

Fuji Electric Report Financials **2013**

***Innovating  
Energy Technology***

# Consolidated Financial Highlights

Fiscal year	Millions of yen					Thousands of U.S. dollars*1	
	2008	2009	2010	2011	2012	2012	
<b>Operating Results</b>							
Net sales	¥766,637	¥691,223	¥689,065	¥703,534	<b>¥745,781</b>	<b>\$7,933,841</b>	
Japan	585,596	513,616	510,843	525,096	<b>567,314</b>	<b>6,035,257</b>	
Overseas	181,040	177,607	178,221	178,437	<b>178,466</b>	<b>1,898,584</b>	
Operating income (loss)	(18,855)	924	11,917	19,252	<b>21,992</b>	<b>233,967</b>	
Net income (loss)	(73,306)	6,757	15,104	11,801	<b>26,368</b>	<b>280,512</b>	
<b>R&amp;D and Capital Investment</b>							
R&D expenditures	¥ 30,394	¥ 24,296	¥ 32,568	¥ 32,247	<b>¥ 31,160</b>	<b>\$ 331,492</b>	
Plant and equipment investment*2	33,457	19,124	27,223	24,989	<b>31,771</b>	<b>337,992</b>	
Depreciation and amortization*3	23,919	26,053	27,945	29,755	<b>31,054</b>	<b>330,370</b>	
<b>Cash Flows</b>							
Cash flows from operating activities	¥ 23,101	¥ 11,923	¥ 53,853	¥ 28,314	<b>¥ 55,342</b>	<b>\$ 588,749</b>	
Cash flows from investing activities	(12,278)	(528)	84,241	(13,489)	<b>(24,286)</b>	<b>(258,370)</b>	
Free cash flow	10,823	11,395	138,094	14,825	<b>31,055</b>	<b>330,379</b>	
Cash flows from financing activities	53,753	(62,575)	(93,468)	(32,593)	<b>(56,827)</b>	<b>(604,550)</b>	
<b>Financial Position</b>							
Total assets	¥908,941	¥908,938	¥805,797	¥792,848	<b>¥765,563</b>	<b>\$8,144,296</b>	
Total net assets	146,113	196,134	174,935	183,217	<b>215,672</b>	<b>2,294,392</b>	
Interest-bearing debt	416,083	359,790	274,019	255,865	<b>226,717</b>	<b>2,411,893</b>	
<b>Financial Indicators</b>							
Ratio of operating income (loss) to Net sales (%)	(2.5)	0.1	1.7	2.7	<b>2.9</b>	—	
ROE (Return on equity) (%)	(38.1)	4.4	9.0	7.4	<b>14.7</b>	—	
ROA (Return on assets) (%)	(7.5)	0.7	1.8	1.5	<b>3.4</b>	—	
Total net assets ratio (%)	14.3	19.7	19.3	20.6	<b>25.4</b>	—	
Net debt-equity ratio (times)*4	2.5	1.8	1.2	1.2	<b>1.0</b>	—	
Debt-equity ratio (times)*5	3.2	2.0	1.8	1.6	<b>1.2</b>	—	
<b>Per Share Data</b>							
	Yen					U.S. dollars*1	
Net income (loss)	¥(102.57)	¥ 9.46	¥ 21.14	¥ 16.52	<b>¥ 36.90</b>	<b>\$0.393</b>	
Net assets	182.37	250.28	217.40	228.91	<b>272.29</b>	<b>2.897</b>	
Cash dividends	4.00	1.50	4.00	4.00	<b>5.00</b>	<b>0.053</b>	
<b>Others</b>							
	Headcount						
Employees	22,799	23,524	24,562	24,973	<b>24,956</b>	—	
Japan	19,008	18,692	18,002	17,933	<b>18,271</b>	—	
Overseas	3,791	4,832	6,560	7,040	<b>6,685</b>	—	

\*1 The U.S. dollar amounts represent the arithmetic results of translating yen into dollars at ¥94 = U.S. \$1, the approximate exchange rate at March 31, 2013.

\*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

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# Management's Discussion and Analysis

## Overview

In fiscal 2012, ended March 31, 2013, the operating environment for Fuji Electric proved to be difficult for its power electronics and semiconductor operations overseas due to market stagnation that stemmed from the sovereign debt crisis in Europe and the delayed recovery in demand, which was particularly prominent in China. Domestically, economic conditions started to decelerate in the summer as a result of sluggish conditions in the global economy. However, government measures implemented at the end of 2012 brought hope for economic recovery, and we are gradually seeing signs of a positive turn in conditions.

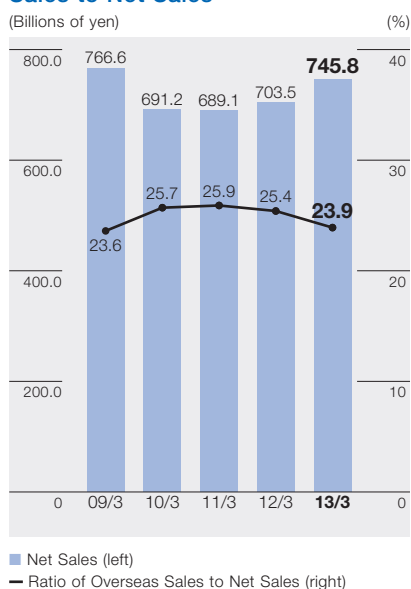
In this environment, the Company pushed forward with initiatives for advancing its management policy of "expand energy-related businesses." At the same time, we worked to reinforce management foundations by strengthening manufacturing capabilities and increasing earning power through rigorous cost reduction, improving cash flows by rigorously reducing inventories, and building sales and manufacturing bases for expanding business overseas.

## Financial Performance

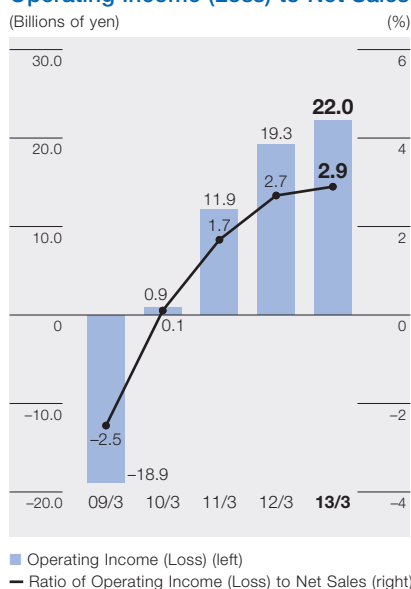
### Net Sales

In fiscal 2012, net sales increased 6.0% year on year, to ¥745,781 million. Domestic net sales were up 8.0% year on year, to ¥567,314 million. Meanwhile, overseas net sales were ¥178,466 million, largely unchanged from the previous fiscal year.

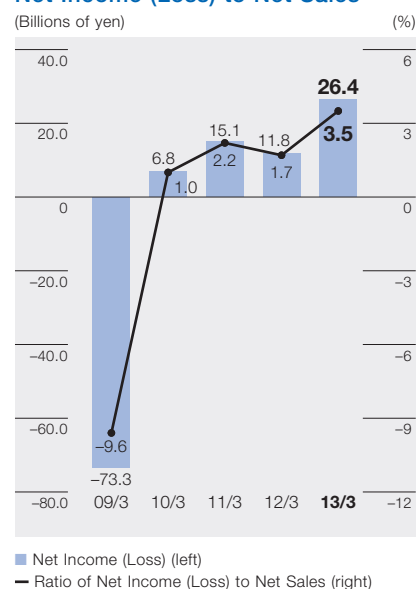
### Net Sales / Ratio of Overseas Sales to Net Sales



### Operating Income (Loss) / Ratio of Operating Income (Loss) to Net Sales



### Net Income (Loss) / Ratio of Net Income (Loss) to Net Sales



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

Cost of sales increased 7.5% year on year, to ¥587,458 million. Cost of sales as a percentage of net sales increased 1.1 percentage points, to 78.8%.

Selling, general and administrative expenses decreased 0.9% year on year, to ¥136,331 million. Selling, general and administrative expenses as a percentage of net sales decreased 1.3 percentage points, to 18.3%.

Operating income improved ¥2,740 million year on year, to ¥21,992 million. This was because the benefits of thorough cost reduction measures as well as the business restructuring initiatives implemented in the previous fiscal year outweighed the impacts of intensified cost competition.

### Non-Operating Income (Expenses) and Ordinary Income

Non-operating income (net) was ¥3,722 million, an improvement of ¥4,420 million compared to the non-operating expenses (net) of ¥698 million in the previous fiscal year. This improvement was mainly due to a recording of ¥1,446 million in foreign exchange gains compared to foreign exchange losses of ¥1,026 million recorded in the previous fiscal year, and a ¥1,208 million decrease in interest expense.

As a result, ordinary income was ¥25,714 million, an improvement of ¥7,160 million from the previous fiscal year.

### Extraordinary Income (Loss), Income Before Income Taxes and Minority Interests

Extraordinary income was ¥1,044 million due to gain on sales of noncurrent assets, gain on sales of investment securities and insurance income. Extraordinary income decreased ¥1,327 million year on year, mainly due to a decline in gain on sales of noncurrent assets.

Extraordinary loss was ¥10,140 million, reflecting loss on disposal of noncurrent assets, loss on devaluation of investment securities, impairment loss, loss on liquidation of subsidiaries, settlement package and other items. Extraordinary loss decreased ¥5,437 million year on year, mainly due to the absence of a loss on disappearance of pension assets recorded in the previous fiscal year.

As a result, income before income taxes and minority interests increased ¥11,269 million year on year to ¥16,617 million.

### Net Income

Starting with income before income taxes and minority interests, the addition of reimbursement of tax expenses of ¥11,427 million, mainly arising from the recording of deferred tax assets, and the subtraction of minority interests in net income of consolidated subsidiaries of ¥1,676 million resulted in net income of ¥26,368 million. This represented a ¥14,567 million year-on-year increase in net income compared to the previous fiscal year, when tax expenses of ¥7,897 million, due principally to the reversal of deferred tax assets, and minority interests in net income of consolidated subsidiaries of ¥1,444 million were subtracted from income before income taxes and minority interests.

In fiscal 2012, orders received (Power and Social Infrastructure segment of Fuji Electric Co., Ltd., non-consolidated-basis) was ¥122,200 million. Sales in the power generation business were up year on year due to large-scale orders for thermal power plants, but operating results worsened due to the heavy impact of intensified cost competition. In the social infrastructure business, the energy distribution business drove year-on-year improvements in net sales and operating results as demand for solar power generation systems rose following the launch of the feed-in tariff scheme for renewable energy.

### Industrial Infrastructure

Net sales rose 5% year on year, to ¥115,629 million, and operating income improved ¥657 million year on year, to ¥5,042 million.

In fiscal 2012, orders received (Industrial Infrastructure segment of Fuji Electric Co., Ltd. non-consolidated-basis) was ¥89,200 million.

In the industrial plant business, sales increased year on year due to relatively firm replacement demand in Japan. Sales also increased in the facilities business, which benefited from domestic replacement demand and revenues from large-scale projects overseas. While operating results in both businesses were impacted by intensified cost competition, these impacts were outweighed by the benefits of the higher sales and lower costs, and overall operating results improved year on year for this business segment accordingly.

## Results by Business Segment

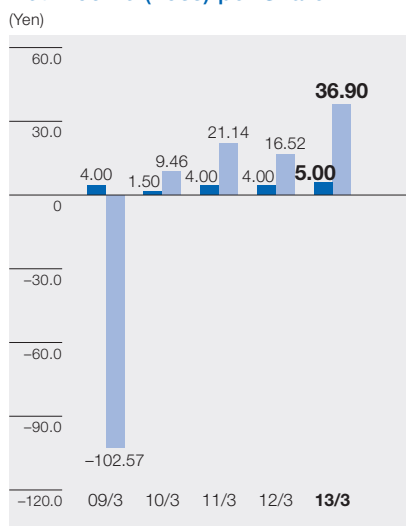
### Power and Social Infrastructure

Net sales rose 27% year on year, to ¥198,860 million, and operating income worsened ¥388 million year on year, to ¥11,631 million.

### Power Electronics

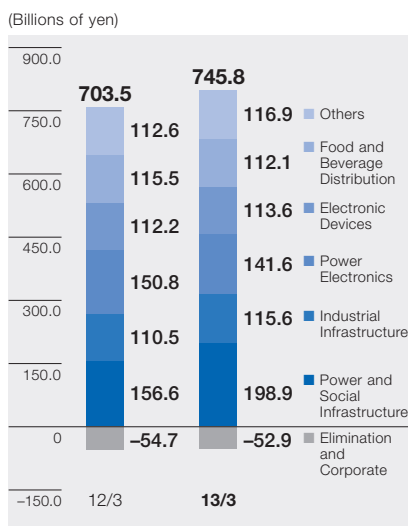
Net sales decreased 6% year on year, to ¥141,649 million, and operating income worsened ¥1,177 million year on year, to ¥2,601 million.

