devices	6,555	(92)
Food and Beverage Distribution	2,392	454
Others	2,444	(114)
<b>Total</b>	<b>25,524</b>	<b>568</b>

(Note) The number of employees of the Company at the end of March 2014 is 10,951 (an increase of 50 from the end of the previous year).

## Major lenders (as of March 31, 2014)

Name of lenders	Balance of loans (¥ billion)
Mizuho Bank, Ltd.	33.0
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	18.8
Resona Bank, Limited	8.0
Mizuho Trust & Banking Co., Ltd.	7.9

## Basic Policy on System of Internal Controls

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

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

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

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

Internal regulations will be formulated to ensure accurate retention and management of records of important business executed by Fuji Electric companies and to ensure that Directors and Auditors acquire knowledge of records. The regulations establish procedures for Directors, Auditors, and managers involved in saving and storing records regarding access to information. The Company's Auditors are also consulted in advance with regard to formulating, amending, or eliminating regulations.

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

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

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

- (i) The Company will adopt the executive officer structure to separate management and execution, and accelerate decision-making procedures. The division of duties of each executive officer will be clarified by a resolution of the Board of Directors.

In addition, the internal regulations that prescribe the duties and authority of executive officers and employees will be formulated to clarify decision-making authority and locus of responsibilities with regard to business execution.

- (ii) A management meeting will be established as a permanent corporate body to advise the Company's president. It will comprise the Company's executive officers and other individuals, and will deliberate on important matters pertaining to the management of Fuji Electric as a whole and formulate reports. The Company's Representative Director will communicate the deliberations and reports of the management meeting to the Company's Board of Directors as necessary.
- (iii) To formulate annual and medium-term management plans for Fuji Electric and to share information within Fuji Electric, the management meeting and the Company's Board of Directors will confirm, evaluate, and review progress for each business division on a monthly basis.

**(5) System to ensure reliable financial reporting**

The Company will formulate internal regulations to ensure the appropriateness of documents and other information related to financial settlements as stipulated by the Financial Instruments and Exchange Act. Based on these regulations, each Fuji Electric company will build internal controls for financial reporting, appropriately conduct evaluations and reporting, and report the results of evaluations to its Board of Directors.

**(6) System for ensuring the appropriate administration of the Company and Fuji Electric companies**

- (i) The Company will formulate internal regulations that prescribe authority and responsibilities. Based on these regulations, each Fuji Electric company will ensure systematic and efficient management.
- (ii) The Company will enhance systems to ensure appropriate administration from the perspective of Fuji Electric as a whole for the items discussed above, to maximize the corporate value of Fuji Electric.

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

**(7) Matters pertaining to employees assisting Auditors and their independence from Directors**

Auditors may request the assistance of employees from internal auditing divisions or management planning divisions as necessary. Employees carrying out this work may do so independently of instructions or orders from Directors.

**(8) System for reporting to Auditors by Directors and employees and other matters pertaining to reporting to Auditors**

Internal regulations will be established to ensure Auditors acquire sufficient information for them to fulfill their duties. The regulations establish specific methods for ensuring Auditors have opportunities to attend important meetings where decisions are made on business execution, for distributing regular reports and important documents to Auditors, and for making it possible for Auditors to otherwise collect information on the performance of duties by Directors.

**(9) Other systems to ensure audits are conducted efficiently by Auditors**

- (i) The Company recruits outside auditors who understand the management of the Fuji Electric companies and have expertise and experience necessary to conduct audits.
- (ii) A committee comprising Auditors from the Company and subsidiaries, which are large companies as defined by the Companies Act, and a committee comprising Auditors, members of internal audit divisions, and accounting auditors work to strengthen communication among all auditing bodies and ensure the effectiveness of auditing practices for Fuji Electric companies as a whole.