### Cash Dividends per Share / Net Income (Loss) per Share



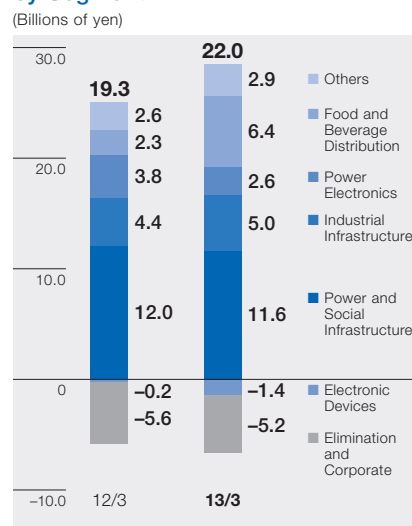
■ Cash Dividends per Share  
■ Net Income (Loss) per Share

### Net Sales by Segment\*



\* Based on figures prior to reflecting the change in subsegments that took effect from April 1, 2013

### Operating Income (Loss) by Segment\*



\* Based on figures prior to reflecting the change in subsegments that took effect from April 1, 2013

In fiscal 2012, orders received (sum of Power Electronics segment of Fuji Electric Co., Ltd. and Fuji Electric FA Components & Systems Co., Ltd., non-consolidated-basis) were ¥112,000 million.

In the drive business, sales decreased year on year following sluggish demand in China and other overseas markets. However, the benefits of lower costs and general expenses resulted in improvements in operating results. In the power supply business, sales and operating results worsened due to decreased demand for power supplies for the manufacturing industry and for use in IT equipment. Meanwhile, lower demand from machinery manufacturers in the Japanese market led to the deterioration of sales and operating results in the ED&C components business.

### Electronic Devices

Net sales increased 1% year on year, to ¥113,591 million, and operating loss worsened ¥1,209 million year on year, to ¥1,416 million.

In fiscal 2012, orders received (total of Electronic Devices segment of Fuji Electric Co., Ltd. and Fuji Electric (Malaysia) Sdn. Bhd., non-consolidated-basis) were ¥91,600 million.

In the semiconductor business, demand in the automotive electronics business was relatively firm, while demand in the industrial and power supply application businesses was down. As a result, both sales and operating results worsened. In the magnetic disk business, sales increased year on year following the depreciation of the Japanese yen and operating results improved due to benefits of the business restructuring initiatives implemented in the previous fiscal year.

### Food and Beverage Distribution

Net sales decreased 3% year on year, to ¥112,086 million, and operating income improved ¥4,161 million year on year, to ¥6,423 million.

In fiscal 2012, orders received (Food and Beverage Distribution segment of Fuji Electric Co., Ltd., non-consolidated-basis) was ¥71,000 million.

In the vending machine business, there was strong replacement demand for energy-saving environmentally friendly vending machines, and demand for coffee machines for convenience stores as a newly launched product. However, sales declined year on year after sales of the food and beverage items sold in vending machines were stopped. In the store distribution business, sales rose as a result of automatic change dispenser replacement demand as well as increased orders for freezing, refrigerating, and energy-saving facilities for convenience stores and other establishments. Operating income improved for the overall segment due to the benefits from the business restructuring initiatives implemented in the previous fiscal year as well as cost reductions and the introduction of new products.

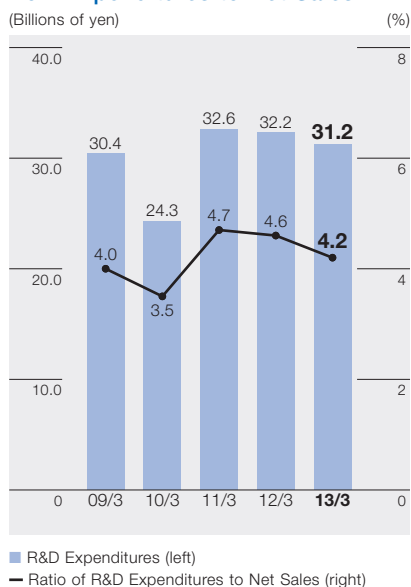
### Others

Net sales rose 4% year on year, to ¥116,892 million, and operating income improved ¥241 million year on year, to ¥2,880 million.

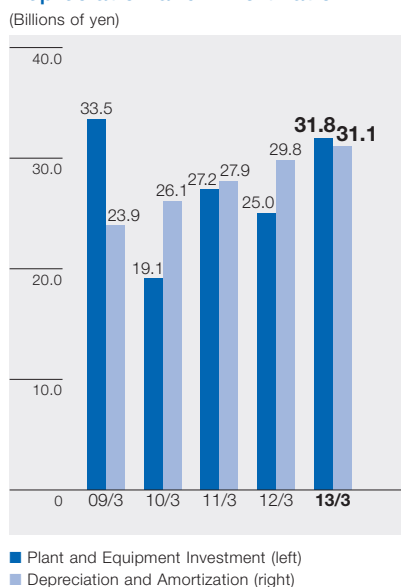
(Note) The classification of reportable segments has been changed from fiscal 2012.

Therefore, year-on-year comparisons in each segment were calculated by restating the previous fiscal year's figures under the new segment classification.

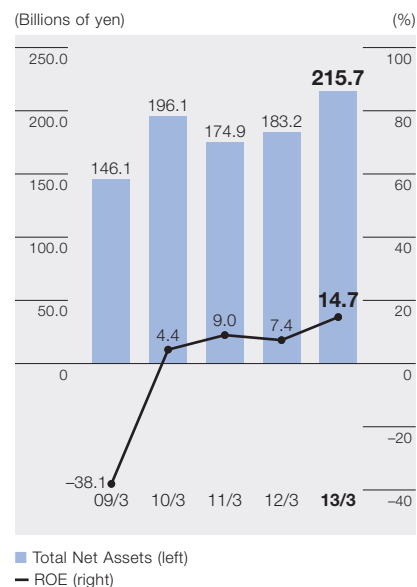
### R&D Expenditures / Ratio of R&D Expenditures to Net Sales



### Plant and Equipment Investment / Depreciation and Amortization



### Total Net Assets / ROE



## R&D Investment and Plant and Equipment Investment

### R&D Expenditures

Fuji Electric's R&D is focused on developing products that lead to a responsible and sustainable society through the pursuit of cutting-edge energy technologies. The Company has also been advancing the globalization of its R&D functions, and is stepping up open innovation initiatives with universities, research institutes, and other companies.

For fiscal 2012, Fuji Electric's total R&D expenditures amounted to ¥31,160 million. R&D results and expenditures by segment are as follows.

The number of industrial property rights held by Fuji Electric in Japan and overseas was 9,514 as of March 31, 2013.

### Capital Expenditure

In fiscal 2012, the Company's capital expenditure, including leases, totaled ¥31,771 million, resulting from strategic investment focused on the field of "energy and environment."

Key investments were as follows.

In the Power Electronics segment, we purchased a site in Thailand and began construction of a new factory, aiming to expand sales overseas, mainly in Asia. We also invested in production facilities for inverters for China and the rest of Asia, at Wuxi Fuji Electric FA Co., Ltd. and in production facilities for global PCS for mega solar power generation in Japan.

In the Electronic Devices segment, to reinforce production capacity of power semiconductors, which are used in new energy-related products and eco-friendly products, we invested in facilities for front-end processing mainly in the Yamanashi area. We also established a production base for back-end

processing in Shenzhen, China, in order to realize local production for local consumption in China and the rest of Asia.

In the ED&C components segment, we invested in production facilities for miniature molded-case circuit breakers and miniature thermal relays, aiming to help expand sales for the business. To meet reconstruction demand following the Great East Japan Earthquake, we also invested in production facilities for high-voltage breakers to enhance production capacity.

In the Food and Beverage Distribution segment, we invested in molding equipment for developing new vending machine models and in streamlining of facilities in the Mie area.

All of these investments were funded mainly using the Company's own funds.

## Financial Position

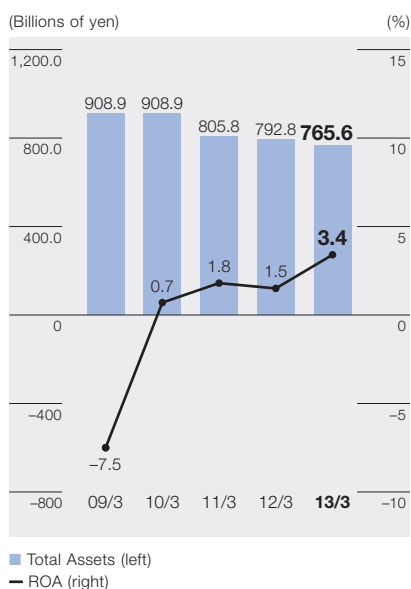
### Total Assets

Total assets at the end of the fiscal year stood at ¥765,563 million, a decrease of ¥27,285 million from the end of the previous fiscal year.

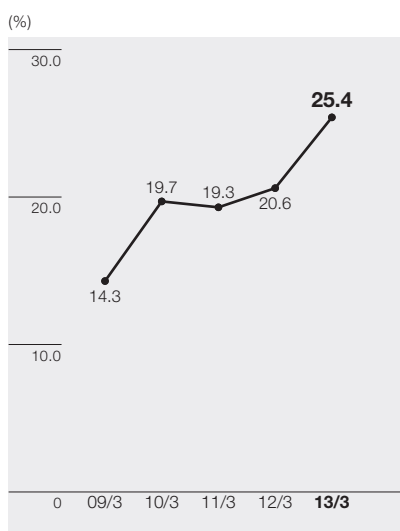
### Current Assets and Current Liabilities

Total current assets amounted to ¥424,706 million as of March 31, 2013, down ¥28,491 million from the previous fiscal year-end. This was attributable to decreases from the previous fiscal year-end of ¥24,573 million in cash and cash equivalents and ¥25,592 million in inventories, which outweighed an increase of ¥17,175 million in trade receivables.

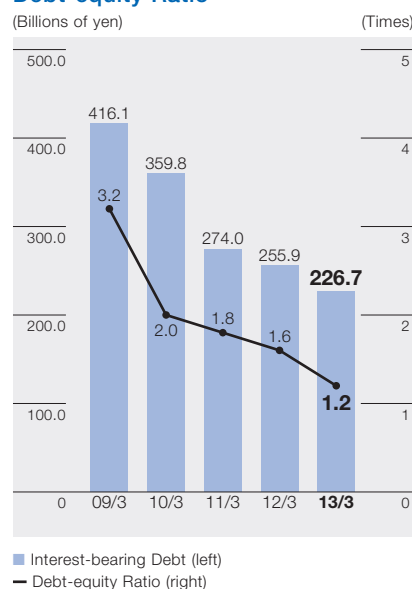
### Total Assets / ROA



### Total Net Assets Ratio



### Interest-bearing Debt / Debt-equity Ratio



Total current liabilities stood at ¥380,466 million, down ¥85,348 million from the previous fiscal year-end. This stemmed principally from a decrease of ¥96,459 million in current portion of long-term debt, which outweighed an increase of ¥18,990 million in short-term debt.

### Noncurrent Assets

Net property, plant and equipment stood at ¥168,442 million, an increase of ¥10,003 million from the previous fiscal year-end. Further, total investments and other assets amounted to ¥172,415 million, down ¥8,797 million from the previous fiscal year-end. This was attributable to a decrease of ¥6,127 million in investment securities.

### Long-term Liabilities

Total long-term liabilities were ¥169,425 million, an increase of ¥25,608 million from the previous fiscal year-end. This reflected an increase of ¥48,321 million in long-term debt, which outweighed a decrease of ¥19,188 million in deferred tax liabilities.

### Net Assets

Total net assets as of March 31, 2013, were ¥215,672 million, up ¥32,455 million from the previous fiscal year-end. This was mainly due to an increase of ¥24,182 million in retained earnings from the previous fiscal year-end. As a result, the total net assets ratio was 25.4%, an increase of 4.8 percentage points from the previous fiscal year-end.

### Debt

Interest-bearing debt as of March 31, 2013, was ¥226,717 million, down ¥29,148 million from the previous fiscal year-end. The ratio of interest-bearing debt to total assets was 29.6%, a decrease of 2.7 percentage points from the previous fiscal year-end.

## Cash Flows

In fiscal 2012, consolidated free cash flow (cash flows from operating activities + cash flows from investing activities) was a positive ¥31,055 million, an improvement of ¥16,231 million compared with ¥14,825 million in the previous fiscal year.

### Cash Flows from Operating Activities

Net cash provided by operating activities was ¥55,342 million, compared with ¥28,314 million for the previous fiscal year. This was mainly due to a decrease in inventories. This was an improvement of ¥27,028 million year on year.

### Cash Flows from Investing Activities

Net cash used in investing activities was ¥24,286 million, compared with ¥13,489 million in the previous fiscal year. This was primarily related to purchase of property, plant and equipment and purchase of investments in subsidiaries. Year on year, this was an increase in cash used of ¥10,797 million.

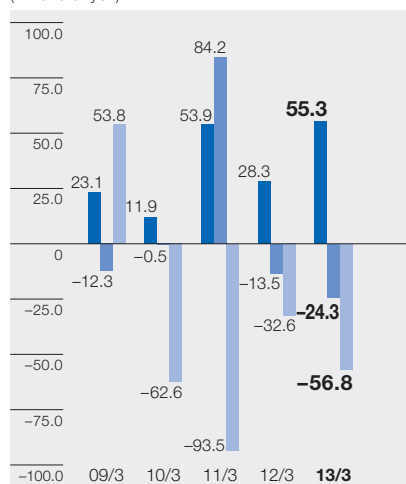
### Cash Flows from Financing Activities

Net cash used in financing activities was ¥56,827 million, compared with ¥32,593 million in the previous fiscal year. This was principally due to an increase in repayment of long-term loans payable accompanying the redemption of bonds.

As a result, consolidated cash and cash equivalents at fiscal year-end amounted to ¥39,688 million, down ¥24,573 million, or 38.2%, from the previous fiscal year-end.

## Cash Flows

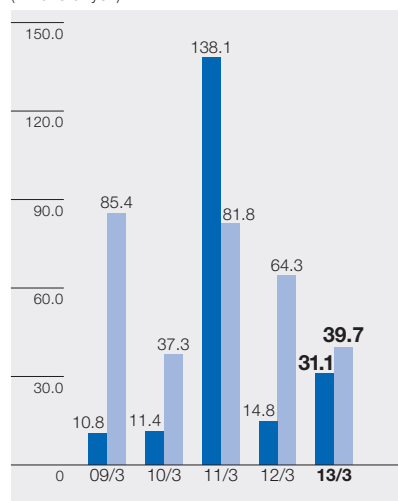
(Billions of yen)



■ Cash Flows from Operating Activities  
■ Cash Flows from Investing Activities  
■ Cash Flows from Financing Activities

## Free Cash Flow / Cash and Cash Equivalents

(Billions of yen)



■ Free Cash Flow  
■ Cash and Cash Equivalents



## Risk Factors

Fuji Electric works to mitigate business risk and other risks in a systematic and methodical manner. However, there are various risks, such as those listed below, which could have a negative effect on the operating results and financial position of Fuji Electric.

As of March 31, 2013, the following factors were judged to have a potential future effect on the operations of Fuji Electric.

### (1) Risks Related to Changes in the Operating Environment

- (a) In addition to increasing raw material and components prices against the background of a weak yen, such changes as the drastically increasing demand in emerging nations may result in tightened supply and demand as regards materials and raw materials. Consequently, although Fuji Electric strives to lessen the risk of rising raw material prices through commodity swap transactions, significant increases in these prices could have a negative effect on the operating results of Fuji Electric.
- (b) Fuji Electric is developing operations actively in overseas markets, focusing particularly on expanding sales in China and other Asian markets. In addition, economic trends in Japan, such as private sector capital investment and public investment affect the Company significantly. In order to minimize the effect on operating results of overseas and domestic market trends, the Company is implementing overall cost and expense reductions. However, a deterioration of the business climate or a change of economic policy in China, a dramatic change in product supply and demand or intensified competition in the market, or a steep decrease in price levels as a result of such factors could affect Fuji Electric's operating results.
- (c) Based on an established set of management criteria, Fuji Electric systematically employs forward-exchange contracts to minimize the risk of exchange rate fluctuations on its operating results. However, the forward-exchange contract policy is not capable of entirely mitigating exchange rate risk. Consequently, fluctuations in exchange rates, primarily between the yen and the U.S. dollar, could have a negative effect on the operating results and financial position of the Company.
- (d) Fuji Electric's interest-bearing debt totaled ¥226,717 million as of March 31, 2013. A higher-than-anticipated increase in interest rates could lead to a significant additional interest payment burden, which could have a negative effect on the operating results of the Company.
- (e) Trends in the financial markets or deterioration in Fuji Electric's financial indicators could impact on Fuji Electric's fund procurement or interest payments, for example by prompting early repayment due to infringement on financial covenants relating to certain loans. Such an event could affect Fuji Electric's operating results and financial position.

### (2) Risks Related to Product Quality

Fuji Electric has put in place a quality assurance system designed to ensure the highest level of quality for all of the products that it manufactures and sells. Although the Company has taken precautions in the form of product liability insurance to provide compensation for product liability claims, in the event that major defects are found in any Fuji Electric products due to unforeseen factors, there could be a negative effect on the Company's operating results and financial position.

### (3) Risks Related to Investments

Fuji Electric concentrates its management resources on quickly identifying potential business growth areas and conducts investment in facilities and R&D with the objective of expanding and developing the Company's business. The large-scale investment necessary and short product cycles in the magnetic disks and semiconductors fields, in particular, as well as shifts in product demand and intensifying competition increase the possibility that the Company might not be able to recoup its investments. Such events could thereby have a negative effect on the Company's operating results.

### (4) Risks Related to Technology Development

Fuji Electric makes a concerted effort to develop technology that matches the needs of the market. However, there is a possibility that competing companies will gain an advantage through faster development, or that the Company will be unable to bring products to market in a timely manner should development not progress according to plan. Such events could thereby have a negative effect on the Company's operating results.

### (5) Risks Related to Overseas Business Activities

Fuji Electric is seeking to expand its overseas presence, with a particular focus on Asia, including China. Consequently, the Company is exposed to the following risks, which could have a negative effect on the Company's operating results and financial position:

- Unforeseen changes in laws and regulations as well as tax systems that could have a detrimental effect on the Company
- Disadvantages arising from political conditions
- Social turmoil related to terrorist incidents, war, and other events

### (6) Risks Related to Intellectual Property

Fuji Electric effectively manages its intellectual property rights and develops new products and technologies in a manner that does not infringe on third-party patent rights. However, since the pace of technological innovation is accelerating and the Company's operations are becoming more global, the possibility of disputes over intellectual property rights is increasing. A dispute of this nature could have a negative effect on the Company's operating results and financial position.



### **(7) Risks Related to Business Alliances**

Fuji Electric actively collaborates with third-party entities in mergers, tie-ups, and other forms of alliances with the objective of enhancing competitiveness in each of its fields of business. Cooperative relations are essential to the success of such collaborations.

However, differences in business systems, corporate cultures, or other aspects could impede the smooth integration of business strategies, technologies, products, personnel, or other elements necessary for a successful collaboration. Such circumstances could thereby have a negative effect on the Company's operating results.

### **(8) Risks Related to Human Resources**

The business activities of Fuji Electric depend heavily on its human resources. Retaining and training superior personnel in such fields as technology, production, sales, and administration is essential to the growth of the Company. Should the Company be unable to retain and/or train such necessary human resources, this could have a negative effect on the Company's operating results.

### **(9) Risks Related to the Leakage of Personal Information**

As a part of its business activities, Fuji Electric handles personal information about numerous individuals, including customers, suppliers, and employees. Fuji Electric has formulated and strictly enforces thorough internal regulations regarding the gathering, use, and management of personal information. However, the Company cannot entirely rule out the possibility that such information could be leaked due to unforeseen circumstances. Any leak of this kind could damage trust in Fuji Electric and thereby have a negative effect on the Company's operating results.

### **(10) Risks Related to Major Natural Disasters**

Fuji Electric has a network of bases throughout the world. In the event of a major natural disaster, production facilities could be damaged, operations at manufacturing facilities could be halted, shipments of products could be delayed, and other related problems could occur. These events could thereby have a negative effect on the operating results and financial position of the Company.

### **(11) Risks Related to Soil Contamination**

Based on the international standards for environmental protection systems, the Company works to prevent, measure, and monitor soil contamination at its operating sites. Prior to selling any land, the Company carries out soil surveys and takes other appropriate steps in accordance with relevant laws and regulations. However, as a result of these measurements and surveys, the Company may incur costs for soil remediation measures, which could have a negative effect on the operating results of the Company.

### **(12) Risks Related to Retirement Benefit Liabilities**

Fuji Electric has a lump-sum payment plan and a corporate pension plan for its employees when they retire. Retirement benefit costs and liabilities are calculated on the assumption that they are accepted as reasonable on the basis of actuarial calculations. Fuji Electric and certain domestic consolidated subsidiaries have also entrusted listed marketable securities to employee retirement benefit trusts. Consequently, changes in the discount rate, the expected rate of return on pension assets and stock prices that are used as the basis of computing pension benefit obligations, differences between these expectations and actual performance, changes in the prices of entrusted listed marketable securities, and other items could have a negative effect on the operating results and financial position of Fuji Electric.

### **(13) Risks Related to Compliance**

Fuji Electric conducts business in a variety of fields and regions throughout the world, and as such is subject to the laws and regulations of numerous countries. The Company has put in place an appropriate internal control system to ensure compliance, but the possibility of legal violations cannot be discounted entirely. Should such a violation occur, this could have a negative effect on the Company's social credibility and/or operating results.

### **(14) Risks Related to Lawsuits and Other Legal Proceedings**

Fuji Electric, in the course of its business, could become the subject of a lawsuit or other legal proceeding, and could as a result unexpectedly become liable for the payment of large amounts of compensation. Depending on the content of such a decision, this could have a negative effect on the Company's operating results.

# Consolidated Balance Sheets

As of March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents (Notes 5 and 6)	¥ 39,688	¥ 64,261	\$ 422,218
Short-term investments (Notes 5, 6 and 7)	61	61	657
Trade receivables (Note 6)	216,852	199,677	2,306,944
Allowance for doubtful accounts	(401)	(836)	(4,272)
Inventories (Note 4)	107,722	133,314	1,145,982
Deferred tax assets (Note 17)	18,047	20,131	191,993
Other current assets	42,737	36,589	454,631
<b>Total Current Assets</b>	<b>424,706</b>	<b>453,197</b>	<b>4,518,153</b>
<b>Property, Plant and Equipment (Note 5):</b>			
Land	36,201	26,623	385,119
Buildings and structures	209,738	201,804	2,231,266
Machinery and equipment	174,099	160,628	1,852,126
Lease assets (Note 21)	47,822	44,998	508,755
Construction in progress	9,386	4,900	99,829
	477,246	438,953	5,077,095
Less accumulated depreciation	(308,804)	(280,514)	(3,285,158)
<b>Net Property, Plant and Equipment</b>	<b>168,442</b>	<b>158,439</b>	<b>1,791,937</b>
<b>Investments and Other Assets:</b>			
Investment securities (Notes 5, 6 and 7):			
Unconsolidated subsidiaries and affiliates	22,203	30,127	236,211
Other	97,261	95,464	1,034,693
Long-term loans receivable	1,259	1,530	13,404
Deferred tax assets (Note 17)	4,381	4,319	46,607
Other investments and other assets	49,109	51,254	522,419
Allowance for doubtful accounts	(1,798)	(1,482)	(19,128)
<b>Total Investments and Other Assets</b>	<b>172,415</b>	<b>181,212</b>	<b>1,834,206</b>
<b>Total Assets</b>	<b>¥ 765,563</b>	<b>¥ 792,848</b>	<b>\$ 8,144,296</b>