## Basic Policy on Control of the Company

### 1. Details of the basic policy

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

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

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

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

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

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

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

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

### 2. The Fuji Electric's measures to realize the Basic Policy

#### (1) Initiatives to improve corporate value of Fuji Electric

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

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

**(2) Measures to prevent control of the Company by undesirable parties as described in the Basic Policy**

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

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

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

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

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

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

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- (Notes) 1. Amounts less than a unit are rounded to the nearest yen in the Business Report.  
 2. In the number of shares in the Business Report, odd lot share amounts of less than one thousand (1,000 shares) are rounded down.  
 3. The business object in the future, stated in the Business Report is calculated based on given assumptions that we assess to be reasonable at the time of writing the Business Report. The description may differ from the actual results, and we cannot guarantee the accuracy of the content.

## Consolidated Balance Sheets

(as of March 31, 2014)

<b>[Assets]</b>	(¥Millions)	<b>[Liabilities]</b>	(¥Millions)
<b>Current assets</b>	<b>429,338</b>	<b>Current liabilities</b>	<b>359,457</b>
Cash and deposits	34,025	Notes and accounts payable-trade	142,087
Notes and accounts receivable-trade	222,481	Short-term loans payable	76,412
Merchandise and finished goods	43,180	Lease obligations	13,521
Work in process	48,030	Accrued expense	37,469
Raw materials and supplies	30,231	Income taxes payable	4,543
Deferred tax assets	17,554	Advances received	33,933
Other	34,365	Other	51,489
Allowance for doubtful accounts	(532)		
<b>Noncurrent assets</b>	<b>381,269</b>	<b>Noncurrent liabilities</b>	<b>200,091</b>
<b>Property, plant and equipment</b>	<b>172,619</b>	Bonds payable	60,500
Buildings and structures	78,094	Long-term loans payable	62,592
Machinery, equipment and vehicles	21,240	Lease obligations	20,726
Tools, furniture and fixtures	4,908	Deferred tax liabilities	17,911
Land	35,199	Net defined benefit liability	34,236
Leased assets	28,627	Provision for directors' retirement benefits	215
Construction in progress	4,549	Other	3,908
		<b>Total liabilities</b>	<b>559,548</b>
<b>Intangible fixed assets</b>	<b>13,874</b>	<b>[Net assets]</b>	
Software	6,859	<b>Shareholders' equity</b>	<b>189,804</b>
Other	7,015	<b>Capital stock</b>	<b>47,586</b>
		<b>Capital surplus</b>	<b>46,734</b>
<b>Investments and other assets</b>	<b>194,775</b>	<b>Retained earnings</b>	<b>102,631</b>
Investment securities	148,867	<b>Treasury stock</b>	<b>(7,148)</b>
Long-term loans receivable	1,893		
Net defined benefit asset	31,263	<b>Accumulated other comprehensive income</b>	<b>37,376</b>
Deferred tax assets	4,519	<b>Valuation difference on available-for-sale securities</b>	<b>44,768</b>
Other	8,975	<b>Deferred gains or losses on hedges</b>	<b>20</b>
Allowance for doubtful accounts	(744)	<b>Foreign currency translation adjustments</b>	<b>3,202</b>
		<b>Remeasurements of defined benefit plans</b>	<b>(10,614)</b>
<b>Deferred assets</b>	<b>166</b>	<b>Minority interests</b>	<b>24,043</b>
Bond issue expenses	166		
		<b>Total net assets</b>	<b>251,225</b>
<b>Total assets</b>	<b>810,774</b>	<b>Total liabilities and net assets</b>	<b>810,774</b>



## Consolidated Statements of Income

(from April 1, 2013 to March 31, 2014)