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities:</b>			
Short-term debt (Notes 5, 6 and 9)	¥ 77,413	¥ 58,423	\$ 823,548
Current portion of long-term debt (Notes 5, 6 and 9)	23,180	119,639	246,606
Trade payables (Notes 5 and 6)	129,934	136,466	1,382,283
Lease obligations (Notes 6 and 10)	11,832	11,102	125,878
Advances received	39,620	46,575	421,500
Income taxes payable (Note 17)	2,918	1,905	31,048
Other current liabilities (Note 24)	95,569	91,704	1,016,657
<b>Total Current Liabilities</b>	<b>380,466</b>	<b>465,814</b>	<b>4,047,520</b>
<b>Long-term Liabilities:</b>			
Long-term debt (Notes 5, 6 and 9)	126,123	77,802	1,341,739
Lease obligations (Notes 6 and 10)	18,555	22,521	197,395
Provision for retirement benefits (Note 11)	11,681	10,849	124,276
Provision for directors' retirement benefits	266	375	2,832
Deferred tax liabilities (Note 17)	7,626	26,814	81,138
Other long-term liabilities (Note 25)	5,174	5,456	55,004
<b>Total Long-term Liabilities</b>	<b>169,425</b>	<b>143,817</b>	<b>1,802,384</b>
<b>Total Liabilities</b>	<b>549,891</b>	<b>609,631</b>	<b>5,849,904</b>
<b>Contingent Liabilities</b> (Note 20):			
<b>Net Assets</b>			
<b>Shareholders' Equity:</b>			
Capital stock (Note 12):			
Authorized— 1,600,000,000 shares			
Issued— 746,484,957 shares as of March 31, 2013	47,586	—	506,235
746,484,957 shares as of March 31, 2012	—	47,586	—
Capital surplus	46,734	46,734	497,172
Retained earnings	87,620	63,438	932,132
Treasury stock at cost (Note 12):			
31,912,522 shares as of March 31, 2013	(7,115)	—	(75,702)
31,888,102 shares as of March 31, 2012	—	(7,110)	—
<b>Total Shareholders' Equity</b>	<b>174,825</b>	<b>150,648</b>	<b>1,859,837</b>
<b>Accumulated Other Comprehensive Income (Loss)</b>			
Valuation difference on available-for-sale securities	20,383	18,848	216,842
Deferred gains or losses on hedges (Notes 6 and 8)	(83)	(81)	(889)
Foreign currency translation adjustments	(553)	(5,838)	(5,870)
<b>Total Accumulated Other Comprehensive Income</b>	<b>19,747</b>	<b>12,929</b>	<b>210,083</b>
<b>Minority Interests in Consolidated Subsidiaries</b>	<b>21,100</b>	<b>19,640</b>	<b>224,472</b>
<b>Total Net Assets</b>	<b>215,672</b>	<b>183,217</b>	<b>2,294,392</b>
<b>Total Liabilities and Net Assets</b>	<b>¥765,563</b>	<b>¥792,848</b>	<b>\$8,144,296</b>



# Consolidated Statements of Comprehensive Income

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
<b>Income Before Minority Interests</b>	<b>¥28,044</b>	¥13,245	<b>\$298,347</b>
<b>Other Comprehensive Income (Loss)</b> (Note 18)			
Valuation difference on available-for-sale securities	1,554	(1,085)	16,536
Deferred gains or losses on hedges	(2)	(86)	(23)
Foreign currency translation adjustments	5,762	370	61,294
Share of other comprehensive income of associates accounted for using equity method	35	34	373
<b>Total Other Comprehensive Income (Loss)</b>	<b>7,349</b>	(767)	<b>78,180</b>
<b>Comprehensive Income</b>	<b>¥35,393</b>	¥12,478	<b>\$376,527</b>
<b>Comprehensive Income Attributable to:</b>			
Shareholders of the Company	¥33,187	¥10,967	\$353,059
Minority interests	2,206	1,511	23,468

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

# Consolidated Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

	Thousands	Millions of yen									
	Number of shares of capital stock	Capital stock	Capital surplus	Retained earnings	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Treasury stock	Total	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2011	746,484	¥47,586	¥46,734	¥54,378	¥19,895	¥ 4	¥(6,136)	¥(7,106)	¥155,355	¥19,580	¥174,935
Net income for the year	—	—	—	11,801	—	—	—	—	11,801	—	11,801
Change of scope of consolidation	—	—	—	117	—	—	—	—	117	—	117
Cash dividends	—	—	—	(2,858)	—	—	—	—	(2,858)	—	(2,858)
Purchase of treasury stock	—	—	—	—	—	—	—	(5)	(5)	—	(5)
Sale of treasury stock	—	—	(0)	—	—	—	—	0	0	—	0
Net change in the year	—	—	—	—	(1,047)	(85)	299	—	(833)	60	(773)
Balance at March 31, 2012	746,484	¥47,586	¥46,734	¥63,438	¥18,848	¥(81)	¥(5,838)	¥(7,110)	¥163,577	¥19,640	¥183,217
Net income for the year	—	—	—	26,368	—	—	—	—	26,368	—	26,368
Change of scope of equity method	—	—	—	672	—	—	—	—	672	—	672
Cash dividends	—	—	—	(2,858)	—	—	—	—	(2,858)	—	(2,858)
Purchase of treasury stock	—	—	—	—	—	—	—	(5)	(5)	—	(5)
Sale of treasury stock	—	—	(0)	—	—	—	—	0	0	—	0
Net change in the year	—	—	—	—	1,535	(2)	5,285	—	6,818	1,460	8,278
<b>Balance at March 31, 2013</b>	<b>746,484</b>	<b>¥47,586</b>	<b>¥46,734</b>	<b>¥87,620</b>	<b>¥20,383</b>	<b>¥(83)</b>	<b>¥ (553)</b>	<b>¥(7,115)</b>	<b>¥194,572</b>	<b>¥21,100</b>	<b>¥215,672</b>

	Thousands of U.S. dollars (Note 3)									
Balance at March 31, 2012	\$506,235	\$497,173	\$674,879	\$200,513	\$(869)	\$(62,108)	\$(75,648)	\$1,740,175	\$208,944	\$1,949,119
Net income for the year	—	—	280,512	—	—	—	—	280,512	—	280,512
Change of scope of equity method	—	—	7,149	—	—	—	—	7,149	—	7,149
Cash dividends	—	—	(30,408)	—	—	—	—	(30,408)	—	(30,408)
Purchase of treasury stock	—	—	—	—	—	—	(61)	(61)	—	(61)
Sale of treasury stock	—	(1)	—	—	—	—	7	6	—	6
Net change in the year	—	—	—	16,329	(20)	56,238	—	72,547	15,528	88,075
<b>Balance at March 31, 2013</b>	<b>\$506,235</b>	<b>\$497,172</b>	<b>\$932,132</b>	<b>\$216,842</b>	<b>\$(889)</b>	<b>\$ (5,870)</b>	<b>\$(75,702)</b>	<b>\$2,069,920</b>	<b>\$224,472</b>	<b>\$2,294,392</b>

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

# Consolidated Statements of Cash Flows

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes and minority interests	¥ 16,617	¥ 5,348	\$ 176,787
Depreciation and amortization	31,054	29,755	330,370
Increase (decrease) in allowance for doubtful accounts	(135)	332	(1,443)
Interest and dividend income	(2,880)	(2,643)	(30,648)
Interest expense	3,729	4,937	39,677
Foreign exchange losses (gains)	(256)	203	(2,731)
Gain on sales of noncurrent assets	(29)	(2,081)	(310)
Gain on sales of investment securities	(750)	(290)	(7,988)
Loss on disposal of noncurrent assets	404	459	4,305
Loss on devaluation of investment securities	520	207	5,540
Impairment loss	6,446	—	68,580
Loss on liquidation of subsidiaries	827	—	8,805
Loss on disappearance of pension assets	—	6,987	—
Changes in operating assets and liabilities:			
Notes and accounts receivable-trade	(11,034)	(2,034)	(117,384)
Inventories	36,873	(23,476)	392,268
Notes and accounts payable-trade	(10,643)	2,110	(113,226)
Advances received	(9,553)	9,030	(101,636)
Other, net	131	6,389	1,392
Cash generated from operations	61,321	35,233	652,358
Interest and dividends received	2,859	2,920	30,417
Interest expenses paid	(4,096)	(5,371)	(43,575)
Income taxes paid	(4,742)	(4,468)	(50,451)
Net cash provided by operating activities	55,342	28,314	588,749
<b>Cash Flows from Investing Activities:</b>			
Purchase of property, plant and equipment	(17,912)	(15,014)	(190,564)
Proceeds from sales of property, plant and equipment	510	4,418	5,427
Purchase of investment securities	(7,688)	(275)	(81,791)
Proceeds from sales of investment securities	8,628	312	91,795
Purchase of investments in subsidiaries	(321)	—	(3,415)
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 19)	(3,823)	—	(40,676)
Payments of loans receivable	(4,535)	(3,103)	(48,249)
Collection of loans receivable	4,294	3,163	45,681
Other, net	(3,439)	(2,990)	(36,578)
Net cash used in investing activities	(24,286)	(13,489)	(258,370)
<b>Cash Flows from Financing Activities:</b>			
Net increase in short-term loans payable	9,668	21,184	102,861
Proceeds from long-term loans payable	52,224	30,956	555,577
Repayment of long-term loans payable	(123,071)	(90,264)	(1,309,270)
Proceeds from issuance of bonds	20,000	20,000	212,766
Repayments of lease obligations	(12,431)	(11,319)	(132,253)
Proceeds from sales of treasury stock	0	0	6
Purchase of treasury stock	(5)	(5)	(61)
Cash dividends paid	(2,858)	(2,858)	(30,408)
Cash dividends paid to minority shareholders	(262)	(191)	(2,791)
Other, net	(92)	(96)	(977)
Net cash used in financing activities	(56,827)	(32,593)	(604,550)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>1,196</b>	<b>(56)</b>	<b>12,726</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(24,575)</b>	<b>(17,824)</b>	<b>(261,445)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>64,261</b>	<b>81,796</b>	<b>683,638</b>
<b>Increase in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation</b>	<b>—</b>	<b>289</b>	<b>—</b>
<b>Increase in Cash and Cash Equivalents Resulting from Merger with Unconsolidated Subsidiaries</b>	<b>2</b>	<b>—</b>	<b>25</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>¥ 39,688</b>	<b>¥ 64,261</b>	<b>\$ 422,218</b>

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



# Notes to the Consolidated Financial Statements

## Note 1. Basis of Preparing Consolidated Financial Statements

The accompanying consolidated financial statements of Fuji Electric Co., Ltd. (the "Company") and consolidated subsidiaries (together, the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In preparing these statements, certain reclassifications and

rearrangements have been made to the consolidated financial statements prepared domestically in Japan in order to present these statements in a form that is more familiar to readers outside Japan.

In addition, the notes to the consolidated financial statements include additional information which is not required under accounting principles generally accepted in Japan.

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

## Note 2. Summary of Significant Accounting Policies

### a. Principles of Consolidation

The consolidated financial statements for the year ended March 31, 2013 include the accounts of the Company and its 47 significant subsidiaries and its 5 subsidiaries and affiliates are accounted for by the equity method (47 and 4 in 2012).

Under the control or influence concept, the accompanying consolidated financial statements include the accounts of the Company and, with minor exceptions, those of its subsidiaries, whether directly or indirectly controlled, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated. The Company does not consolidate nor apply the equity method to subsidiaries or affiliates whose gross assets, net sales, net income (loss) and retained earnings are not significant to the consolidated financial statements.

Investments in unconsolidated subsidiaries and affiliates are stated at cost.

The balance sheet date of certain consolidated subsidiaries is December 31. The financial statements of such subsidiaries were tentatively prepared in accordance with the fiscal year of the Company, and those were consolidated.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Goodwill and negative goodwill (incurred before March 31, 2010) resulting from the difference between the cost and the underlying net assets at the respective dates of acquisition are being amortized over a period of 5 years, except that immaterial amounts are charged to income as incurred.

### b. Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Companies consider all short-term, highly liquid instruments with a maturity of three months or less to be cash equivalents.

### c. Inventories

Raw materials are mainly stated at cost, determined by the most recent purchase price method. Finished goods and work in process are mainly stated at actual cost determined by accumulated production cost for contract items or average cost for regular production items, except that finished goods of certain consolidated

subsidiaries are priced by the most recent purchase price method. In accordance with accounting practices generally accepted in the heavy electric industry, inventories include items with a manufacturing period exceeding one year.

Inventories with lower profitability were written down and the losses on valuation were included in cost of sales.

### d. Securities

Marketable securities classified as other securities are stated at fair value. Unrealized gains and losses, net of taxes, are reported in a separate component of net assets.

Nonmarketable securities classified as other securities are stated at cost determined by the moving-average method.

### e. Derivatives and Hedging Activities

The Companies enter into derivative financial instruments ("derivatives"), including foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies and interest rate swap agreements as a means of managing its interest rate exposures on certain liabilities. In addition, the Companies enter into commodity swap agreements to hedge the risk of fluctuation of commodity prices for raw materials.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

- a) Except as described in the following paragraph b) and c), all derivatives are recognized as either assets or liabilities and measured at fair value, and forward contracts applied for forecasted transactions are measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed if the forward contracts qualify for hedge accounting.
- b) Trade receivables and trade payables denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting.
- c) The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differentials paid or received under the swap agreements are recognized and included in interest expense or income.

## f. Depreciation

### 1) Tangible fixed assets (excluding leased assets)

Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to the buildings of the Company and its domestic consolidated subsidiaries acquired after April 1, 1998. The range of useful lives is from 7 to 50 years for buildings and from 5 to 12 years for machinery and equipment.

(Changes in accounting policies)

In accordance with an amendment to the Corporation Tax Law effective April 1, 2012, the Company and its domestic consolidated subsidiaries have changed their depreciation method for tangible fixed asset acquired on or after April 1, 2012, to reflect the methods prescribed in the amended Corporation Tax Law.

The effect of this change on the consolidated financial statements and on the Segment Information (Note 22) is minor.

### 2) Leased assets

Depreciation is computed by the straight-line method over the lease period assuming no residual value. Finance leases other than those that were deemed to transfer the ownership of the leased assets to the lessees and contracted before April 1, 2008, are accounted for by the method that is applicable to ordinary operating leases.

## g. Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

## h. Provision for Retirement Benefits

The Company and its domestic consolidated subsidiaries have a pension fund, contract-type corporate pension plans and lump-sum payment plans as defined benefit plans and defined contribution pension plans.

The Companies accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The prior service cost is amortized by the straight-line method over the expected remaining working lives of the then-active employee participants.

The actuarial gains and losses are amortized by the straight-line method over the expected remaining working lives of the then-active employee participants from the next period in which they arise, respectively.

## i. Provision for Directors' Retirement Benefits

For certain consolidated subsidiaries, the accrued retirement benefits for directors were provided mainly at an amount to be required at the year-end according to internal regulations.

## j. Research and Development Costs

Research and development costs are charged to income as incurred.

## k. Recognition for Revenue and Costs

For long-term construction contracts whose outcome can be estimated reliably, the percentage-of-completion method is adopted. The stage of completion of a contract is determined by the

percentage of the cost incurred to date to the estimated total cost. When the outcome of the construction contracts can not be estimated reliably, the completed-contract method is adopted.

## l. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The Company filed a consolidated tax return, which allows companies to file tax payments on the combined basis of profits or losses of the parent company and its wholly owned domestic subsidiaries. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

## m. Foreign Currency Transactions

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

## n. Foreign Currency Financial Statements

Assets, liabilities, and revenue and expense accounts of the foreign consolidated subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Differences arising from such translation are included in foreign currency translation adjustments and minority interests in consolidated subsidiaries as a separate component of net assets.

## o. Accounting for Consumption Taxes

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

## p. Net Income per Share

Net income per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period, retroactively adjusted for stock splits.

## q. Standards Issued But Not Yet Effective

On May 17, 2012, Accounting Standards Board of Japan ("ASBJ") issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25), which replaced the Accounting Standard for Retirement Benefits that had been issued by Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, being followed by partial amendments from time to time through 2009. The major changes are as follows:

- (1) Actuarial gains and losses and prior service cost that have yet to be recognized in profit or loss shall be recognized within net assets (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

- (2) The Accounting Standard allows the choice of the benefit formula basis (the expected benefit attributed to periods of service under the plan's benefit formula would be deemed as arising in each period) in addition to the straight-line basis as a method of attributing the expected benefit to periods.
- (3) The discount rate shall be required to reflect the estimated timing of each benefit payment.

This standard and related guidance are effective as of the end of fiscal years beginning on or after April 1, 2013 except amendments in the method of attributing the expected benefit to periods and the discount rate. They are effective in fiscal years beginning on or after April 1, 2014. The Company is currently evaluating the effect these modifications will have on its consolidated results of operations and financial position.

### Note 3. U.S. Dollar Amounts

The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating yen into dollars at ¥94=U.S.\$1, the

approximate exchange rate as of March 31, 2013. The U.S. dollar amounts are presented solely for the convenience of the readers outside Japan.

### Note 4. Inventories

Inventories as of March 31, 2013 and 2012 comprised the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Merchandise and finished goods	¥ 42,464	¥ 40,860	\$ 451,749
Work in process	39,294	62,129	418,027
Raw materials	25,964	30,325	276,206
Inventories	¥107,722	¥133,314	\$1,145,982

Losses (gains) on valuation of inventories with lower profitability were ¥(266) million (\$ (2,834) thousand) and ¥2,238 million for the years ended March 31, 2013 and 2012, respectively. These were included in cost of sales.

### Note 5. Pledged Assets and Financial Assets Accepted as Collateral

The amounts of assets pledged as collateral for trade payables, short-term debt and long-term debt as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Time deposits	¥ 60	¥ 60	\$ 638
Investment securities	297	252	3,163
Property, plant and equipment	16,491	16,815	175,443
Total	¥16,848	¥17,127	\$179,244

Collateralized debt and other as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Notes and trade payables	¥ 15	¥ 5	\$ 164
Short-term debt	3,900	4,700	41,489
Long-term debt	7,665	4,371	81,543
Total	¥11,580	¥9,076	\$123,196

## Note 6. Financial Instruments

### 1. Status of financial instruments

#### (1) Policy regarding financial instruments

The Companies limit the scope of their cash and fund management activities to short-term deposits. When raising funds, the Companies have a policy of relying principally on bank borrowings, bonds payable and commercial paper. The Companies mainly raise the operating funds through short-term loans payable and commercial paper, and the funds relating to capital investments through long-term loans payable and bonds payable. The Companies make use of derivatives to reduce risk, as explained below, and have a policy of not engaging in derivative transactions for speculative purposes.

#### (2) Details of financial instruments and associated risk

In the course of its business activities, trade receivables are exposed to customer credit risk.

In addition, trade receivables denominated in foreign currencies arising from international business are exposed to exchange risk. The Companies hedge the exchange risk, by using foreign exchange forward contracts within the range prescribed relating to the net amount of the trade receivables denominated in foreign currencies, offset by the amount of the trade payables denominated in the same currencies.

Short-term investments and investment securities are comprised primarily of stocks of companies with which the Companies have business relation and are exposed to market price risk.

Trade payables are mostly payable within one year. Some trade payables are denominated in foreign currencies and exposed to exchange risk. The Companies hedge the exchange risk of the trade payables denominated in foreign currencies in principle, except for the amount within that of trade receivables denominated in the same currencies, by using foreign exchange forward contracts.

Short-term loans payable and commercial paper are primarily raised for the purpose of maintaining operating funds. Bonds payable, long-term loans payable and lease obligations on finance lease transactions are primarily raised for the purpose of preparing capital investment. The maturities of these bonds payable, long-term loans payable and lease obligations on finance lease transactions are up to 10.5 years at the longest after the balance sheet date. Some are exposed to interest rate fluctuation risk and the Companies hedge such risk by interest rate swap transactions.

Regarding derivatives, the Companies employ foreign exchange forward contracts to reduce the risk of foreign currency exchange movements that arise from the previously mentioned receivables and payables denominated in foreign currencies. In addition, the Companies use interest rate swap transactions to reduce the interest rate fluctuation risk of loans, and use commodity swap transactions to reduce the risk of fluctuation of commodity prices for raw materials. As hedging instruments under hedge accounting, the Companies enter into these derivative transactions in accordance with the Companies' policies to reduce the corresponding risk to each hedged item. The Companies compare the market change of hedged items and hedging instruments or the cash flow changes. Assessment of effectiveness for hedging activities depends on the ratio of the amount of change.

#### (3) Systems for management of financial instruments risk

##### a) Credit risk management (the risk that transaction partners may default on their obligations to the Companies)

The credit risk in relation to trade receivables from customers, pursuant to criteria for managing credit exposure, is managed by controlling due dates and balances of each customer. In addition, the Companies manage to identify doubtful receivables earlier and mitigate their risk caused by aggravation of the financing position, etc.

Because the counterparties to derivative transactions are limited to authentic financial institutions, the Companies do not anticipate any losses arising from credit risk.

##### b) Market risk management (the risks arising from fluctuations in exchange rates, interest rates and other indicators)

The Companies, in principle, employ foreign exchange forward contracts to reduce the risk of foreign currency exchange movements that arise from the previously mentioned receivables and payables denominated in foreign currencies. In addition, the Companies use interest rate swap transactions to reduce the interest rate fluctuation risk of loans, and use commodity swap transactions to reduce the risk of fluctuation of commodity prices for raw materials.

Regarding investment securities, the Companies periodically review the market value of such financial instruments and the financial position of the issuer (the company having business transactions with the Companies). In addition, other than debt securities to be held until maturity, the Companies review the status of these investments on a continuing basis.

Derivative transactions have been entered into in accordance with the Companies' policies. The execution of derivatives, which is based on the application of each section, is mainly controlled by the Finance Department of each company, or by the Material Section regarding commodity swap transactions. In addition, the Finance Department periodically reports to the management and each section, and strictly performs risk management relating to derivative transactions.

##### c) Liquidity risk management (the risk that the Companies may not be able to meet its payment obligations on the scheduled date)

The Companies reduce the liquidity risk by having each company review and revise cash management plans monthly or timely.

#### (4) Supplementary explanation of the estimated fair value of financial instruments and related matters

The estimated fair value of financial instruments is their price based on their market price and other indicators. When there is no market price available, it includes prices which are reasonably computed.

Since variable factors are taken into account in computing the price, this price may fluctuate depending on different assumptions adopted. In addition, the contract (notional) amount of derivatives in "Note 8. Derivatives" is not an indicator of the actual market risk involved in derivative transactions.

## 2. Estimated fair value and other matters related to financial instruments

Carrying amounts on the consolidated balance sheets as of March 31, 2013 and 2012, estimated fair value and the variance between them are shown in the following table. Financial instruments whose estimated fair value is deemed to be extremely difficult to obtain are not included (Please refer to Note 2).

	Millions of yen		
	2013		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	¥ 39,688	¥ 39,688	¥ —
Trade receivables	216,852	216,820	(32)
Investment securities	90,065	90,065	—
Trade payables	(129,934)	(129,934)	—
Short-term debt	(77,413)	(77,413)	—
Current portion of long-term debt	(23,180)	(23,180)	—
Lease obligations (Current Liabilities)	(11,832)	(11,832)	—
Long-term debt	(126,123)	(126,322)	199
Lease obligations (Long-term Liabilities)	(18,555)	(18,665)	110
Derivatives			
Derivative transactions to which hedge accounting is not applied	(232)	(232)	—
Derivative transactions to which hedge accounting is applied	(129)	(129)	—

	Millions of yen		
	2012		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	¥ 64,261	¥ 64,261	¥ —
Trade receivables	199,677	199,677	—
Investment securities	89,888	89,888	—
Trade payables	(136,466)	(136,466)	—
Short-term debt	(58,423)	(58,423)	—
Current portion of long-term debt	(119,639)	(119,887)	248
Lease obligations (Current Liabilities)	(11,102)	(11,102)	—
Long-term debt	(77,802)	(77,856)	54
Lease obligations (Long-term Liabilities)	(22,521)	(22,543)	22
Derivatives			
Derivative transactions to which hedge accounting is not applied	(62)	(62)	—
Derivative transactions to which hedge accounting is applied	125	125	—

	Thousands of U.S. dollars (Note 3)		
	2013		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	\$ 422,218	\$ 422,218	\$ —
Trade receivables	2,306,944	2,306,601	(343)
Investment securities	958,145	958,145	—
Trade payables	(1,382,283)	(1,382,283)	—
Short-term debt	(823,548)	(823,548)	—
Current portion of long-term debt	(246,606)	(246,606)	—
Lease obligations (Current Liabilities)	(125,878)	(125,878)	—
Long-term debt	(1,341,739)	(1,343,852)	2,113
Lease obligations (Long-term Liabilities)	(197,395)	(198,565)	1,170
Derivatives			
Derivative transactions to which hedge accounting is not applied	(2,471)	(2,471)	—
Derivative transactions to which hedge accounting is applied	(1,373)	(1,373)	—

(\*1) Figures shown in parentheses are liability items.

(\*2) The value of assets and liabilities arising from derivatives is shown at net value, and a net liability position is shown in parentheses.

Notes: 1. Methods for computing the estimated fair value of financial instruments and securities and derivative transactions

(1) Cash and cash equivalents

Since these items are settled in a short period of time, estimated fair values are virtually the same as the carrying amounts.

(2) Trade receivables

Fair values of trade receivables, classified by each maturity, are based on the present value discounted by the interest rate determined taking into account the term until maturity and the credit risk.

(3) Investment securities

Stocks are valued at the exchange trading price. For information on securities classified by the purpose of holding, please refer to "Note 7. Securities."

- (4) Trade payables, (5) Short-term debt, (6) Current portion of long-term debt (except bonds) and (7) Lease obligations (Current Liabilities) Since these items are settled in a short period of time, estimated fair values are virtually the same as the carrying amounts.
- (6) Current portion of long-term debt (bonds) and (8) Long-term debt (bonds)  
Fair values of bonds issued by the Company are based on each market price.
- (8) Long-term debt (except bonds) and (9) Lease obligations (Long-term Liabilities)  
Fair values of these items are based on the present value of the total of principal and interest discounted by the interest rate applied if similar new borrowings and new lease transactions were entered into.
- (10) Derivatives  
Please refer to "Note 8. Derivatives."

2. Items for which obtaining an estimated fair value is deemed to be extremely difficult

	Millions of yen		Thousands of U.S. dollars (Note 3)
	Carrying amounts	Carrying amounts	Carrying amounts
	2013	2012	2013
Unlisted stocks (including stocks of unconsolidated subsidiaries and affiliates)	¥29,399	¥35,703	\$312,762

Because the items in the preceding table do not have market price and obtaining the estimated fair values of these items is deemed to be extremely difficult, fair value has not been disclosed in (3) Investment securities.