	(¥Millions)	(¥Millions)
<b>Net sales</b>		<b>759,911</b>
<b>Cost of sales</b>		<b>579,856</b>
<b>Gross profit</b>		<b>180,055</b>
<b>Selling, general and administrative expenses</b>		<b>146,918</b>
<b>Operating income</b>		<b>33,136</b>
<b>Non-operating income</b>		
Interest and dividends income	1,471	
Miscellaneous income	5,699	7,170
<b>Non-operating expenses</b>		
Interest expense	2,855	
Miscellaneous expenses	720	3,575
<b>Ordinary income</b>		<b>36,731</b>
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	543	
Gain on sales of investment securities	370	913
<b>Extraordinary loss</b>		
Loss on disposal of noncurrent assets	1,304	
Loss on valuation of investment securities	1,134	
Impairment loss	641	
Settlement package	420	
Other	407	3,907
<b>Income before income taxes</b>		<b>33,737</b>
Income taxes-current	9,005	
Income taxes-deferred	2,976	11,982
<b>Income before minority interests</b>		<b>21,754</b>
Minority interests in income		2,172
<b>Net income</b>		<b>19,582</b>

## Consolidated Statement of Changes in Net Assets

(from April 1, 2013 to March 31, 2014)

(¥ Millions)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2013	47,586	46,734	87,620	(7,115)	174,824
Changes of items during the period					
Dividends from surplus			(4,287)		(4,287)
Net income for the year			19,582		19,582
Purchase of treasury stock				(32)	(32)
Disposal of treasury stock		0		0	1
Change of scope of consolidation			(283)		(283)
Net changes of items other than shareholders' equity					-
Total changes of items during the period	-	0	15,011	(32)	14,979
Balance at March 31, 2014	47,586	46,734	102,631	(7,148)	189,804

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2013	20,383	(83)	(551)	-	19,747	21,100	215,672
Changes of items during the period							
Dividends from surplus					-		(4,287)
Net income for the year					-		19,582
Purchase of treasury stock					-		(32)
Disposal of treasury stock					-		1
Change of scope of consolidation					-		(283)
Net changes of items other than shareholders' equity	24,385	103	3,754	(10,614)	17,628	2,943	20,572
Total changes of items during the period	24,385	103	3,754	(10,614)	17,628	2,943	35,552
Balance at March 31, 2014	44,768	20	3,202	(10,614)	37,376	24,043	251,225

## Non-Consolidated Balance Sheet

(as of March 31, 2014)

[Assets]	(¥Millions)	[Liabilities]	(¥Millions)
<b>Current assets</b>	<b>279,876</b>	<b>Current liabilities</b>	<b>250,400</b>
Cash and deposits	4,318	Notes payable-trade	187
Notes receivable-trade	4,506	Accounts payable-trade	133,055
Accounts receivable-trade	145,476	Short-term loans payable	26,300
Merchandise and finished goods	15,562	Current portion of long-term loans payable	18,160
Work in process	37,659	Lease obligations	7,911
Raw materials and supplies	18,871	Accounts payable-other	2,221
Advance payments-trade	10,913	Accrued expense	26,274
Deferred tax assets	12,205	Income taxes payable	1,793
Short-term loans receivable	1,009	Advances received	25,369
Accounts receivable-others	15,956	Deposits received	7,422
Deposits paid	3,157	Other	1,703
Other	10,762		
Allowance for doubtful accounts	(522)		
<b>Noncurrent assets</b>	<b>346,593</b>	<b>Noncurrent liabilities</b>	<b>166,824</b>
<b>Property, plant and equipment</b>	<b>92,985</b>	Bonds payable	60,500
Buildings	40,047	Long-term loans payable	59,000
Structures	1,831	Lease obligations	11,457
Machinery and equipment	5,601	Deferred tax liabilities	23,287
Vehicles	21	Provision for retirement benefits	10,449
Tools, furniture and fixtures	2,054	Asset retirement obligations	1,741
Land	25,316	Other	388
Leased assets	15,644		
Construction in progress	2,467	<b>Total liabilities</b>	<b>417,224</b>
<b>Intangible fixed assets</b>	<b>6,894</b>	<b>[Net assets]</b>	
Software	4,356	<b>Shareholders' equity</b>	<b>165,149</b>
Other	2,537	<b>Capital stock</b>	<b>47,586</b>
<b>Investments and other assets</b>	<b>246,714</b>	<b>Capital surplus</b>	<b>56,817</b>
Investment securities	130,685	Capital reserve	56,777
Stocks of subsidiaries and affiliates	77,748	Other capital surplus	40
Capital contributions	543	<b>Retained earnings</b>	<b>68,087</b>
Long-term loans receivable	1,221	Legal reserve	11,515
Prepaid pension cost	33,182	Other retained earnings	56,572
Other	3,898	Retained earnings brought forward	56,572
Allowance for doubtful accounts	(564)	<b>Treasury stock</b>	<b>(7,341)</b>
<b>Deferred assets</b>	<b>166</b>	<b>Valuation and translation adjustments</b>	<b>44,262</b>
Bond issue expenses	166	<b>Valuation difference on available-for-sale securities</b>	<b>44,237</b>
		<b>Deferred gains or losses on hedges</b>	<b>24</b>
		<b>Total net assets</b>	<b>209,412</b>
<b>Total assets</b>	<b>626,636</b>	<b>Total liabilities and net assets</b>	<b>626,636</b>