3. Redemption schedule for monetary assets and securities with maturity dates as of March 31, 2013 and 2012:

	Millions of yen			
	2013			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	¥ 39,688	¥ —	¥—	¥—
Trade receivables	213,793	3,060	—	—
Investment securities				
Debt securities with maturity date classified as other securities (Public bonds)	0	—	—	—
Total	¥253,481	¥3,060	¥—	¥—

	Millions of yen			
	2012			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	¥ 64,261	¥—	¥—	¥—
Trade receivables	199,677	—	—	—
Investment securities				
Debt securities with maturity date classified as other securities (Public bonds)	0	—	—	—
Total	¥263,938	¥—	¥—	¥—

	Thousands of U.S. dollars (Note 3)			
	2013			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	\$ 422,218	\$ —	\$—	\$—
Trade receivables	2,274,387	32,557	—	—
Investment securities				
Debt securities with maturity date classified as other securities (Public bonds)	2	—	—	—
Total	\$2,696,607	\$32,557	\$—	\$—

4. Repayment schedule for long-term debt and lease obligations:  
Please refer to "Note 9. Short-term Debt and Long-term Debt" and "Note 10. Lease Obligations."

## Note 7. Securities

### 1. Other securities

March 31, 2013	Millions of yen			
	2013			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	¥59,364	¥90,065	¥35,250	¥4,549
Debt securities	0	0	—	—
Others	—	—	—	—
Total	¥59,364	¥90,065	¥35,250	¥4,549

March 31, 2012	Millions of yen			
	2012			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	¥60,121	¥89,888	¥31,614	¥1,847
Debt securities	0	0	—	—
Others	—	—	—	—
Total	¥60,121	¥89,888	¥31,614	¥1,847

March 31, 2013	Thousands of U.S. dollars (Note 3)			
	2013			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	\$631,531	\$958,142	\$375,005	\$48,394
Debt securities	2	2	—	—
Others	—	—	—	—
Total	\$631,533	\$958,144	\$375,005	\$48,394

Note: The following is not included in the preceding tables because it does not have market price and obtaining an estimated fair value is deemed to be extremely difficult:  
Unlisted stocks (Values in the consolidated balance sheets as of March 31, 2013 and 2012 were ¥7,195 million (\$7,552 thousand) and ¥5,576 million, respectively.)

## 2. Sales of other securities

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
	Proceed from sales	¥1,216	¥312
Gain on sales	750	290	7,988
Loss on sales	1	—	11

## 3. Impairment of other securities

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
	Impairment losses	¥511	¥139

## 4. Investments in unconsolidated subsidiaries and affiliates

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
	Investments in the stock of jointly controlled companies included in investments in unconsolidated subsidiaries and affiliates	¥13,087	¥22,624

# Note 8. Derivatives

## 1. Derivative transactions to which hedge accounting is not applied

	Millions of yen			
	2013			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollars	¥3,391	¥—	¥(182)	¥(182)
Euro	1,409	—	(47)	(47)
Korean Won	163	—	(2)	(2)
Payables:				
Singapore dollars	92	—	(1)	(1)
Vietnamese Dong	1	—	0	0
Total	¥5,056	¥—	¥(232)	¥(232)



	Millions of yen			
	2012			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollars	¥1,877	¥—	¥(12)	¥(12)
Euro	1,316	—	(53)	(53)
Korean Won	343	—	3	3
Total	¥3,536	¥—	¥(62)	¥(62)

	Thousands of U.S. dollars (Note 3)			
	2013			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollars	\$36,056	\$—	\$(1,930)	\$(1,930)
Euro	15,000	—	(504)	(504)
Korean Won	1,743	—	(23)	(23)
Payables:				
Singapore dollars	980	—	(14)	(14)
Vietnamese Dong	13	—	(0)	(0)
Total	\$53,792	\$—	\$(2,471)	\$(2,471)

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

## 2. Derivative transactions to which hedge accounting is applied

### (1) Currency-related contacts

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen			
			2013			
			Contract amount	Contract amount over 1 year	Fair value	
Foreign currency forward contracts:						
Receivables:						
Accounts receivable—trade						
Deferral hedge method	U.S. dollars		¥ 705	¥ —	¥ (74)	
	Canadian dollars		1,157	627	(112)	
	Payables:					
	Accounts payable—trade					
	U.S. dollars		169	—	3	
	Euro		726	13	34	
	Swedish krona		56	—	5	
Pounds sterling		47	—	(0)		
Foreign currency forward contracts:						
Allocation method	Receivables:				(Note 2)	
	Accounts receivable—trade					
	U.S. dollars		¥ 614	¥ —		
Total			¥3,474	¥640	¥(144)	

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen			
			2012			
			Contract amount	Contract amount over 1 year	Fair value	
Foreign currency forward contracts:						
Receivables:						
Accounts receivable—trade						
Deferral hedge method	U.S. dollars		¥3,227	¥1,445	¥(150)	
	Euro		46	—	0	
	Payables:					
	Accounts payable—trade					
U.S. dollars		197	—	4		
Euro		890	328	10		
Foreign currency forward contracts:						
Allocation method	Receivables:				(Note 2)	
	Accounts receivable—trade					
	U.S. dollars		¥ 866	¥ —		
Total			¥5,226	¥1,773	¥(136)	

			Thousands of U.S. dollars (Note 3)		
			2013		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value
	Foreign currency forward contracts:				
	Receivables:	Accounts receivable-trade			
	U.S. dollars		\$ 7,506	\$ —	\$ (791)
	Canadian dollars		12,310	6,678	(1,197)
Deferral hedge method	Payables:	Accounts payable-trade			
	U.S. dollars		1,805	—	34
	Euro		7,728	138	364
	Swedish krona		598	—	56
	Pounds sterling		481	—	(6)
	Foreign currency forward contracts:				
Allocation method	Receivables:	Accounts receivable-trade			(Note 2)
	U.S. dollars		\$ 6,534	\$ —	
	Total		\$36,962	\$6,816	\$(1,540)

Notes: 1. The fair value is estimated based on forward exchange rates.

2. Since amounts in foreign currency forward contracts treated by the allocation method are handled together with accounts receivable-trade and accounts payable-trade that are subject to hedging, the estimated fair value of such contracts is included in the fair value of accounts receivable-trade or accounts payable-trade.

## (2) Interest-rate-related contracts

			Millions of yen		
			2013		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value
Specific treatment for interest rate swaps	Interest rate swaps Receive floating pay fixed	Long-term loans payable	¥24,500	¥24,500	(Note 2)

			Millions of yen		
			2012		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value
Specific treatment for interest rate swaps	Interest rate swaps Receive floating pay fixed	Long-term loans payable	¥7,500	¥7,500	(Note 2)

			Thousands of U.S. dollars (Note 3)		
			2013		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value
Specific treatment for interest rate swaps	Interest rate swaps Receive floating pay fixed	Long-term loans payable	\$260,638	\$260,638	(Note 2)

Notes: 1. The fair value is principally based on the quotes obtained from the correspondent financial institutions.

2. Since amounts in interest rate swaps which qualify for hedge accounting and meet specific matching criteria are handled together with long-term loans payable that are subject to hedging, the estimated fair value of such interest rate swaps is included in the fair value of the long-term loans payable.

## (3) Commodity-related contracts

			Millions of yen		
			2013		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Commodity swap Receive floating pay fixed	Raw materials	¥250	¥—	¥15

			Millions of yen		
			2012		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Commodity swap Receive floating pay fixed	Raw materials	¥443	¥—	¥11

			Thousands of U.S. dollars (Note 3)		
			2013		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Commodity swap	Raw materials			
	Receive floating pay fixed		\$2,670	\$—	\$167

Note: The fair value is principally based on the quotes obtained from the correspondent financial institutions.

## Note 9. Short-term Debt and Long-term Debt

Short-term debt as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Loans, principally from banks	¥49,413	¥48,423	\$525,676
Commercial paper	28,000	10,000	297,872
Short-term Debt	¥77,413	¥58,423	\$823,548

The weighted average interest rates on short-term debt as of March 31, 2013 and 2012 were 0.73% and 0.96%, respectively.

Long-term debt as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Loans, principally from banks and insurance companies	¥ 98,803	¥106,431	\$1,051,111
Bonds issued by the Companies:			
1.48% Yen unsecured straight bonds due 2012	—	20,000	—
1.62% Yen unsecured straight bonds due 2012	—	20,000	—
1.34% Yen unsecured straight bonds due 2013	—	20,000	—
1.44% Yen unsecured straight bonds due 2013	10,000	10,000	106,383
0.79% Yen unsecured straight bonds due 2015	15,000	—	159,574
0.86% Yen unsecured straight bonds due 2016	20,000	20,000	212,766
1.00% Yen unsecured straight bonds due 2017	5,000	—	53,191
Zero coupon convertible bonds with stock acquisition rights due 2016	500	1,010	5,320
	149,303	197,441	1,588,345
Less: Portion due within one year	23,180	119,639	246,606
Long-term Debt	¥126,123	¥ 77,802	\$1,341,739

The weighted average interest rates on loans, principally from banks and insurance companies, as of March 31, 2013 and 2012 were 0.93% and 1.21%, respectively.

As of March 31, 2013, the aggregate annual maturities of long-term debt were as follows:

Years ended March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
2015	¥ 23,310	\$ 247,979
2016	34,526	367,304
2017	36,423	387,486
2018	29,717	316,146
2019 thereafter	2,147	22,824
Total	¥126,123	\$1,341,739

## Note 10. Lease Obligations

Lease obligations as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Short-term	¥11,832	¥11,102	\$125,878
Long-term	18,555	22,521	197,395
Total	¥30,387	¥33,623	\$323,273

The weighted average interest rates on lease obligations as of March 31, 2013 and 2012 were 2.24% and 2.30%, respectively.

As of March 31, 2013, the aggregate annual maturities of lease obligations were as follows:

Years ended March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
2015	¥ 9,844	\$104,733
2016	5,309	56,488
2017	2,185	23,250
2018	855	9,106
2019 thereafter	362	3,818
Total	¥18,555	\$197,395

## Note 11. Retirement Benefits

The Company and its domestic consolidated subsidiaries have a pension fund, and contract-type corporate pension plans and lump-sum payment plans as defined benefit plans and defined contribution pension plans.

In certain cases, the Companies pay additional retirement benefits other than the above plans.

The liability (asset) for employees' retirement benefits as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Projected benefit obligation	¥(204,703)	¥(203,149)	\$ (2,177,701)
Fair value of plan assets	156,182	150,606	1,661,518
Excess projected benefit obligation over plan assets	(48,521)	(52,543)	(516,183)
Unrecognized actuarial loss	62,845	71,241	668,574
Unrecognized prior service cost	1,879	1,911	19,984
Carrying amount	16,203	20,609	172,375
Prepaid pension expense	27,884	31,458	296,651
Net liability	¥ (11,681)	¥ (10,849)	\$ (124,276)

Note: Certain domestic consolidated subsidiaries adopted a simplified method in the calculation of their retirement benefit obligations.

The components of net periodic benefit costs for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Service cost	¥ 5,192	¥ 5,264	\$ 55,242
Interest cost	5,056	5,009	53,797
Expected return on plan assets	(3,518)	(3,565)	(37,429)
Recognized actuarial loss	9,386	9,262	99,859
Amortization of prior service cost	35	(37)	352
Net periodic benefit costs	16,151	15,933	171,821
Loss on disappearance of pension assets	—	6,987	—
Loss on end of retirement benefits plans	—	1,426	—
Contributory portion to a defined contribution pension plan	1,443	1,275	15,356
Total	¥17,594	¥25,621	\$187,177

Notes: 1. Special additional termination benefits which have not been included in the amounts shown in the preceding table were ¥924 million (\$9,831 thousand) and ¥913 million for the years ended March 31, 2013 and 2012, respectively, and were charged to income as paid.

2. Retirement benefit expenses for domestic consolidated subsidiaries adopting the simplified method are included in "Service cost."

Assumptions used for the years ended March 31, 2013 and 2012 were as follows:

	2013	2012
Discount rates	mainly 2.5%	mainly 2.5%
Expected rates of return on plan assets	mainly 2.5%	mainly 2.5%

The prior service cost is amortized by the straight-line method over the expected remaining working lives of the then-active employee participants.

The actuarial gains and losses are amortized by the straight-line method over the expected remaining working lives of the then-active employee participants from the next period in which they arise, respectively.

## Note 12. Shareholders' Equity

### 1. Shares issued and outstanding / Treasury stock

The Corporation Law of Japan ("the Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

Movements in shares outstanding and treasury stock during the years ended March 31, 2013 and 2012 were as follows:

	Thousands of shares			
	March 31, 2012	Increase in the year	Decrease in the year	March 31, 2013
Shares outstanding:				
Common stock	746,484	—	—	746,484
Total	746,484	—	—	746,484
Treasury stock:				
Common stock	31,888	27	3	31,912
Total	31,888	27	3	31,912

	Thousands of shares			
	March 31, 2011	Increase in the year	Decrease in the year	March 31, 2012
Shares outstanding:				
Common stock	746,484	—	—	746,484
Total	746,484	—	—	746,484
Treasury stock:				
Common stock	31,867	22	1	31,888
Total	31,867	22	1	31,888

The increases of treasury stock were due to purchase of shares of less than one voting unit and the decreases of treasury stock were due to sales of shares at requests of shareholders who own less than one voting unit for the years ended March 31, 2013 and 2012.

### 2. Dividends

#### (1) Dividends paid

For the year ended March 31, 2013

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars (Note 3))	Dividends per share (yen)	Dividends per share (U.S. dollars (Note 3))	Cut-off date	Effective date
Meeting of the Board of Directors on May 24, 2012	Common stock	1,429	15,204	2.0	0.02	March 31, 2012	June 5, 2012
Meeting of the Board of Directors on October 25, 2012	Common stock	1,429	15,204	2.0	0.02	September 30, 2012	December 3, 2012

For the year ended March 31, 2012

Resolution	Type of shares	Total Dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on May 27, 2011	Common stock	1,429	2.0	March 31, 2011	June 7, 2011
Meeting of the Board of Directors on October 27, 2011	Common stock	1,429	2.0	September 30, 2011	December 1, 2011

#### (2) Dividends with the cut-off date in the year ended March 31, 2013 and effective date in the year ending March 31, 2014

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars (Note 3))	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. dollars (Note 3))	Cut-off date	Effective date
Meeting of the Board of Directors on May 23, 2013	Common stock	2,143	22,805	Retained Earnings	3.0	0.03	March 31, 2013	June 4, 2013

Dividends with the cut-off date in the year ended March 31, 2012 and effective date in the year ended March 31, 2013

Resolution	Type of shares	Total dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on May 24, 2012	Common stock	1,429	Retained Earnings	2.0	March 31, 2012	June 5, 2012

## Note 13. Research and Development Costs

Research and development costs charged to income were ¥31,160 million (\$331,492 thousand) and ¥32,247 million for the years ended March 31, 2013 and 2012, respectively.

## Note 14. Selling, General and Administrative Expenses

Major components of Selling, General and Administrative Expenses for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Salaries and wages	¥67,657	¥66,775	\$719,764
Research and development costs	25,747	27,526	273,913

## Note 15. Extraordinary Loss, Net

Extraordinary loss, net, for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Extraordinary income			
Gain on sales of noncurrent assets	¥ 29	¥ 2,081	\$ 310
Gain on sales of investment securities	750	290	7,988
Insurance income	265	—	2,821
Extraordinary loss			
Loss on disposal of noncurrent assets	(404)	(459)	(4,305)
Loss on devaluation of investment securities	(520)	(207)	(5,540)
Impairment loss	(6,446)	—	(68,580)
Loss on liquidation of subsidiaries	(827)	—	(8,805)
Settlement package	(700)	—	(7,447)
Loss on disappearance of pension assets	—	(6,987)	—
Office / Factory integration costs	—	(2,642)	—
Loss on disaster	—	(1,139)	—
Others	(1,244)	(4,143)	(13,215)
Extraordinary Loss, Net	¥(9,097)	¥(13,206)	\$ (96,773)

The Companies recognized a loss on disappearance of pension assets mainly as a deduction from the prepaid pension expense at the amount reasonably estimated for the pension funds expected to have been lost and for the unamortized balance of the actuarial difference based on the judgment that the majority of the pension funds related to a particular investment advisory firm had disappeared.

## Note 16. Impairment Loss

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

For the year ended March 31, 2013, the Companies recognized an impairment loss on the following asset groups:

Description	Location	Classification	Millions of yen	Thousands of U.S. dollars (Note 3)
Business assets (Solar cells business)	Kumamoto prefecture	Leased assets, buildings, land and other assets	¥6,164	\$65,582
Idle assets and assets to be disposed	Yamanashi prefecture and four others	Leased assets and other assets	282	2,998

The Companies recognized an impairment loss up to the recoverable amount of idle assets and assets to be disposed as they are not expected to be used, and business assets for solar cells business as a result of reconsidering the future plan based on the current business environment.

The impairment loss consisted of ¥3,135 million (\$33,350 thousand) for leased assets, ¥1,457 million (\$15,500 thousand) for buildings and structures and ¥1,854 million (\$19,730 thousand) for other assets.

The recoverable amount of the above assets was measured by the net realizable value or the value in use. The net realizable value was measured nil related to those of which selling or diversion was deemed difficult. The value in use was calculated by discounting future cash flows at a rate of 5.0%.

## Note 17. Income Taxes

The components of income taxes for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Current	¥ 5,725	¥ 3,950	\$ 60,908
Deferred	(17,152)	(11,847)	(182,468)
Income Taxes	¥(11,427)	¥ (7,897)	\$(121,560)

The Company and its domestic consolidated subsidiaries are subject to corporate income tax, prefectural and municipal inhabitants' taxes and enterprise tax, based on income.

The significant components of deferred tax assets and liabilities as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Deferred tax assets			
Employees' retirement benefits	¥ 24,311	¥ 24,271	\$ 258,637
The investment deduction of the foreign consolidated subsidiaries	19,414	17,811	206,542
Tax loss carryforwards	9,653	15,453	102,692
Investment securities	8,443	8,390	89,827
Accrued employees' bonuses	6,640	6,208	70,640
Tangible fixed assets	5,850	3,795	62,235
Inventories	4,582	4,587	48,749
Other	7,604	8,427	80,861
Gross deferred tax assets	86,497	88,942	920,183
Less: Valuation allowance	(32,905)	(49,192)	(350,052)
Total deferred tax assets	53,592	39,750	570,131
Deferred tax liabilities			
Gain on securities contribution to employee retirement benefit trust	(20,853)	(22,279)	(221,841)
Unrealized gain on other securities	(11,458)	(11,197)	(121,894)
Investment securities	(5,718)	(7,385)	(60,839)
Other	(761)	(1,251)	(8,095)
Gross deferred tax liabilities	(38,790)	(42,112)	(412,669)
Net deferred tax assets (liabilities)	¥ 14,802	¥ (2,362)	\$ 157,462

The reconciliation between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2013 and 2012 was as follows:

	2013	2012
Statutory income tax rate	38.0%	40.7%
Valuation allowance	(97.4)	(155.2)
Permanent difference resulting from non-taxable income, including dividends received	(10.0)	(28.3)
Tax rate difference of overseas consolidated subsidiaries	(3.6)	(13.8)
Tax credits	(3.3)	(0.5)
Decrease in deferred tax liabilities due to the revision of statutory tax rate	—	(8.7)
Permanent difference resulting from expenses not deductible for income tax purposes	5.1	19.5
Foreign taxes	2.2	(0.0)
Other	0.2	(1.4)
Effective income tax rate	(68.8)%	(147.7)%



## Note 18. Consolidated Statements of Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Valuation difference on available-for-sale securities:			
Amount arising during this year	¥1,864	¥(4,727)	\$19,834
Reclassification adjustments	42	(67)	447
Before tax effect	1,906	(4,794)	20,281
Tax effect	(352)	3,709	(3,745)
Valuation difference on available-for-sale securities	1,554	(1,085)	16,536
Deferred gains or losses on hedges:			
Amount arising during this year	(26)	(200)	(277)
Asset acquisition cost adjustments	23	60	240
Before tax effect	(3)	(140)	(37)
Tax effect	1	54	14
Deferred gains or losses on hedges	(2)	(86)	(23)
Foreign currency translation adjustments:			
Amount arising during this year	5,762	320	61,294
Reclassification adjustments	—	50	0
Before tax effect	5,762	370	61,294
Tax effect	—	—	—
Foreign currency translation adjustments	5,762	370	61,294
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during this year	35	34	373
Total Other Comprehensive Income (Loss)	¥7,349	¥ (767)	\$78,180

## Note 19. Supplementary Cash Flow Information

The summary of assets acquired and liabilities assumed through the acquisition of shares of Fuji Electric Tsugaru Semiconductor Co., Ltd. for the year ended March 31, 2013, related acquisition costs and net disbursement consisted of the following:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2013	2013
Current Assets	¥ 763	\$ 8,120
Fixed Assets	4,071	43,314
Goodwill	279	2,976
Current Liabilities	(9)	(97)
Long-term Liabilities	(1,280)	(13,626)
Acquisition Value of Shares	3,824	40,687
Cash and Cash Equivalents	(1)	(11)
Net Disbursement due to the Share Acquisition	3,823	40,676

Related to the merger with Fuji Electric T&D Succession Co., Ltd., the summary of assets and liabilities succeeded for the year ended March 31, 2013 consisted of the following:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2013	2013
Current Assets	¥ 9,585	\$101,969
Fixed Assets	12,286	130,704
Total Assets	21,871	232,673
Current Liabilities	13,851	147,357
Long-term Liabilities	1,846	19,636
Total Liabilities	15,697	166,993

## Note 20. Contingent Liabilities

Contingent liabilities as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Guarantees	<b>¥3,584</b>	¥3,445	<b>\$38,132</b>

## Note 21. Leases

1. Finance leases other than those that were deemed to transfer the ownership of the leased assets to the lessees and contracted before April 1, 2008 are accounted for by the method that is applicable to ordinary operating leases.

Pro forma information of those leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, lease expense, depreciation expense, interest expense and impairment loss on an "as if capitalized" basis for the years ended March 31, 2013 and 2012 were as follows:

Acquisition cost, accumulated depreciation and accumulated impairment loss under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
	Machinery and equipment	Machinery and equipment	Machinery and equipment
Acquisition cost	<b>¥11,598</b>	¥35,131	<b>\$123,391</b>
Accumulated depreciation	<b>8,030</b>	26,387	<b>85,426</b>
Accumulated impairment loss	<b>1,132</b>	114	<b>12,049</b>
Net leased property	<b>¥ 2,436</b>	¥ 8,630	<b>\$ 25,916</b>

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Due within one year	<b>¥2,462</b>	¥4,407	<b>\$26,194</b>
Due after one year	<b>1,650</b>	5,008	<b>17,554</b>
Total	<b>¥4,112</b>	¥9,415	<b>\$43,748</b>

Lease expense, reversal of accumulated impairment loss on leased assets, depreciation expense, interest expense and impairment loss under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Lease expense	<b>¥3,696</b>	¥8,488	<b>\$39,327</b>
Reversal of accumulated impairment loss on leased assets	<b>113</b>	528	<b>1,209</b>
Depreciation expense	<b>3,518</b>	7,777	<b>37,431</b>
Interest expense	<b>131</b>	299	<b>1,402</b>
Impairment loss	<b>1,132</b>	—	<b>12,049</b>

2. The minimum rental commitments under noncancellable operating leases as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Due within one year	<b>¥ 831</b>	¥ 831	<b>\$ 8,845</b>
Due after one year	<b>416</b>	1,247	<b>4,423</b>
Total	<b>¥1,247</b>	¥2,078	<b>\$13,268</b>

## Note 22. Segment Information

### 1. Segment information

#### (1) Outline of reporting segments

The Companies' reporting segments are components for which separate financial information is available and whose operating results are reviewed regularly by the board of directors of the Company in order to make decisions about resource allocation and to assess performance. The Company has business headquarters by products and services at its head office. The business headquarters prepare comprehensively global strategies related to their products and services and control their business activities. Accordingly, the Companies have five reporting segments, principally based on the business headquarters, that take into account the similarity of category and nature of products and services: Power and Social

Infrastructure, Industrial Infrastructure, Power Electronics, Electronic Devices and Food and Beverage Distribution. These segments consist of 2 or more business segments.

As of April 1, 2012, the Companies reclassified the reporting segments from the existing seven reporting segments of Energy, Industrial Systems, Social Systems, Power Electronics, Electronic Devices, ED&C Components and Vending Machines to the five reporting segments described above along with the change of the Companies' organization structure. The reporting segment information for the year ended March 31, 2012 has been reclassified to reflect this change.

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

Reporting segments	Main products and services
Power and Social Infrastructure	Thermal/geothermal/hydroelectric power generation, nuclear power-related equipment, energy management systems, substation equipments, watt-hour meters, radiation monitoring systems, transport systems
Industrial Infrastructure	Industrial drive systems, plant control systems, measurement instruments, industrial power supplies, power receiving and distribution substation equipment for industry
Power Electronics	Inverters/servo systems, motors, EV systems, uninterruptible power supply systems (UPSs), power conditioners (PCSs), power distribution and control equipment
Electronic Devices	Power semiconductors, photoconductive drums, solar cells, magnetic disks
Food and Beverage Distribution	Food and beverage vending machines, retail distribution systems, showcases, currency handling equipment

#### (2) Calculation method of net sales, profit or loss, assets, liabilities and other items on each reporting segment

The accounting policies applied by each reporting segment are consistent with those described in Note 2. "Summary of Significant

Accounting Policies." Segment profit or loss presented in segment information is calculated based on operating income in the consolidated statements of income. Intersegment sales and transfer are determined by market value.