## Non-Consolidated Statements of Income

(from April 1, 2013 to March 31, 2014)

	(¥Millions)	(¥Millions)
<b>Net sales</b>		<b>495,447</b>
<b>Cost of sales</b>		<b>382,418</b>
<b>Gross profit</b>		<b>113,029</b>
<b>Selling, general and administrative expenses</b>		<b>97,055</b>
<b>Operating income</b>		<b>15,973</b>
<b>Non-operating income</b>		
Interest and dividends income	6,267	
Other	2,095	8,362
<b>Non-operating expenses</b>		
Interest expense	1,550	
Other	528	2,079
<b>Ordinary income</b>		<b>22,256</b>
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	150	
Gain on sales of investment securities	357	
Gain on sales of subsidiaries and affiliates' stocks	6,676	
Gain on extinguishment of tie-in shares	724	
Reversal of allowance for investment loss of subsidiaries and affiliates	637	8,546
<b>Extraordinary loss</b>		
Loss on disposal of noncurrent assets	781	
Loss on valuation of investment securities	330	
Loss on valuation of stocks of subsidiaries and affiliates	732	
Impairment loss	546	
Settlement package	420	
Provision of allowance for doubtful accounts for subsidiaries and affiliates	392	
Other	11	3,215
<b>Net income before income taxes</b>		<b>27,588</b>
Income taxes-current	3,283	
Income taxes-deferred	3,023	6,307
<b>Net income</b>		<b>21,280</b>

## Non-Consolidated Statement of Changes in Net Assets

(from April 1, 2013 to March 31, 2014)

(¥Millions)

	Shareholders' equity									
	Capital stock	Capital surplus			Legal reserve	Retained earnings			Treasury stock	Total stockholders' equity
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at April 1, 2013	47,586	56,777	39	56,817	11,515	-	39,579	51,094	(7,309)	148,188
Changes of items during the period										
Dividends from surplus				-			(4,287)	(4,287)		(4,287)
Net income for the year				-			21,280	21,280		21,280
Purchase of treasury stock				-				-	(32)	(32)
Disposal of treasury stock			0	0				-	0	1
Net changes of items other than shareholders' equity				-				-		-
Total changes of items during the period	-	-	0	0	-	-	16,993	16,993	(32)	16,961
Balance at March 31, 2014	47,586	56,777	40	56,817	11,515	-	56,572	68,087	(7,341)	165,149

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at April 1, 2013	20,712	(89)	20,623	168,811
Changes of items during the period				
Dividends from surplus			-	(4,287)
Net income for the year			-	21,280
Purchase of treasury stock			-	(32)
Disposal of treasury stock			-	1
Net changes of items other than shareholders' equity	23,524	114	23,639	23,639
Total changes of items during the period	23,524	114	23,639	40,601
Balance at March 31, 2014	44,237	24	44,262	209,412