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

Reporting segment information as of March 31, 2013 and 2012 and for the years then ended were as follows:

Year ended March 31, 2013	Millions of yen							Total	Adjustments	Consolidated
	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others				
<b>Sales, profits or losses and assets by reporting segments</b>										
Net Sales										
Sales to third parties	¥197,488	¥112,397	¥133,831	¥110,584	¥111,891	¥ 79,590	¥745,781	¥ —	¥745,781	
Inter-segment sales and transfers	1,372	3,232	7,818	3,007	195	37,302	52,926	(52,926)	—	
Total sales	198,860	115,629	141,649	113,591	112,086	116,892	798,707	(52,926)	745,781	
Segment profits (losses)	¥ 11,631	¥ 5,042	¥ 2,601	¥ (1,416)	¥ 6,423	¥ 2,880	¥ 27,161	¥ (5,169)	¥ 21,992	
Segment assets	¥154,625	¥ 90,483	¥118,088	¥160,771	¥ 64,421	¥ 62,236	¥650,624	¥114,939	¥765,563	
<b>Other items</b>										
Depreciation and amortization	¥ 2,602	¥ 1,664	¥ 3,675	¥ 18,661	¥ 2,613	¥ 1,026	¥ 30,241	¥ 813	¥ 31,054	
Investments for companies applied equity method	¥ 13,946	¥ 70	¥ —	¥ —	¥ —	¥ 541	¥ 14,558	¥ —	¥ 14,558	
Capital expenditures	¥ 3,167	¥ 2,812	¥ 7,161	¥ 8,515	¥ 2,750	¥ 792	¥ 25,197	¥ 947	¥ 26,144	

Year ended March 31, 2012	Millions of yen							Total	Adjustments	Consolidated
	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others				
<b>Sales, profits or losses and assets by reporting segments</b>										
Net Sales										
Sales to third parties	¥154,356	¥106,674	¥142,745	¥109,799	¥115,354	¥ 74,606	¥703,534	¥	—	¥703,534
Inter-segment sales and transfers	2,247	3,820	8,081	2,436	108	37,962	54,654		(54,654)	—
Total sales	156,603	110,494	150,826	112,235	115,462	112,568	758,188		(54,654)	703,534
Segment profits (losses)	¥ 12,019	¥ 4,385	¥ 3,778	¥ (207)	¥ 2,262	¥ 2,639	¥ 24,876	¥	(5,624)	¥ 19,252
Segment assets	¥170,136	¥ 82,410	¥114,334	¥159,191	¥ 73,643	¥ 55,660	¥655,374	¥	¥137,474	¥792,848
<b>Other items</b>										
Depreciation and amortization	¥ 2,493	¥ 1,165	¥ 3,668	¥ 18,274	¥ 2,406	¥ 1,141	¥ 29,147	¥	608	¥ 29,755
Investments for companies applied equity method	¥ 11,742	¥ 10,881	¥ —	¥ —	¥ —	¥ 496	¥ 23,119	¥	—	¥ 23,119
Capital expenditures	¥ 2,387	¥ 1,971	¥ 4,775	¥ 13,022	¥ 2,339	¥ 865	¥ 25,359	¥	1,466	¥ 26,825

Year ended March 31, 2013	Thousands of U.S. dollars (Note 3)							Total	Adjustments	Consolidated
	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others				
<b>Sales, profits or losses and assets by reporting segments</b>										
Net Sales										
Sales to third parties	\$2,100,938	\$1,195,722	\$1,423,737	\$1,176,426	\$1,190,335	\$ 846,683	\$7,933,841	\$	—	\$7,933,841
Inter-segment sales and transfers	14,596	34,379	83,169	31,997	2,078	396,828	563,047		(563,047)	—
Total sales	2,115,534	1,230,101	1,506,906	1,208,423	1,192,413	1,243,511	8,496,888		(563,047)	7,933,841
Segment profits (losses)	\$ 123,735	\$ 53,639	\$ 27,672	\$ (15,073)	\$ 68,336	\$ 30,639	\$ 288,948	\$	(54,981)	\$ 233,967
Segment assets	\$1,644,951	\$ 962,588	\$1,256,262	\$1,710,340	\$ 685,333	\$ 662,067	\$6,921,541	\$	\$1,222,755	\$8,144,296
<b>Other items</b>										
Depreciation and amortization	\$ 27,689	\$ 17,710	\$ 39,101	\$ 198,524	\$ 27,799	\$ 10,898	\$ 321,721	\$	8,649	\$ 330,370
Investments for companies applied equity method	\$ 148,366	\$ 750	\$ —	\$ —	\$ —	\$ 5,765	\$ 154,881	\$	—	\$ 154,881
Capital expenditures	\$ 33,695	\$ 29,917	\$ 76,181	\$ 90,592	\$ 29,263	\$ 8,407	\$ 268,055	\$	10,073	\$ 278,128

Notes: 1. Others segment consisted of business segments not attributable to reporting segments and included electrical equipment installation work, water supply/drainage installation work, financial services, real estate operations, insurance agency services, travel agency services, printing and information services, and etc.

2. The adjustments for segment information above were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Corporate expense*	¥(5,581)	¥(5,815)	\$(59,378)
Elimination of intersegment sales	412	191	4,397
Total	¥(5,169)	¥(5,624)	\$(54,981)

\* Corporate expense mainly consisted of administration costs of the Company

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Corporate assets*	¥ 230,387	¥ 289,837	\$ 2,450,934
Elimination of intersegment transactions	(115,448)	(152,363)	(1,228,179)
Total	¥ 114,939	¥ 137,474	\$ 1,222,755

\* Corporate assets mainly consisted of invested cash surpluses (cash and cash equivalents), long-term invested assets (investment securities), assets relating to administration department and assets of financing subsidiary company.

3. Segment profits (losses) were reconciled to operating income (loss) in the consolidated statements of income.

## 2. Related information

Related information as of March 31, 2013 and 2012 and for the years then ended were as follows:

### Geographic information

#### (a) Sales

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Japan	¥567,314	¥525,096	\$6,035,257
Asia (except for China), Others	95,782	97,598	1,018,928
China	54,553	54,807	580,361
Europe	14,355	14,455	152,722
America	13,777	11,578	146,573
Consolidated	¥745,781	¥703,534	\$7,933,841

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

#### (b) Tangible fixed assets

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Japan	¥121,878	¥113,166	\$1,296,582
Asia (except for China), Others	34,742	35,826	369,571
China	11,394	9,142	121,218
Europe	299	200	3,186
America	129	105	1,380
Consolidated	¥168,442	¥158,439	\$1,791,937

### 3. Information on impairment loss of fixed assets by each reporting segment

Information on loss on impairment of fixed assets by each reporting segment for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Industrial Infrastructure	¥ 0	¥—	\$ 10
Power Electronics	5	—	63
Electronic Devices	6,408	—	68,172
Others	33	—	335
Consolidated	¥6,446	¥—	\$68,580

### 4. Information on amortization of goodwill and unamortized balance by each reporting segment

Information on amortization of goodwill and unamortized balance by each reporting segment has not been disclosed because it does not have significant impact on the consolidated financial statements.

### 5. Information on gain on negative goodwill by each reporting segment

None

## Note 23. Information on Transactions with Related Parties

### Note to a significant affiliate

Summarized financial information of a significant affiliate

METAWATER Co., Ltd. was a significant affiliate for the years ended March 31, 2013 and 2012, and its summarized financial information were as follows:

METAWATER Co., Ltd.	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Total Current Assets	¥69,454	¥64,583	\$ 738,879
Total Fixed Assets	10,667	9,351	113,482
Total Current Liabilities	43,892	40,477	466,936
Total Long-term Liabilities	1,957	2,025	20,829
Total Net Assets	34,272	31,432	364,596
Net Sales	96,733	92,778	1,029,085
Income Before Income Taxes and Minority Interests	7,696	7,472	81,879
Net Income	4,737	4,256	50,401

## Note 24. Business Combinations

For the year ended March 31, 2013

### I. Transactions under common control

#### 1. Summary of transactions

##### (1) Name and business lines of absorbed company

Name: Fuji Electric T&D Succession Co., Ltd. ("T&D Succession")

Business lines: Preparation and other relevant activities relating to the acquisition of certain businesses from Japan AE Power Systems Corporation ("AE Power") by the Company in accordance with the final agreement on the dissolution of their joint venture in the power transmission and distribution ("T&D") field by the Company, Hitachi, Ltd. ("Hitachi") and Meidensha Corporation ("Meiden").

##### (2) Date of business combination

April 1, 2012

##### (3) Legal form of business combination

This was an absorption merger, whereby Fuji Electric Co., Ltd. was the surviving company and T&D Succession was the dissolving company.

##### (4) Name of company after business combination

Fuji Electric Co., Ltd.

##### (5) Other information

AE Power, the joint venture by joint contribution of the Company, Hitachi and Meiden was established on July 1, 2001 by the consolidation of the three companies' T&D businesses and has been developing its business globally. In recent years, the market for these T&D systems has seen growing demand, particularly from emerging markets. Going forward, higher growth rate is expected by the progress of the smart energy in social infrastructure and the industrial field, such as the use of the renewable energy resources and the smart grid.

Under such circumstance, the parties had the discussions on the AE Power growth strategy taking into account various factors and they came to reach a same conclusion that there was a need to fundamentally review its growth strategy. The parties recently reached a basic framework agreement that the parties would dissolve AE Power for a better organization and they would rebuild and explore the growth of T&D business in each company level.

On December 26, 2011, the parties reached a final agreement and determined the merger method that T&D Succession, a wholly owned subsidiary of the Company, would succeed the part of AE Power's business, then, on the same day, the Company would merge T&D Succession.

## 2. Accounting method

This merger was treated as a transaction under common control based on “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 issued on December 26, 2008) and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 issued on December 26, 2008).

## II. Transactions under common control

### 1. Summary of transactions

#### (1) Name and business lines of absorbed company

Name: Fuji Electric Retail Systems Co., Ltd. (“FRS”)

Business lines: Development, manufacturing, sales and services of vending machines.

#### (2) Date of business combination

October 1, 2012

#### (3) Legal form of business combination

This was an absorption merger, whereby Fuji Electric Co., Ltd. was the surviving company and FRS was the dissolving company.

#### (4) Name of company after business combination

Fuji Electric Co., Ltd.

#### (5) Other information

The merger was decided with the goal of strengthening systems for expanding energy-related businesses. This would be accomplished by combining the Company’s power electronics and other energy-saving equipment with FRS’s cooling and heating technologies as well as other basic technologies.

## 2. Accounting method

This merger was treated as a transaction under common control based on “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 issued on December 26, 2008) and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 issued on December 26, 2008).

## Note 25. Asset Retirement Obligations

### Asset retirement obligations recorded on the consolidated balance sheets

#### 1. Outline of asset retirement obligations

The Companies record asset retirement obligations related to the expenses to remove asbestos from company-owned buildings upon their dismantlement and the obligations to restore head offices, sales offices and other premises to their original condition upon termination of their lease contracts.

Regarding some of the obligations to restore head offices, sales offices and other premises to their original condition, the Companies estimate nonrecoverable amounts of deposits for those premises and record the portion attributable to the current year as expenses, instead of recording asset retirement obligations.

#### 2. Calculation method of asset retirement obligations

In calculating the amounts of asset retirement obligations, the Companies estimate a period of use between 7 and 49 years and use a discount rate equivalent to the interest rate of government bonds corresponding to the use period (0.4% to 2.3%).

#### 3. Changes in the total amounts of asset retirement obligations

Changes in the total amounts of asset retirement obligations for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Balance at beginning of year	¥2,293	¥2,315	\$24,398
Increase due to change in scope of consolidation	19	—	211
Increase due to acquisition of property, plant and equipment	68	13	733
Adjustment due to passage of time	8	7	94
Decrease due to fulfillment of obligations	(18)	(42)	(213)
Balance at end of year	¥2,370	¥2,293	\$25,223

## Note 26. Subsequent Events

### For the year ended March 31, 2013

None



# Independent Auditor's Report

**Ernst & Young ShinNihon LLC**

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The Board of Directors

Fuji Electric Co., Ltd.

We have audited the accompanying consolidated financial statements of Fuji Electric Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fuji Electric Co., Ltd. and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

**Convenience Translation**

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.



June 25, 2013

Tokyo, Japan



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

**FE Fuji Electric Co., Ltd.**

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